



Llywodraeth Cymru
Welsh Government

Welsh Government

Draft Budget 2020-21

**A Budget to build a more prosperous,
more equal and greener Wales**

December 2019

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Foreword by the Minister for Finance and Trefnydd

I am today publishing our budget proposals for 2020-21, the final year of this Assembly term. This Budget delivers on our promises, and commits new funding to deliver new ambitions to help protect the future of our planet. Our proposals underpin the delivery of our Programme for Government, and key pledges we made to the people of Wales on our NHS, affordable housing, all-age apprenticeships, childcare, help for small businesses, and much more.

This Budget has been prepared ahead of the outcome of the general election and we present these plans against the most challenging and uncertain financial times. We do not know what form our exit from the EU will take, we do not know what our budget will be after March 2021 - despite the promise of a Comprehensive Spending Review this year - and we do not have certainty on replacement EU funding. We are also faced with the prospect of a UK Budget before we finalise our spending plans for 2020-21 which could impact on the resources available next year.

While the Spending Round in September delivered a real terms increase to our funding, it is important to note that these increases still mean that our Budget for 2020-21 will remain nearly £300m lower in real terms compared with 2010-11.

Despite these challenges, I am proud that this Budget, which outlines our plans for more than £18bn of spending next year, puts this Government's core values of fairness and equality into action. Equality can only be achieved with a foundation of sustainable public services which are truly accessible and responsive to everyone, and built for future generations. We are ensuring that our vital public services upon which people rely, including our NHS, schools and local government - all receive funding increases.

We are investing an above-inflation increase of more than £400m in health and social care, bringing our total investment next year to more than £8.7bn; alongside almost £4.5bn for local government, with £200m extra delivered through the local government revenue and capital settlement next year. Through the local government settlement and through our £1.8bn education budget we are investing in an education system that is a source of national pride which includes more than £200m invested in our educational infrastructure.

Our commitment to a more preventative approach has led to us focusing our Budget preparations on eight cross-cutting priority areas of early years, social care, housing, employability and skills, better mental health, decarbonisation, poverty, and biodiversity. These priority areas are integrating activity across Government in the areas where we can have the greatest impact over the longer-term.

This is the first Budget since our declaration of a climate emergency and provides for a new package of more than £140m of capital funding to support our ambitions for decarbonisation and to protect our wonderful environment. This includes investment in active travel and an electric bus fleet, new ways of building housing, enhancing our most ecologically important sites and the development of a National Forest to extend the full length of our country. This package of investment is an important next step on our journey to a greener Wales.

Over this Assembly term we will have invested £2bn in housing recognising the importance of good quality housing to support thriving communities. In 2020-21 we are allocating more than £175m capital taking our total housing investment next year to more than £400m.

Building on investments totalling £1bn next year we are allocating an additional £19m in a package of measures which are specifically targeted to help some of the most vulnerable people living in poverty in our communities. Measures include new funding to extend PDG Access, ongoing funding to tackle period poverty, as well as extending provision for the School Holiday Enrichment Programme.

We are providing a package of investments worth more than £120m to support a more prosperous Wales. With a focus on enhancing employability and skills, I am allocating an extra £9m to support apprenticeships bringing the total investment in 2020-21 to more than £97m. We are providing additional funding to take action to change employer attitudes, reduce the stigma and better support employers to recruit and retain disabled people. We are investing £219m in sustainable travel sitting alongside more than £700m in digital, road, rail, air and sea infrastructure.

From April this year, some £5bn of devolved and local tax revenue is raised in Wales and stays in Wales. This gives us the ability to consider how our tax policies can contribute to our wider ambitions for Welsh public services. We will not raise Welsh Rates of Income Tax in 2020. At this stage in the budget process I do not intend to make any changes to Land Transaction Tax rates and bands, but I will keep them under review. Landfill Disposals Tax rates will increase in line with inflation.

I am committed to using the budget process to drive improvements for the longer-term, continuing to embed the Well-being of Future Generations Act. Building on the 'journey checker' developed by the Future Generations Commissioner, we are for the first time publishing a Budget Improvement Plan which sets out how we intend to change and improve the way we allocate funding.

Despite ongoing austerity imposed at a UK level undermining our ability to deliver the investment our country truly deserves, I am proud to introduce a Budget that continues to invest in our vital public services while supporting our ambitions for a more equal, prosperous and greener Wales.

Chapter 1: Strategic context

Overview

- 1.01 The Welsh Government today publishes its draft Budget for 2020-21 which is the fourth and final budget of the Fifth Assembly. The Budget sets out the Welsh Government's revenue and capital spending plans for 2020-21, the final year for which we have a settlement.
- 1.02 Throughout our budget preparations this year we have faced significant uncertainties and challenges. In March, the UK Government confirmed its plans to undertake a multi-year Comprehensive Spending Review.
- 1.03 However, in the place of a Comprehensive Spending Review, the UK Government conducted a 'fast-tracked' Spending Round in September setting out its spending plans for 2020-21 only.
- 1.04 While we had hoped to be in a position to provide longer-term financial certainty for our partners, we are now only able to set revenue plans for a further year and make additional allocations to previously published indicative capital plans for 2020-21.
- 1.05 Much uncertainty still remains. Coupled with the ongoing position around Brexit, the lack of clarity in relation to the UK's fiscal prospects creates an unprecedented challenge for us in developing spending plans for the future.
- 1.06 In these uncertain times, our approach has been to maximise the impact of available resources by continuing to invest in our vital public services while supporting our ambitions for a more equal, prosperous and greener Wales.
- 1.07 We face the opportunities and challenges of an ageing and changing population and the advances in technology impacting on the future of our economy and the associated skills needed. We also continue to face the need to tackle poverty and inequality within our society and the urgent response required to tackle climate change and the decline in biodiversity. It is against this backdrop we have developed plans for 2020-21.

Implications of the UK Government's Spending Round

- 1.08 The Spending Round provided a Wales Resource Departmental Expenditure Limit (DEL) in 2020-21, setting our revenue budgets for the first time, which was 2.3 per cent higher in real terms than the 2019-20 baseline.
- 1.09 The Spending Round also included an increase of £18m to our capital budget which had already been set for 2020-21. Our capital budget will be 2.4 per cent higher in real terms than in 2019-20.
- 1.10 The UK Spending Round was based on forecasts from March and a previous administration's fiscal policy. Without new fiscal forecasts, it is unclear how these spending announcements will be financed. That introduces an

additional element of uncertainty for us when planning our budget for next year.

- 1.11 It is unclear whether the spending plans announced will be sustainable. It is likely that the next UK Budget will have a considerable bearing on the Welsh Government's finances for 2020-21. However, at this stage, plans for a UK Government Budget remain unclear.
- 1.12 Funding implications for our Budget beyond 2020-21 will be determined as part of the next UK Comprehensive Spending Review. As announced by the UK Government at the end of August, a full multi-year Comprehensive Spending Review is planned for 2020.
- 1.13 To support financial planning beyond this year, the Chief Economist's report, which is published alongside the draft Budget, provides an analysis of the medium-term fiscal projections which will help to inform scenarios for future resource spending in Wales. Further details on the financial and economic context for the budget are available in chapter two.

