

# **Finance Committee Summary Engagement Report**

## Welsh Government Draft Budget 2023-24

July 2022



The Welsh Parliament is the democratically elected body that represents the interests of Wales and its people. Commonly known as the Senedd, it makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

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## Welsh Government Draft Budget 2023-24

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# About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:  
[www.senedd.wales/SeneddFinance](http://www.senedd.wales/SeneddFinance)

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Current Committee membership:



**Committee Chair:**  
**Peredur Owen Griffiths MS**  
Plaid Cymru



**Peter Fox MS**  
Welsh Conservatives



**Mike Hedges MS**  
Welsh Labour



**Rhianon Passmore MS**  
Welsh Labour

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## Chair's foreword

Later this year, the Welsh Government will publish its Draft Budget of approximately £21 billion for the next financial year, from 1 April 2023 to 31 March 2024. This money will fund vital public services in Wales.

The financial climate in Wales is facing a challenging road ahead. There will be significant pressures in responding to economic difficulties; the on-going effects of climate change and the impact of Brexit. We are still dealing with the impact of COVID-19, with unprecedented pressures on key public services as they try to recover from the pandemic.

We are also in the middle of a cost of living crisis, with a squeeze on income. The poorest households, are bearing the brunt of this, with inflation at its highest rate for 40 years and soaring energy costs.

It has been more important than ever for the Committee to engage and listen to stakeholders and the general public across Wales about where the Welsh Government should be prioritising its spending. We are very grateful to all those who have contributed to this work, through our engagement activities.

You may ask *Why has this work been undertaken before the Draft Budget has been published?* The reason for this is to allow us the best opportunity to influence the Welsh Government's thinking before it formulates the Draft Budget for 2023-24. The Committee will lead a Plenary debate in the Siambr on 13 July 2022 where we will bring to the attention of the Minister for Finance and Local Government, Rebecca Evans MS (the Minister responsible for the budget), the views and concerns that have been raised during our engagement work, which are reflected in this summary report.

As Chair, it was a pleasure and a privilege to hear from people who are directly affected by the Welsh Government's spending plans. Engagement is a priority for me and this won't be the last time we will be seeking views. There will be further opportunities for organisations and individuals to engage with us on the Welsh Government Draft Budget 2023-24. We intend to issue a written consultation, followed by oral evidence sessions with key stakeholders and the Minister in the autumn, once the Draft Budget is available.

We always like to hear from you so if you are interested please contact [SeneddFinance@Senedd.Wales](mailto:SeneddFinance@Senedd.Wales) for further information.



Peredur Owen Griffiths, Chair of the Finance Committee

# 1. Introduction

- 1.** The Finance Committee (the Committee) is responsible for scrutinising the Welsh Government Draft Budget (the Draft Budget). The Draft Budget is normally published in the autumn. The Draft Budget for the next financial year 2023-2024 is expected to be around £21 billion. This is made up of funding from the UK Government through the Welsh block grant and money raised through Welsh taxes<sup>1</sup>.
- 2.** Prior to the publication of the Draft Budget, the Committee undertakes public engagement with interested stakeholders and individuals to comment on expected draft budget proposals, as well as the Welsh Government's strategic approach to setting the budget and prioritising resources.
- 3.** The information gathered during its public engagement forms the basis for a Plenary debate, led by the Committee on the *Welsh Government's Spending Priorities*. This type of debate was introduced by the Committee (with the agreement of the Business Committee) to ensure the Senedd had a formal opportunity to debate and influence the Welsh Government's spending priorities prior to formulation of the Draft Budget. Our engagement work will also inform the Senedd's scrutiny of the Draft Budget in the autumn, enabling the Committee to hold the Welsh Government's spending decisions to account in line with the views and priorities of the Welsh public.
- 4.** The Plenary debate on the Welsh Government's Spending Priorities will take place on 13 July 2022. The Minister for Finance and Local Government (the Minister), Rebecca Evans MS, will respond to the debate.
- 5.** This year the Committee's public engagement strategy consisted of the following:
  - an external stakeholder event at Llanhilleth Miners Institute;
  - an online workshop with members of the Welsh Youth Parliament; and
  - focus groups with organisations and individuals facilitated by the Senedd's Citizens Engagement team.
- 6.** The Committee would like to thank everyone that has contributed to its work.

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<sup>1</sup> Welsh Taxes include: Welsh Rates of Income Tax, non-domestic rates, Land Transaction Tax, Land Disposal Tax

## 2. Stakeholder Event

7. The Stakeholder Event took place on 15 June 2022 at the Llanhilleth Miners Institute, Abertillery.
8. Members of the Finance Committee<sup>2</sup> were joined by Alun Davies MS, the Member for Blaenau Gwent.
9. A targeted invitation was issued to previous stakeholder attendees and respondents to the Committee's latest Draft Budget consultation. 24 organisations participated in the event from a wide range of sectors. A list of organisations that participated is at Annexe A.



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<sup>2</sup> Rhianon Passmore MS was unable to attend

## Summary of the discussions

**10.** Stakeholders raised the following issues which have been summarised under seven thematic sub-headings which were identified as main priorities:

### Cost of living crisis

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**11.** The cost of living crisis was a major theme across all discussions. With inflation at its highest rate for 40 years and energy bills soaring, stakeholders were keen to share their thoughts on what the Welsh Government should do to help people cope with the impact of rising prices.

- Stakeholders noted in general that it was “costing more to do the same” and that they “do not know how to handle rising costs”.
- Brexit and the war in Ukraine were also noted as contributory factors to higher costs.
- A number of local authorities plan on conducting analysis into the rising costs, but it is anticipated that costs may have risen by at least 30 per cent across the board. Local authorities also suggested that the rate of inflation is causing uncertainties when it comes to investing. One stakeholder commented that there are “likely to be unpalatable choices ahead” for the Welsh Government and service providers.
- A number of stakeholders noted existing Welsh Government schemes to help those with the cost of living crisis, but felt that this support was not reaching certain sectors, particularly unpaid carers. Child minders who work in their own homes are facing issues with increasing energy and food bills were also mentioned.
- Stakeholders mentioned that the cost of living crisis is worse in rural areas due to transport links and lack of access to public services.
- Stakeholders indicated that they would like to see more information in the next budget on how policy commitments made as part of the Co-operation Agreement between Labour and Plaid, such as the provision of free school meals and free childcare, will be funded.

### Long-term sustainability of public services

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**12.** Issues of long-term sustainability of the NHS, social care, further and higher education, local government and other public services were also a prominent part of discussions. Stakeholders were particularly interested in how these services can make efficiencies and transform service delivery. Innovative suggestions as to how issues could be addressed by the Welsh Government were also made:

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- Several stakeholders agreed that sustainability and affordability of services is crucial to reducing health inequalities and in mitigating the impact of inflation, the extent of which is currently not known.
- Local authority staffing and retention challenges were highlighted, with some stakeholders suggesting that higher rates pay and better terms and conditions in health and social care means that local government staff are being lost to the NHS.
- Stakeholders commented that staff costs would be a significant challenge for local authorities and the third sector with salary increases and inflation putting a further squeeze on budgets.
- One stakeholder highlighted that third sector organisations are competing for a smaller pot of funding due to the pandemic. There is a concern that self-advocacy groups could be pushed out so there could be a need for more funding in this area.
- Stakeholders agreed that health and social care services are under huge pressures, and that clearing NHS waiting lists remains a significant obstacle.
- Also front-line delivery services such as foodbanks are stretched to capacity.
- A stakeholder mentioned there could be more targeted funding for discretionary funds which can alleviate pressures on front-line delivery.
- A number of stakeholders commented on the real-term cuts in capital funding and its impact on service delivery and that hospital and school buildings in particular are in need of urgent investment.
- There was real concern that young carers feel left behind and marginalised, and need much better recognition. The establishment of a self-identifiable carers register was mentioned as a way of addressing this issue.
- Several stakeholders mentioned that public services in Wales should make use of data to analyse systems so that they become joined-up and more effective. The Welsh Government should consider supporting the legality of sharing data and unlocking with social care services to achieve this aim.
- A number of stakeholders emphasised that the Welsh Government needs to develop a workforce strategy to ensure resilient public services and to address structural issues and to avoid burnout and sickness amongst public sector workers.

- Stakeholders would also like to see a more cohesive workforce plan to ensure long-term programmes such as the winter support programme are appropriately resourced.
- There was mention that funding in areas such as transport was lacking outside south Wales. This has led to people living in north and mid Wales having issues accessing public services.

## **Responding to climate and nature emergencies**

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**13.** Discussions focused on the clarity of plans to move to a greener economy, and whether sufficient investment is being made by the Welsh Government to tackle climate change and its impacts.