Fiscal responsibilities and funding

- 1.14 The Welsh Government is primarily funded by a block grant from the UK Government. However, in the past four years the devolution of tax powers - Welsh Rates of Income Tax, Land Transaction Tax, Landfill Disposals Tax and the financial devolution of Non-Domestic Rates - have ensured some 20 per cent of Welsh Government spending is now funded from tax revenue.
- 1.15 The illustration on the following page highlights the Welsh Government's sources of funding.
- 1.16 Further information about tax policy and revenues is provided in chapter four and in the Wales Tax Policy Report 2019, which is published alongside this draft Budget.
- 1.17 As part of the arrangements supporting the devolved taxes, new capital borrowing powers, a Wales Reserve to manage budgets across financial years, and an adjustment to the Barnett formula as applied to Wales have been agreed in a fiscal framework for the Welsh Government.

Welsh Government Funding 2020–2021

£14.7 billion*

80%

Funding from
UK Government



£2.2 billion

12%

Welsh Rates of
Income Tax



£1.1 billion

6%

Non-Domestic Rates



£281 million

2%

Fully Devolved Taxes
Land Transaction Tax: **£245m**
Landfill Disposals Tax: **£36m**



Capital borrowing by Welsh Government: **£125m** / Planned repayment of capital borrowing: **£6m**
Planned use of Wales' revenue reserves: **£125m**

* Does not include annually managed expenditure (AME) or non-fiscal DEL.

Investment in government priorities

- 1.18** This Budget underpins the delivery of the Programme for Government *Taking Wales Forward*, the national strategy *Prosperity for All* aligned to delivering this Government's ambitions of *21st Century Socialism* for a more equal, prosperous and greener Wales through strategic investments in our eight priority areas.
- 1.19** Over this Assembly term the government has maximised the available resources to support delivery of its key pledges. Further details on the prioritisation of resources to support our key priorities are set out in chapter six.
- 1.20** In setting plans for 2020-21, our preparations have been shaped by eight cross-cutting priority areas of early years, social care, housing, employability and skills, better mental health, decarbonisation, poverty and biodiversity. These are the areas where we can have the greatest impact over the longer-term.
- 1.21** We are ensuring that our vital public services upon which people rely, including our NHS, schools and local government all receive funding increases.
- 1.22** An over-arching priority in this budget is the new spending decisions we can take to respond to the climate emergency we declared in March of this year.

In line with this we are allocating more than £140m of additional funding to support activities that promote decarbonisation and further enhance our rich biodiversity. This investment complements the wider commitments we are making to tackling climate change, including the comprehensive approach set out in the Low Carbon Delivery Plan.

- 1.23 Chapter six sets out how we have taken further steps as part of this year's budget process to tackle some of the most fundamental challenges facing our country and maximise the impact of new investments across government.

Budget process

- 1.24 In light of the external factors that have influenced the timing of this year's budget, the Welsh Government has, with the agreement of the National Assembly's Business Committee and Finance Committee, triggered exceptional arrangements in relation to this year's budget process. This includes publishing together the strategic spending plans for revenue and capital, and taxation and borrowing proposals, as well as the detailed portfolio budget proposals.
- 1.25 Following scrutiny of these plans by the National Assembly, we will publish the final Budget 2020-21 on 25 February.

Well-being of Future Generations Act and the Budget Improvement Plan

- 1.26 The Well-being of Future Generations Act 2015 continues to provide the foundation that guides our budget process. Despite the challenges and unprecedented uncertainty that have impacted on our plans, our budget preparations remain focused on maximising the impact of our available resources. Chapter five sets out how the Act has shaped our budget.

Building on the 'journey checker' developed by the Future Generations Commissioner, we are publishing a Budget Improvement Plan which sets out how we intend to change and improve the budget process over the coming years. This has been published as annex E alongside the draft Budget documentation at: <https://gov.wales/budget-improvement-plan>

Budget agreements

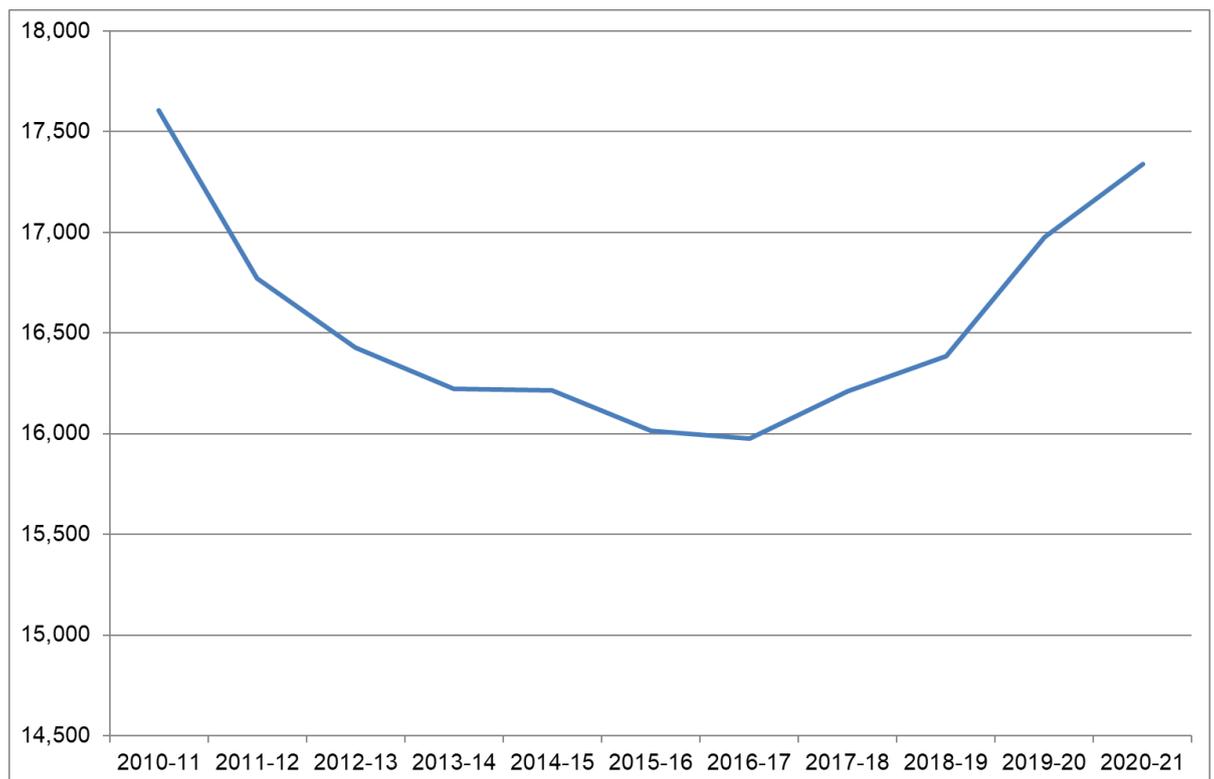
- 1.27 In 2017, the Welsh Government reached a two-year agreement with Plaid Cymru on a number of specific measures where we have shared ambitions and policy priorities. This agreement covered the two years, 2018-19 and 2019-20.
- 1.28 In recognition of the many shared priorities identified in this agreement, we are continuing to maintain investment in a number of measures in setting our plans for 2020-21.

Chapter 2: Financial and economic context

Impact of austerity on the Welsh Budget

2.01 The Welsh Budget saw deep real terms cuts in the first half of the current decade. There have been some increases in recent years which are set to continue in 2020-21 following the UK Government's Spending Round in September. However, the Welsh Government's Budget in 2020-21 will still be lower than it was a decade ago, as illustrated in figure one below.