- Stakeholders welcomed the declaration of a “nature emergency” and acknowledged that nature and climate are sometimes decoupled. It was largely agreed that nature should be taken into account when making decisions about spending priorities, adding that “stability of green funding is crucial to make it a success”.
- Some stakeholders wanted the Welsh Government to “put their money where their mouth is” on tackling the climate and nature emergencies.
- Some stakeholders noted the lack of progress in marine recovery, and wanted to see this implemented and escalated.
- Stakeholders commented on the efficiencies and benefits of cross-portfolio working, especially in developing employment in services that supports a greener economy. One stakeholder mentioned the potential to establish a National Nature Service, designed to create jobs and tackle the ongoing nature and climate emergencies.
- The question of what progress looks like in terms of decarbonisation was raised, with the conclusion that the Welsh Government should be responsible for tracking and reporting on their progress on at least an annual basis.
- One stakeholder commented that decarbonisation and reaching net zero targets is crucial but “it doesn’t come cheap” and that dedicated funding to support net zero targets in certain services, such as the ambulance service, has virtually disappeared over the past few years.

- Stakeholders felt that all government departments need to demonstrate efficiencies, value for money, increased shift to preventative investment and contribute to the decarbonisation and progression to net zero.
- One stakeholder suggested that there needs to be joined up thinking regarding access to outdoors, nature and green spaces, linked to investment, in order to ensure that everyone has access to nature and the outdoors.
- It was noted that caring and working from home is greener than office working and presents environmental and economic benefits, particularly within local communities.
- One stakeholder mentioned the need to address potential skills gaps to ensure the Welsh workforce is capable of developing and installing green technology such as the replacement of gas boilers with heat pumps.
- A stakeholder commented that farming can be part of the solution to nature and climate crises and that the Basic Payment Scheme needs to particularly target active farmers rather than landowners.

## **Tackling poverty and housing**

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**14.** Stakeholders discussed the current support provided by the Welsh Government to tackle inequality and poverty, especially given the high proportion of people living in relative income poverty in Wales. The impact of the cost of living crisis on homelessness and the provision of affordable housing was also raised:

- According to one stakeholder, “homelessness has been a huge challenge” and a £1 million funding gap in homelessness was noted.
- Stakeholders commented on the massive increase in second home ownership, which has resulted in empty streets during the winter months in some communities. It was suggested there could be a need for enforceable, life-time covenants to protect against second home ownership.
- It was highlighted that unpaid carers are living in poverty and urgently need targeted assistance.
- One stakeholder suggested that the Welsh Government should invest in programmes to make communities “digitally literate” so that support and services designed to tackle poverty can be accessed locally and at the point of need.

## **Economy and infrastructure**

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**15.** Stakeholders were unconvinced that the right schemes are being prioritised by the Welsh Government to support businesses and the economy, and there was confusion amongst stakeholders regarding post-EU funding arrangements.

- Stakeholders noted that local authorities were uncertain how post-EU funding will be allocated; how the Shared Prosperity Fund will develop and how effective it will be.
- Stakeholders raised concerns regarding the impact that the relationship between the Welsh and UK Governments is having on the allocation of post-EU funding.
- It was noted that Cardiff, Swansea and Welsh Wales regional deals have worked well and in some cases have resulted in high paid jobs.
- Some local authorities highlighted the potential problem of reductions in bus services, and the impact this may have on local communities.
- Additionally, it was suggested that the leisure industry is still recovering from austerity, and there is a possibility for local authorities to work collaboratively by sharing their leisure facilities.
- One attendee noted that libraries are a social centre for the elderly, but they are struggling with staff costs, particularly as user numbers reduce. One stakeholder mentioned the need for more funding in Research and Development for Universities to attract higher skilled jobs and investment to Wales. It was noted that Wales is not “making the most of medical research because Welsh Government funding is too low to unlock the potential”.
- Stakeholders mentioned the potential of establishing Centres of Excellence across Wales to attract higher skilled jobs.

## **Children and young people**

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**16.** Questions were raised over the funding being provided by the Welsh Government to support children and young people whose education, development, mental health and well-being has been affected by the pandemic. Many stakeholders agreed that this funding is simply not sufficient, and that more should be done to ensure it is appropriately directed to those who need it most.