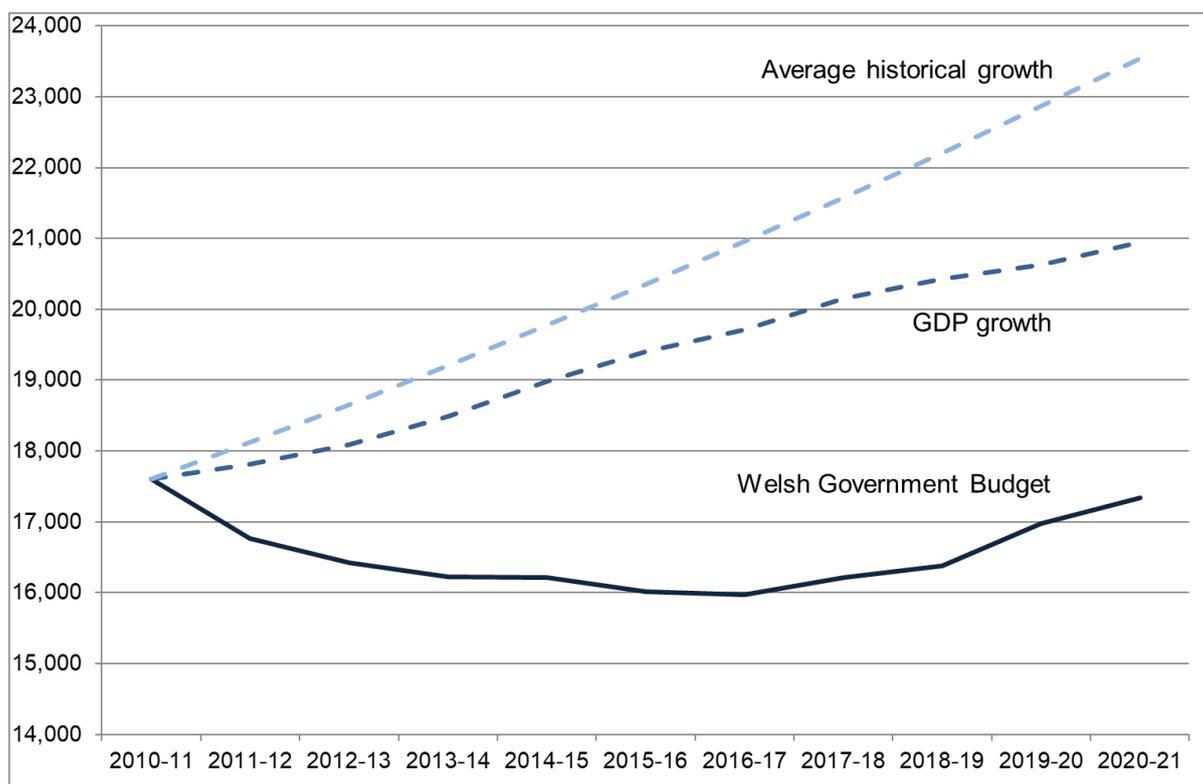
Figure one: Welsh Budget* in real terms, 2018-19 prices (£m)



* excluding repayable financial transactions

2.02 Figure two on the following page shows that if spending on public services had kept pace with growth in GDP since 2010-11, the Welsh Government would have nearly £4bn extra to spend on public services in 2020-21. Figure two also shows that if the Budget had grown in line with the long-term trend in public spending the Welsh Government would have around £6bn extra to spend on public services next year.

Figure two: Welsh Government Budget scenarios, 2018-19 prices (£m)



2.03 The UK departmental plans for 2020-21 which were set out in the Spending Round in September represent a substantial increase in the level of spending assumed in the Office for Budget Responsibility's (OBR) most recent economic and fiscal outlook published in March this year. Beyond 2020-21 there are no firm plans for public expenditure in the UK to inform a view of the medium-term outlook for public finances.

UK fiscal context

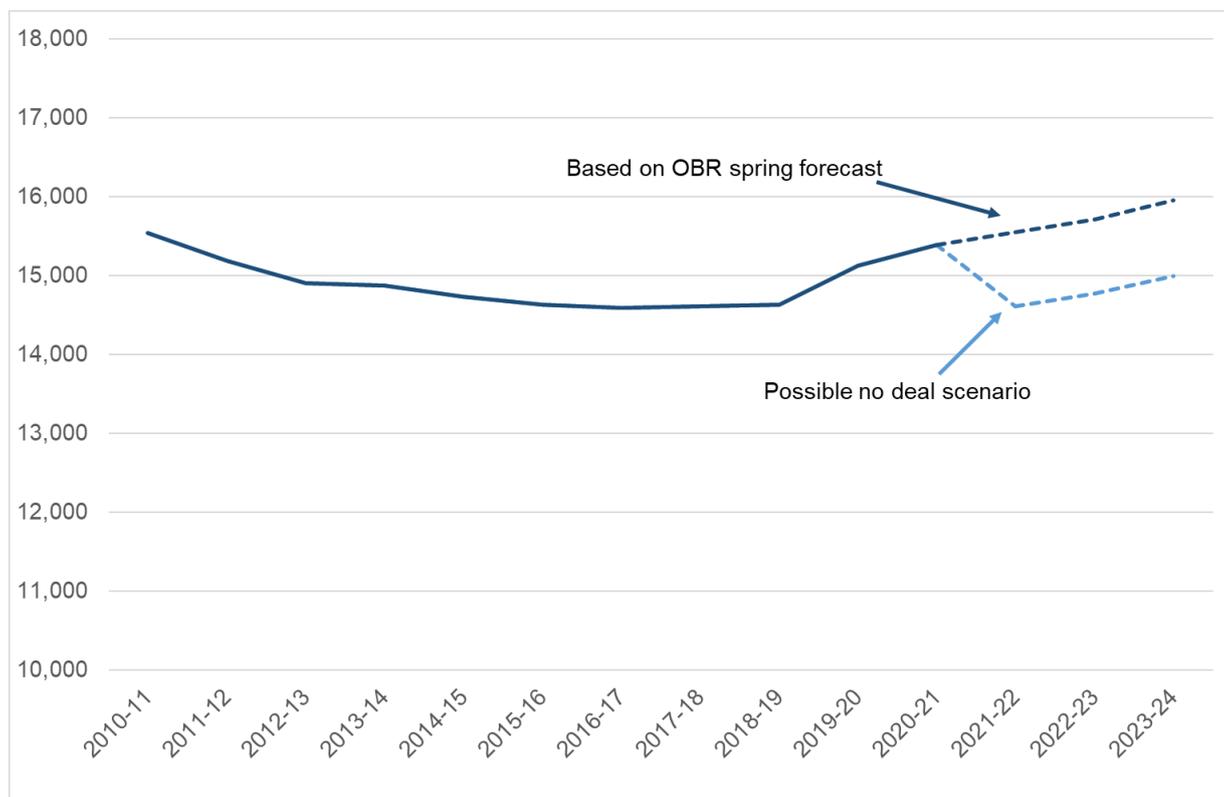
2.04 While the recent one-year Spending Round for 2020-21 announced some increases in day-to-day spending, analysis by the OBR indicates that, following an unprecedented decade of real reductions in spending on public services, future fiscal prospects depend crucially on the performance of the wider economy. The UK economy has grown only weakly since the recession of 2007 with a particularly lacklustre performance since the EU referendum. Decisions to be made by the incoming UK Government about the timing of Brexit and on the form it will take will be important influences on future economic performance.

2.05 The OBR's longer-term fiscal projections indicate the UK's public finances are fiscally unsustainable, in the sense that meeting their central projections for the demand for public services without tax increases would result in ever-increasing public debt. Decisions by the incoming UK Government about levels of taxation and borrowing will determine the resources available to fund public services.

Wales' medium-term fiscal prospects

- 2.06** As highlighted in the Chief Economist's report, which is published alongside this draft Budget, Wales' fiscal prospects depend, to a certain extent, on the UK Government's fiscal position, as this determines the size of the block grant and to a lesser but still significant extent, on the revenues raised from devolved taxes. Following the one-year Spending Round in September this year, the incoming UK Government will need to carry out a further Spending Round or multi-year Spending Review next year. We do not know what impact this will have on the Welsh budget or the period for which we will have a firm settlement.
- 2.07** The previous UK Government set out medium-term plans for health and schools spending in England, both of which represent substantial real terms increases over the next few years. The Welsh Government will receive increases to its budget via the Barnett formula if these plans are maintained. However, without knowing the expenditure plans for other public services which are devolved in Wales, it is not possible to say with any certainty what the outlook for the overall Welsh Government budget will look like. In the absence of a firm settlement beyond 2020-21, the analysis by the OBR in its March *Economic and Fiscal Outlook* forms the starting point to assess fiscal prospects in the medium-term.
- 2.08** Using the growth in overall UK DEL assumed by the OBR in its spring forecast would mean the Wales resource budget would on average increase by a little over 1 per cent a year in real terms over the three years after 2020-21 (see figure three on the following page). This would represent somewhat slower growth than seen in 2019-20 and 2020-21, but faster than in recent years.
- 2.09** A possible no deal Brexit scenario is also outlined in figure three. This assumes that existing plans for 2020-21 are sustained but that there is a 6 per cent real terms reduction in 2021-22. This is in line with the Bank of England's assessment of the broader impact of worst case disorderly no deal Brexit on the UK economy. It would mean a £900m to £1bn reduction in the resource budget each year.
- 2.10** Over the longer term (2023-24 to 2029-30), future UK Government fiscal position and policies are, of course, uncertain and several scenarios are therefore presented in the Chief Economist's report. However, the analysis undertaken by the OBR implies that until the policies adopted by the present UK Government are known, it would be prudent to assume a prolonged period of fiscal restraint. This would be necessary unless the UK Government were to increase the overall tax take as a share of GDP well above its historic levels.

Figure three: Medium-term projection for Welsh Government resource budget in real terms (£m, 2018-19 prices)



UK economic context

2.11 Brexit uncertainty continues to weigh on growth prospects for Wales and the UK as a whole; if the incoming UK Government continues with a plan to leave the EU, the severity of the impact will depend on the form that Brexit takes and on the extent of the dislocation associated with the process of leaving. The prospect of leaving the EU without a trade deal remains a possibility, and even if this is averted, it is likely that a prolonged period of uncertainty while new trade arrangements are negotiated and implemented will reduce growth. Wales would be hit disproportionately by a “hard” Brexit.

2.12 As noted in last years’ Chief Economist report, slow productivity growth over the last decade has resulted in very little growth in people’s real wages and incomes and contributed to the challenges faced in funding public services. The reasons for this trend, which is unprecedented in modern economic history – and which has affected the UK particularly badly – are not completely understood. If the trend continues, it may result in profound social and political challenges.

Welsh economic performance

2.13 Over the short to medium term, the performance of the economy in Wales is mainly driven by developments across the UK as a whole.

- 2.14 The performance of the economy in Wales since devolution has been mixed; a significant relative improvement in employment rates – driven by reduced inactivity, and concentrated in West Wales and the South Wales Valleys – has been accompanied by continued weaknesses in productivity and in pay, which are closely related.
- 2.15 However, over the period between 2010 and 2017 (the most recent available year), the gap in Gross Value Added (GVA) per head between Wales and the UK has narrowed – something achieved by only one other region (the West Midlands).
- 2.16 Future improvements in Wales' relative economic performance will depend crucially, but not exclusively, on the success of policies to improve education and skill levels and on better transport and communication links.

EU exit and the implications for Wales

- 2.17 Throughout the period of uncertainty since the referendum, we have sought to ensure that preparedness work we are funding or undertaking ourselves will be useful under any Brexit scenario. This has enabled us to adjust plans quickly to ensure we can respond to the developing Brexit scenarios as they have arisen. We have used the time during the UK election period to continue our preparations.
- 2.18 We have allocated just over £46m of the £50m European Transition Fund announced at the start of 2018, of which our spending plans for 2020-21 provide for £8.6m revenue and £500k capital.
- 2.19 This has already enabled many businesses and organisations to prepare for the impact Brexit will have on them, and to cope with the uncertainty involved. In September, we published our Action Plan for a no deal Brexit which set out the steps we are taking to be prepared for this scenario. We made it clear to the previous UK Government that the support to address even a proportion of the impact of a no deal Brexit within Wales cannot be delivered from within existing resources. We will require substantial additional funding and flexibilities. In addition, many of the macro financial levers including welfare benefits and taxation rest at the UK level.
- 2.20 The Welsh Government has taken steps to ensure that the Development Bank of Wales has made more than £200m funding available to support businesses of all sizes in Wales. It is vital that the UK Government also takes steps to influence commercial and retail banks to make finance available to small businesses who may face short-term cash flow difficulties as a consequence of Brexit.
- 2.21 The shape of the future remains unknown but since the referendum on EU membership, through our White Paper – '*Securing Wales' Future*' and subsequent policy papers on trade, migration, regional investment and devolution, we have published evidence, analysis and detailed proposals on the way forward on Brexit.

- 2.22 Leaving the EU without a deal would be catastrophic for Wales and leaving with a deal would still make us worse off economically. We have set out our position on these challenges in '*A Brighter Future for Wales*'. Robust and credible economic assessments, including the previous UK Government's own, make clear that Wales would be harder hit than the UK as a whole. That is why the Welsh Government has called for a second referendum.
- 2.23 Even if the exit deal proposed by the previous UK Government is ratified, a no-deal Brexit remains a real possibility at the end of the transition period. This would be likely to lead to a deep downturn and in all probability a recession. The Bank of England has assessed that a no-deal Brexit could result in a deep recession in the medium term. The lesson of previous recessions is that it is people who are already disadvantaged who will be hardest hit. Given the scale of the potential recession, in our view the incoming UK Government should develop a significant fiscal package in response.
- 2.24 It also remains essential that withdrawal from the EU does not mean the UK Government takes money away from our communities. It should not limit our ability to continue to invest in our economy and the people of Wales. The Welsh Government's block grant from the UK Government must be readjusted positively from the point of EU exit to reflect the real loss of European funding. A "Barnett-ised" share of UK funding will not be acceptable; nor would an approach where Wales would need to bid into a system at the behest of UK Ministers.
- 2.25 Wales must receive at least the funding we would have received if the UK had remained part of the EU. This is currently estimated to be at least £700m per annum. We also need not to lose any flexibility in how we use our funding. In preparing this Budget, and in response to the ongoing uncertainty linked to Brexit, we have planned on the basis that in 2020-21 we will receive either from the UK Government, or from the EU, the same level of funds which have historically come to Wales from the EU.
- 2.26 The previous UK Government has provided a guarantee, should we leave the EU without a deal, for EU funding programmes which were approved prior to our exit from the EU. This guarantee provides limited assurance for current funds but we still have no clarity on farm funding beyond 2019 or on structural funds beyond 2021. While no deal has been taken off the table for the moment, it remains a real prospect we must plan for in January 2020.