- The impact that the pandemic has had on the education of young people is alarming and the Welsh Government should be looking to invest effectively in this area.
- Positive comments relating to school holiday enrichment programmes with stakeholders hoping to see funding continue for such initiatives.
- Some commented on the issue of rurality. Some areas of Wales are served by a large number of small, rural schools and merging or closing schools would likely be a large saving for some councils.
- Transport costs for children have increased exponentially.
- Childcare is unaffordable for a lot of people, but a move to hybrid working may help this issue for some people.
- One stakeholder noted the lack of maintenance budget for playparks.
- A stakeholder focused on the impact the pandemic has had on students in Higher Education and would like to see targeted investment to implement robust mental health plans across all Welsh Universities.
- The need to invest in apprenticeships was also a key area for stakeholders who felt these were an effective alternative route into education.
- Stakeholders raised concerns about the impact of the pandemic on the basic skills of learners such as numeracy and literacy who are finishing compulsory education. It was suggested the Budget could focus on lifelong learning to reengage these learners in education.

## **Taxation**

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**17.** Stakeholders made a number of comments regarding how the Welsh Government should use its tax raising and borrowing powers.

- The introduction of a vacant land tax was discussed, with some local authorities uncertain about how much revenue this potential tax will raise. Discussions also focused on whether the tax would be centralised or operated locally.
- There was some confusion regarding the tourism levy with stakeholders noting that local authorities are not sure how long the Welsh Government has been looking into

its introduction. One stakeholder noted that their local authority settlement does not cover the cost of tourists.

- Workplace taxes on car parking was noted as a potential revenue opportunity. Further taxation on large corporate businesses was also discussed. However, there is a fear that if this was implemented then companies could move outside of Wales.
- In terms of council tax, potential revaluations were raised as a way to address issues relating to second homes. It was noted that the Welsh Government's timescales to implement the policy are far too ambitious and that more time is needed.

### 3. Workshop with Welsh Youth Parliament Members

**18.** In October 2016, the Senedd voted to set up a dedicated Welsh Youth Parliament. The Youth Parliament is made up of 60 members, aged between 11 – 18 years old and their term is for two years.

**19.** The current Welsh Youth Parliament (the WYP) is for 2021-23. The Members have chosen their three key topics which are:

- climate and the environment;
- education and the school curriculum; and
- our mental health and wellbeing.

**20.** Members of the WYP were invited to participate in a workshop to discuss where the Welsh Government should be prioritising spending in the next financial year (2023-2024).

**21.** Six Members of the WYP attended the workshop on Thursday, 23 June 2022, to discuss their views and concerns with Members of the Finance Committee:

- Fatmanur Aksoy, Newport East
- Ruben Kelman, Cardiff North
- Ella Kenny, Swansea East
- Rosemary Squires, Swansea West
- Ffion Williams, Cardiff West
- Harriet Wright-Nicholas, Caerphilly

#### Summary of the discussions

**22.** WYP Members were asked to choose up to three areas where they think the Welsh Government should prioritise funding in the next year and if the Welsh Government was going to increase spending in these areas, where should spending be cut.

**23.** There were mixed views from WYP Members on areas that should have increased spending and where spending should be cut. WYP Members recognised that, whilst it is very difficult

to retract funding from areas, such decisions are required to be made by the Welsh Government in order to prioritise areas of real need.

## **Areas that WYP Members agreed spending should be prioritised**

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### **Health and Social Care**

**24.** There was a general consensus that Health and Social Care should be a key priority for the Welsh Government. The pandemic has exacerbated the strain on health and social services and there is a need for post-pandemic recovery to reduce waiting times, ambulance waiting times and improve the standard of services provided. WYP Members felt that improved health services, would lead to a healthy workforce which creates a stronger economy. There also needs to be a particular focus on increasing funding to support mental health provision.

### **Children and Young People / Education / Transport**

**25.** Some WYP Members felt that they are seeing a decline in the provision of services for young people, with the closure youth centres cited as an example . It was also noted that school buildings are in a state of disrepair and that more funding should be directed at post-16 education.

**26.** In addition, WYP Members felt that more provisions for young people are needed to combat anti-social behaviour and to develop social skills that have been affected after the pandemic. There was a feeling that young people are disconnected from all governments and political institutions which has been demonstrated by the lower turnout by young people in recent elections. WYP Members suggested that politics needs to be more accessible to young people and that, if more provisions are put in place to enable young people to meet and discuss issues with each other and politicians, then this will help bridge the gap between them.