UK funding and fiscal arrangements

- 2.27 Brexit has big implications for the constitutional future of the UK. Devolution has been an established part of the UK constitution for over 20 years and we are pleased that successive UK governments have confirmed they will respect this well-established constitutional settlement. There is now a need for a fundamentally different constitutional relationship between devolved governments and the UK Government based on mutual respect. The UK

Government cannot bypass the devolution settlement or take back decisions and funding that have been under Wales' control for nearly 20 years.

- 2.28 Currently, in some devolved policy areas such as the economy, agriculture and the environment, there are coherent – but not uniform – approaches in place across the UK as a result of policies agreed at an EU level. As the UK leaves the EU, we will need a new consensus-based way of reaching agreement on common approaches ('frameworks') where it makes sense for there to be some continued degree of coherence across the UK, such as ensuring businesses can trade freely across the UK.
- 2.29 Existing inter-governmental mechanisms are not fit-for-purpose to enable such agreements to be reached, nor to resolve disagreements or disputes. Our *'Brexit and Devolution'* and *'Reforming our Union'* publications set out our thinking on how these new constitutional arrangements should be developed. They are intended as a constructive contribution to the important debate needed across the UK. The devolved governments and UK Government need to find new ways of working together to enable agreement.
- 2.30 Above all, to underpin a successful economic future the Welsh Government's position is that we need full and unfettered access to the Single Market and participation in a Customs Union to protect the 60 per cent of Welsh direct goods exports that go to the EU, and to retain and increase job creation investment. This goes hand in hand with a migration system linked closely to employment so we can recruit the doctors, nurses, engineers and other workers we need while protecting workers from exploitation.

Chapter 3: Key achievements

Delivering our Programme for Government

3.1 In 2016 we published *Taking Wales Forward*, a five-year programme for government. It outlined our key priorities for delivering improvements to our economy and public services; for creating jobs and prosperity and to improve the well-being for everyone living in Wales. The series of ambitious measures were aimed at making a difference for everyone, at every stage in their lives, providing stability for our core services whilst taking tangible steps to deliver our ambitions for our country.

3.2 Despite the successive cuts we have seen to our budget since the start of the decade, our priority has been to do all we can to protect frontline services against the worst impacts of the UK Government's policy of austerity.

- **Investing in our NHS and social services is at the heart of our spending plans.** Over this Assembly term, we will have invested £37bn in our Welsh NHS, to ensure high quality treatment for all. In 2020-21 our investment of a further £342m in our NHS, will take total NHS funding for next year to more than £8bn in a single year.
- **Investing in local government and our public services.** Between 2016-17 and 2020-21 we will have provided local government with funding of more than £25bn. Despite falling budgets, we have protected local government from the excessive cuts seen in England which have disproportionately impacted upon deprived communities.

3.3 At the heart of our programme for government are six key commitments we made to the people of Wales at the start of this administration. Over this Assembly term we will have:

- **Invested £80m for the New Treatment Fund, which has cut the waiting time for new drugs from 90 days to just 10.** We are allocating £16m in 2020-21.
- **Provided more than £200m to deliver the childcare offer for working parents.** In 2020-21 we are increasing funding for the childcare offer by £20m providing a total budget of £60m towards expected demand.
- **Allocated £575m to provide 100,000 high quality apprenticeships for all ages.** We are allocating an additional £9m in 2020-21 in support of our apprenticeship programme, bringing our total investment next year to £97m.
- **Invested more than £580m through the permanent small business rates relief scheme, supporting small businesses with their rates bills.** More than 70,000 ratepayers receive non-domestic rates relief and half of all businesses pay no rates at all. In 2020-21 we are directly

supporting SMEs by providing £125m in support towards their non-domestic rates bills.

- **Delivered an extra £100m to improve school standards**, with funding of £25.5m allocated in 2020-21.
- **Fulfilled our pledge two years earlier than planned to double the capital people can keep when entering residential care to £50,000.** Since April 2019, people in Wales have been able to keep up to £50,000 of their savings, investments or other capital to use as they wish, without having to use this to pay for their residential care.

3.4 Over this Assembly term, we have also delivered significant investment through our infrastructure plans, including:

- **£2bn on housing, delivering more than 20,000 affordable homes.** We are allocating an additional £175m in 2020-21 towards the delivery of this commitment.
- **More than £650m on our 21st Century Schools and Colleges Programme to give children the best environment to learn.** Our education infrastructure budget in 2020-21 is more than £200m.
- **More than £100m on direct business support to create jobs and support entrepreneurs.** Our budget of £21m in 2020-21, including EU funding, supports the delivery of the Business Wales service which is a dedicated form of support for SMEs across Wales to ensure entrepreneurs and SMEs have access to the information, advice and support they need to help them start, grow and prosper.
- **More than £350m in flood and coastal risk management activities.** In this budget we are committing £64m in 2020-21 to defending our communities from the most severe and immediate impacts of climate change.
- **£1.3bn on supporting rail services and delivering rail infrastructure improvements.** Despite rail infrastructure not being devolved, in 2020-21 we are committing more than £200m of capital funding to bring forward the delivery of the South Wales Metro and North East Wales Metro along with delivering other rail infrastructure improvements to benefit passengers.
- **More than £1.8bn to transform and maintain the NHS estate.** In 2020-21 we are investing an additional £36m capital, bringing the total to more than £370m, to support the delivery of health investment priorities.
- **£2bn as a result of our innovative finance initiatives** - which provide a much-needed boost to capital budgets enabling investment to be delivered sooner than would have otherwise been achievable.

- **More than £1.1bn of Welsh Government funds managed by the Development Bank of Wales.** This includes around half a billion pounds across all business funds and the £520m Help to Buy Wales Scheme.
- **Nearly £200m to support household waste recycling.** Wales leads the UK in this area, and recently rated third best in the world.
- **More than £450m in an Integrated Care Fund.** We are investing more than £130m (£89m revenue and £40m capital) in 2020-21.

3.5 We know that the challenges we face in the coming years will be even greater given the short to medium term fiscal prospects for Wales, rising demands and pressures on public services and the steps we must take collectively to tackle climate change. The investment we have made during this term provides a solid foundation on which to build to support us in delivering the Wales we want.

Chapter 4: Funding arrangements

Overview

- 4.01** The way that the Welsh Government and public services in Wales are funded has changed in recent years. The devolution of tax powers¹ and the associated arrangements agreed under the fiscal framework for the Welsh Government² mean that part of the Welsh block grant has been replaced with revenue generated by taxes in Wales.
- 4.02** Land Transaction Tax (LTT) and Landfill Disposals Tax (LDT) were introduced on 1 April 2018, collected by the Welsh Revenue Authority, and Welsh Rates of Income Tax (WRIT) were introduced on 6 April 2019. Separately, in April 2015, the financial devolution of non-domestic rates (NDR) replaced the previous arrangements for managing the financial risks. Taken together, WRIT, LTT, LDT and NDR now contribute around £3.6bn annually to the Welsh Government budget.
- 4.03** As part of the adjustment made to accommodate the devolution of tax powers, the fiscal framework includes a permanent change to the Barnett formula as applied to Wales. The introduction of a needs-based factor, currently set at 105 per cent, has already delivered an additional £160m for Wales over the period 2018-19 to 2020-21.