**27.** There was general agreement that more needs to be done to reduce the cost of public transport for young people, with 16 and 17 year olds paying the same price as adults even if they are in full time education. The Scottish Young Persons' Free Bus Travel was cited as a policy that young people would welcome in Wales.

**28.** WYP Members also felt that transport should be more integrated, with one ticket covering all public transport services.

### **Cost of living crisis**

**29.** All WYP Members were extremely concerned about the cost of living crisis and felt that urgent action was needed to help the most vulnerable. The gap between rich and poor is

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widening further and money should be going directly to people to help with the cost of living.

## **Areas that WYP Members had mixed views on spending priorities**

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### **Housing**

- 30.** Some WYP Members felt that housing was an area of concern, with the purchases of second homes driving up prices and local people being unable to afford houses where they grew up. They felt that the Welsh Government should be focusing on eco homes, ethical production of new housing and the provision of affordable homes for local people.
- 31.** However, others felt that it shouldn't be a priority as large housing developments are being built that are not effective for local people, they create increased traffic that our transport infrastructure struggles to support.

### **Climate Change**

- 32.** There were mixed views on the importance of prioritising climate change. Some WYP Members felt climate change is a major priority given the net zero target of 2030 needs to be met before the effects of climate change are irreversible. They felt that the Welsh Government should be pioneering green policies as Wales can have a huge impact and influence on other countries, even though it is a small country. There was concern over air pollution and illness that is caused by climate change.
- 33.** Other WYP Members felt that the large amounts of money already being spent by the Welsh Government on climate change is sufficient, especially when it has significant issues to deal with "in the present" such as the NHS and transport.

### **Economy**

- 34.** There were mixed views on the economy. Some WYP Members said that small businesses have been hugely affected by the pandemic and there should be more support for them. However, others felt that government intervention in the economy shouldn't be a priority.

### **Local Government**

- 35.** Some WYP Members felt that spending on local government should be cut to prioritise spending in health. However, others acknowledged the essential services local government provide such as refuse collection, buses services and that local authorities' budgets are already stretched.

## **Areas that WYP Members agreed spending should be cut**

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## Welsh Language

**36.** There was agreement that spending on the Welsh language shouldn't be a priority. There was a feeling that a large amount of money is already being spent in this area but it is not as important as the public's health and well-being.

## Culture

**37.** Culture was also an area that WYP Members felt should be cut but no specific reasons were provided.

## Welsh Taxes

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**38.** The Welsh Government's budget is made up of approximately 80 per cent from the UK Government funding and 20 per cent for Welsh taxes.

**39.** Not all WYP Members were aware that the Welsh Government is responsible for some of its own taxes.

**40.** There was a strong feeling that increasing taxes currently was not a good idea, given that it might exacerbate the cost of living crisis that many are already facing. However, there was an acknowledgement that taxes are important and that if there was a guarantee that services would improve, some WYP Members would support tax increases.

## 4. Focus groups with organisations and individuals

- 41.** The Senedd's Engagement Team conducted focus groups with interested organisations and individuals to consider where the Welsh Government should prioritise spending in 2023-24.
- 42.** The aim of the engagement was to gain qualitative information about the experiences of participants and deepen the Committee's understanding of the issues affecting the people of Wales.
- 43.** 43 participants from across Wales shared their views during 9 focus groups. Some participants were identified through gatekeeper organisations. This was to ensure this sample was representative as well as diverse.
- 44.** A report on the focus groups is available [here](#).

## Annex A: List of stakeholder event participants

The following organisations participated in the stakeholder event at Llanhilleth Miners Institute on 15 June 2022:

Organisation
Aneurin Bevan Health Board
Association of Chartered Certified Accountants (ACCA)
Barnados Cymru
Bevan Foundation
British Heart Foundation Cymru
Colegau Cymru
Community Housing Cymru
Digital Health and Care Wales
Farmers' Union of Wales
Future Generations Commissioner's Office
Learning Disability Wales
Marine Conservation Society
Monmouthshire County Council
Oxfam Cymru
Professional Association for Childcare and Early Years (PACEY Cymru)
Pembrokeshire County Council
Ramblers Cymru
Royal Society for the Protection of Birds (RSPB)
Universities Wales
University and College Union (UCU Wales)
Welsh Ambulance Services NHS Trust
Welsh Local Government Association
Welsh NHS Confederation
Welsh Women's Aid