Tax policy

- 4.04** The tax powers strengthen the links between the Welsh Government and the citizens, communities and businesses in Wales, and provide additional levers which can help to deliver our priorities. The Welsh Government's overall approach to taxation is described in our Tax Policy Framework, which includes five principles.
- 4.05** Welsh taxes should:
- Raise revenue to support public services;
 - Deliver policy objectives, particularly to support jobs and growth;
 - Be simple, clear and stable;
 - Be developed through collaboration and involvement; and
 - Create a more equal Wales.
- 4.06** The Welsh Government has developed an annual tax policy cycle. This comprises publication of a Tax Policy Work Plan early in the calendar year, followed by research, analyses and engagement, and a Welsh Tax Policy Report in the autumn summarising emerging findings and conclusions. Now that the Welsh taxes and Welsh Revenue Authority have been established, many of the issues are longer term considerations which will take time to

¹ Part 2 of the Wales Act 2014:
<http://www.legislation.gov.uk/ukpga/2014/29/part/2/enacted>

² The fiscal framework for the Welsh Government was agreed by the Welsh Government and UK Government in December 2016:
<https://gweddill.gov.wales/docs/caecd/publications/161219-fiscal-agreement-en.pdf>

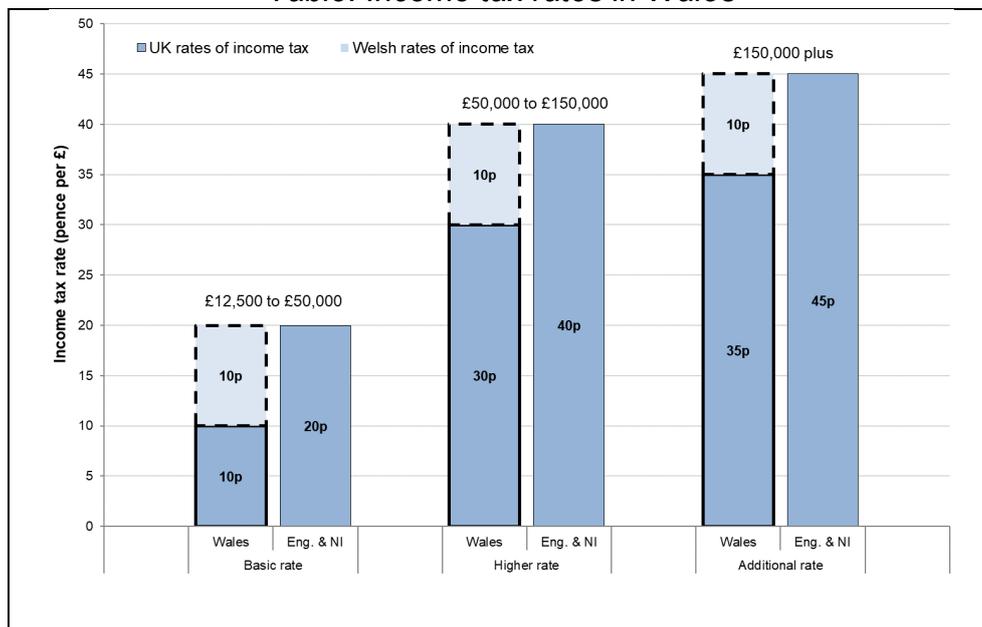
develop, however, publication of the work plan enables interested organisations and individuals to understand what the Welsh Government is investigating, ask questions, and contribute their views, knowledge and experiences. An annual summer tax conference has been introduced to provide a further opportunity for stakeholders to discuss the direction of Welsh tax policy - the latest conference was held on 19 July 2019.

4.07 The Welsh Tax Policy Report for 2019, published alongside this draft Budget, describes the progress made during the year. The topics consider the scope for using taxes to support Welsh Government policy ambitions, opportunities for making tax administration more effective and coordinated, and ways of increasing knowledge of taxation and engagement.

Welsh Rates of Income Tax

4.08 WRIT were introduced on 6 April 2019. From this date, approximately 1.3 million people living in Wales have been paying up to half of their Income Tax to fund public services in Wales. Income tax is partially devolved to Wales, which means that while the Welsh Government is able to vary the three income tax rates (basic, higher and additional) for Welsh taxpayers³, all other aspects of the tax remain the responsibility of the UK Government, and HMRC continues to administer income tax in Wales.

Table: Income tax rates in Wales



4.09 The process for Wales involves the UK Government reducing each of the three Income Tax rates for Welsh taxpayers by 10p, and making a corresponding reduction to the Welsh block grant, which funds devolved

³ In most cases, Welsh taxpayers are defined as people who live in Wales, however a full definition is provided under s.8 of the Wales Act 2014: <http://www.legislation.gov.uk/ukpga/2014/29/section/8/enacted>

public services in Wales. It is then for the Welsh Government to decide whether to set the Welsh rates at 10p, thereby reinstating the funding for services (and retaining parity between Welsh and English taxpayers) or to set different rates. In line with its commitment not to increase WRIT during this Assembly, the Welsh Government proposes to set the rates for 2020-21 at 10p.

Other Welsh taxes

- 4.10** LTT and LDT were introduced on 1 April 2018. They are fully devolved, which means the Welsh Government is able to decide all aspects of the taxes. In return for the tax revenue, the Welsh block grant has been reduced by an amount equivalent to what the previous UK taxes (stamp duty land tax and landfill tax) raised in Wales for the UK Government. The taxes are collected and managed by the Welsh Revenue Authority (WRA).
- 4.11** As the new tax authority for Wales, the WRA has developed *Our Approach* - a new way of doing tax. The WRA is using this two-way approach to engage with a range of stakeholders, including taxpayers and agents, to help them pay the right amount of tax at the right time. Through this, it will create a type of tax system which is fair and reflects the priorities of Wales. In May 2019, the WRA published its first three-year Corporate Plan (2019-22), outlining its purpose, strategic objectives and performance measures. The WRA also published its *Annual Report and Accounts (2017-19)* in July 2019.

Land Transaction Tax

- 4.12** In 2020-21, the Welsh Government will keep LTT rates the same as in 2019-20. This helps fulfil the Welsh taxes principles of being clear and stable enabling citizens and business to plan with certainty.
- 4.13** LTT continues to have the highest starting threshold for the residential main rates in the UK, with around 90 per cent of homebuyers in Wales either paying the same or less tax compared to its predecessor, stamp duty land tax.

Table 4.1: LTT Residential main rates

Price threshold	LTT rate
£0 to £180,000	0%
More than £180,000 to £250,000	3.5%
More than £250,000 to £400,000	5%
More than £400,000 to £750,000	7.5%
More than £750,000 to £1,500,000	10%
£1.5m-plus	12%

Higher rates residential property transactions will be subject to an additional 3 per cent on top of the main residential rate in each band.

- 4.14** A higher rate of three per cent in addition to the main residential rate in each band may apply where an individual, who already owns one or more residential properties, buys a further residential property. However, if they are replacing their main residence, the higher rates may not apply. Companies buying residential properties will have to pay the residential higher rates, and trusts buying residential properties may have to pay the residential higher rates. The WRA's annual statistical release⁴ for the year April 2018-March 2019 included analysis of land transaction tax data in relation to the higher rate surcharge on a geographical basis to help monitor the impact of the higher rate.
- 4.15** At one per cent, Wales has a lower starting rate of tax for the purchase of business premises than stamp duty land tax. All businesses buying premises up to £1.1m in Wales either pay no tax or up to £1,000 less tax than under stamp duty land tax. The Welsh Government will keep the evidence about the impact of the non-residential rates under review. The Welsh Government will also review any future changes to stamp duty land tax by the UK Government.

Table 4.2: LTT non-residential main rates

Price threshold	LTT rate
£0 to £150,000	0%
More than £150,000 to £250,000	1%
More than £250,000 to £1,000,000	5%
£1m-plus	6%

Table 4.3: LTT non-residential lease rent rates

Price threshold	LTT rate
£0 to £150,000	0%
More than £150,000 to £2,000,000	1%
£2m-plus	2%

Landfill Disposals Tax

- 4.16** The Welsh Government committed to maintain consistency with the UK Government's approach to landfill tax rates for the lower and standard rate of tax in 2018-19 and 2019-20. This was to support the LDT policy objective of reducing waste going to landfill in Wales, and to protect against the risk of waste being transferred across the Wales-England border in order to take advantage of lower rates. That policy is to continue for 2020-21. The proposed rates, subject to approval by the National Assembly for Wales, will increase as set out in the table below.

⁴ <https://gov.wales/land-transaction-tax-statistics-april-2018-march-2019-html>

Table 4.4: LDT rates, £ per tonne

Price threshold	2019-20	2020-21
Standard rate	£91.35	£94.15
Lower rate	£2.90	£3.00
Unauthorised disposals rate	£137.00	£141.20

Landfill Disposals Tax Communities Scheme

- 4.17** The Landfill Disposals Tax Communities Scheme was launched on 1 April 2018, to support environmental and community projects in areas affected by the disposal of waste to landfill. To be eligible for funding, projects must be within a five mile radius of a landfill site, or waste transfer station, sending a minimum of 2,000 tonnes of waste to landfill each year. The projects must also show how they will help communities contribute towards the well-being goals and five ways of working of the Well-being of Future Generations Act. The distributive body for the scheme is the Wales Council for Voluntary Action.
- 4.18** In the first year of operation (2018-19), 44 projects were supported by the scheme to a total value of £1.4m.

Non-domestic Rates (NDR)

- 4.19** Local taxation is an integral part of the system for funding local government in Wales. The gross revenue payable from NDR is almost £1.3bn. Once reliefs are applied, NDR contributes over £1bn towards the annual funding of local services.
- 4.20** The Welsh Government has implemented a permanent and better-targeted Small Business Rates Relief (SBRR) scheme, with half of businesses paying no rates at all. We are exploring how the SBRR scheme could operate in the future, following on from the enhancements we have made since 2017. The next Beaufort Research Wales Omnibus Survey will include additional questions to help us assess the effectiveness of rates relief, whether it genuinely helps to drive business growth and how it influences business decisions. We are also reviewing a change made to SBRR in 2018 to limit the number of properties eligible for relief to two per business in each local authority. This review is intended to provide insights into the effectiveness of the policy change and inform future choices for the SBRR scheme.
- 4.21** Most state schools and hospitals are obliged to pay NDR, as are a wide range of other public sector and other not-for-profit organisations. They make an important contribution to the cost of vital local services delivered in our communities. However, certain private schools and hospitals benefit from charitable relief from rates. It is our intention to consult in the near future on the eligibility of independent schools and hospitals for charitable rates relief.

- 4.22** In 2019-20, we introduced our enhanced High Street and Retail Rates Relief Scheme, providing support to retailers occupying premises with a rateable value of up to £50,000. We made full use of the consequential for rates relief provided as a result of the UK Government Budget 2018 to support this scheme and to provide funding to local authorities to offer discretionary relief. We are assessing the costs of the existing scheme and the resources available before making a decision on the scheme for 2020-21.
- 4.23** In June 2019 the Welsh Government announced its intention to make standalone public toilet buildings in Wales exempt from paying NDR from 1 April 2020⁵. Delivery of the new exemption requires primary legislation. Provision was included in a UK Parliamentary Bill which fell in September but it is still our intention to provide this exemption through the next available legislative opportunity. This supports our commitment to providing access to toilets for public use under Part 8 of the Public Health (Wales) Act 2017, helping to keep facilities open for residents and visitors to Wales.

Independent tax revenue forecasts

- 4.24** For the first time, this draft budget is accompanied by independent forecasts of devolved tax revenue from the OBR. A separate forecast report providing background and detail on the forecast methodology has been published on the OBR's website. The forecasts for 2020-21 are shown in table 3.5.
- 4.25** Previous budgets have included tax revenue forecasts produced by the Welsh Government, but independently assured by Bangor University. Outturn information is now available for revenues from land transaction tax and landfill disposals tax in 2018-19. Using this information, the tax policy report accompanying this draft Budget includes an evaluation of the forecasts for 2018-19 included in previous Budgets.

Table 4.5: Tax revenue forecasts

	2020-21 £m
Land transaction tax	245
Landfill disposals tax	36
Welsh Rates of Income Tax	2,206

Block grant adjustment

- 4.26** Following the devolution of tax powers to Wales, the Welsh Government's block grant is reduced to reflect the fact that revenues from devolved and partially-devolved taxes now go directly to the Welsh Government rather than the UK Exchequer.

⁵ Welsh Government statement, June 2019.

<https://gov.wales/rates-relief-for-public-toilet-buildings-in-wales>

- 4.27 As agreed in the fiscal framework, the adjustment for the fully-devolved taxes involves:
- A baseline for the adjustment – reflecting tax collected under the predecessor UK tax in Wales in the year prior to devolution (2017-18).
 - Annual block grant adjustments – from the initial baseline the adjustment is increased or decreased reflecting growth in the equivalent UK Government tax in England and Northern Ireland.
- 4.28 For the purposes of this draft Budget, the block grant adjustments for the fully-devolved taxes are consistent with OBR forecasts of the UK taxes, based on the March 2019 *Economic and Fiscal Outlook*, taking account of more recent outturn information. In total the block grant adjustment for the fully-devolved taxes is £271m in 2020-21.
- 4.29 The 2020-21 block grant adjustment accompanying the introduction of the WRIT will be driven by growth in equivalent revenues in England and Northern Ireland in each tax band. (The adjustment in 2019-20, a transitional year, is set at the same level as the revenues from the Welsh rates).
- 4.30 The level of revenues from the WRIT in 2020-21 and the England and Northern Ireland revenues used to calculate the associated block grant adjustments are forecast by the OBR, based on its Economic and Fiscal Outlook, taking account of more recent outturn information. The block grant adjustment for income tax in 2020-21 is £2.198m.

Wales Reserve

- 4.31 The Wales Reserve was introduced in April 2018 as part of the fiscal framework arrangements to enable us to deal effectively with volatility arising from tax revenues by retaining unspent resources for use in future years. It replaces the previous budget exchange process.
- 4.32 The Wales Reserve can hold up to £350m. Annual drawdowns are limited to £125m for revenue spending and £50m for capital spending. There are no annual limits for payments into the reserve.
- 4.33 At the start of 2019-20, £419m was held in the reserve – £306m revenue and £113m capital. This includes £90m of financial transactions capital agreed with HM Treasury to be carried forward in addition to the £350m Wales Reserve limit. Plans to use funding held in the reserve in-year will be included in the forthcoming 2019-20 second supplementary budget.
- 4.34 In setting our spending plans for 2020-21 we have planned to draw down £125m revenue from the Wales Reserve.

Approach to capital and financial transactions capital

- 4.35 With indicative capital plans for 2020-21 already in place, the focus in this budget has been on allocating the available capital reserves, both general and financial transactions, with a particular focus on proposals that incorporate our priority areas of biodiversity and decarbonisation.
- 4.36 In this budget a combined capital package of more than £545m for 2020-21 is being allocated on top of existing plans, which takes forward significant investment next year in the eight cross-cutting priority areas. These allocations are outlined in chapter six.
- 4.37 In recent years, the nature of our capital budget has continued to change as an increased proportion of our budget is made available in the form of financial transactions capital. This ring-fenced budget can only be used for loan and equity investments and must be repaid to HM Treasury. In 2020-21, 13 per cent of our capital budget from the UK Government is in the form of financial transactions capital.
- 4.38 As our experience of financial transaction capital grows, we are using the funding in more innovative ways, alongside the core programmes of business and housing support. Further information about the budget treatment of financial transaction funding and profile of repayments can be found in annex D.

Borrowing

- 4.39 As part of the fiscal framework agreed with the UK Government, the Welsh Government's overall capital borrowing limit is £1bn in aggregate, with an annual limit of £150m.
- 4.40 Borrowing enables the Welsh Government to increase its overall capital spending power – over and above the limit set by HM Treasury through the block grant – to support our infrastructure investment priorities set out in the Wales Infrastructure Investment Plan.
- 4.41 Table 4.6 includes commitments to borrow £125m in 2020-21. As part of our detailed discussions with HM Treasury in preparation for the next Comprehensive Spending Review, we will be seeking an increase in our annual and aggregate borrowing limits to support our capital investment ambitions.
- 4.42 It is important we are able to manage our capital budget flexibly. We will maintain our approach to funding investment by maximising the drawdown of the least expensive forms of capital first and only using more expensive forms of private investment in projects that are low risk and of the appropriate scale.
- 4.43 Capital borrowing helps us manage our resources in a more efficient way and deliver our infrastructure goals – working alongside our existing capital budget

and our innovative funding schemes. However, capital borrowing is not additional money and must be repaid.

- 4.44 The Welsh Government will draw its borrowing capital from the National Loans Fund. Repayment forecasts for the period we have set capital plans are set out in Table 7.4. The repayment forecast is based on an assumption of a repayment period of 25 years and an average interest rate of 2.22 per cent.

Innovative finance

- 4.45 In addition to our core capital budgets and borrowing powers, we continue to make full use of innovative financing solutions to help deliver timely additional investment in vital economic and social infrastructure. An update on these schemes is provided in annex D.

Sources of finance for Welsh Government

- 4.46 With the introduction of tax devolution, the sources of finance for Welsh Government are increasing. The National Assembly's Finance Committee has published its report on the Welsh Government's Sources of Capital Finance, and we have published our response to their recommendations to align with the publication of the draft Budget.
- 4.47 Table 4.6 sets out sources for resource and capital.

Table 4.6 SOURCES OF FINANCE FOR WELSH GOVERNMENT

2020-21 DRAFT BUDGET	
COMPONENTS OF WELSH FINANCING	2020-21 New Plans Draft Budget (£000s)
RESOURCE FINANCING	
Departmental Expenditure Limit (DEL):	
Fiscal	12,404,791
Non-Fiscal	690,064
Drawdown from the Wales Reserve	125,000
Annually Managed Expenditure (AME):	
Fiscal	22,104
Non-Fiscal	79,237
Wales Devolved Financing:	
Non Domestic Rates	1,136,000
Welsh Rates of Income Tax	2,206,428
Land Transaction Tax	245,234
Landfill Disposals Tax	35,612
Principal repayment of borrowing	-6,365
TOTAL RESOURCE FINANCING	16,938,105
CAPITAL FINANCING	
Departmental Expenditure Limit (DEL):	
General	1,982,009
Financial Transactions	300,255
Annually Managed Expenditure (AME):	
Capital	891,388
Wales Devolved Financing:	
Borrowing	125,000
TOTAL CAPITAL FINANCING	3,298,652
TOTAL WELSH FINANCING	20,236,757

Chapter 5: Well-being of Future Generations Act in the draft budget

Overview

- 5.01** The Well-being of Future Generations Act 2015 continues to provide the foundation that guides our budget process. Despite the challenges and uncertainties that have impacted on our plans, our budget preparations have focused on eight cross-cutting priority areas to maximise the impact of our available resources.
- 5.02** These are the eight areas where together we can have the greatest impact over the longer term and which best contribute to preventing problems occurring or getting worse in the future towards delivery of our well-being objectives. Further details are set out in chapter six.

Budget Improvement Plan

- 5.03** Building on the journey checker developed by the Future Generations Commissioner, for the first time we are publishing a Budget Improvement Plan at annex E which sets out how we intend to change and improve the way we allocate funding for a more equal, prosperous, and greener Wales.
- 5.04** The Budget Improvement Plan outlines our vision, including short-term and medium-term ambitions over the next 5 years, to improve our budget and tax processes. The Plan also acknowledges the steps we have taken in our journey, and how we have built, or plan to build on this work in future years.
- 5.05** We intend to refine and update our Plan in future years, by publishing an updated 5 year plan annually alongside our draft Budget, to recognise the ongoing nature of driving and sustaining longer-term change.
- 5.06** To shape the development of our Budget Improvement Plan we have engaged with a range of stakeholders to consider how we might improve the way we allocate resources over the longer-term. We have continued to engage with the Future Generations Commissioner to explore the principles of the 'journey checker' approach which has in turn shaped our Budget Improvement Plan.
- 5.07** Early in the budget process we have engaged with the Equality and Human Rights Commission to understand their Cumulative Impact Assessment approach which is shaping the work we are taking forward on a distributional impact assessment of tax and spending decisions.
- 5.08** We have worked with Chwarae Teg and the Wales Centre for Public Policy as they took forward phase 2 of the Gender Review which has informed the gender budgeting approach we are taking forward as part of the Personal Learning Account pilot.

Ministerial summer visits

- 5.09 Over the summer the Minister for Finance and Trefnydd visited a range of Welsh Government-funded projects and activities across Wales to see first-hand how public money is being invested and explore opportunities to do more in the eight cross-cutting priority areas shaping our budget preparations.
- 5.10 The visits identified strong examples of good practice, demonstrating the ways in which service providers and their delivery partners worked collaboratively to deliver services. These visits also highlighted the importance of involving and tailoring the service provision to the people who are in most need and in exploring opportunities to build sustainable funding models.
- 5.11 These visits, and the key themes arising from them, provide a helpful basis on which to build in future budget preparations, to explore opportunities to spread this good practice and moving towards increased involvement.

Approach to supporting decarbonisation

- 5.12 At the heart of our ambition for a greener Wales is the urgent need to respond to climate change as well as tackling the decline in biodiversity. Alongside the investments we have outlined in chapter six, within the Strategic Integrated Impact Assessment in annex C, we have set out the approach to supporting decarbonisation within this Budget and the steps we will take in the future.

Prevention

- 5.13 Set out in chapter six and annex C are details of the wide ranging investments to support interventions which help prevent problems occurring or getting worse in the future.
- 5.14 Through the Budget Improvement Plan we are also focusing on how we can support a shift in investment towards preventative action. This includes a focused application of the working definition of prevention as part of the roll-out of the *Together for Mental Health* delivery Plan.
- 5.15 Working with the Future Generations Commissioner's Office we are exploring Social Impact Bonds as an outcomes-based investment model to reduce entry into care for Looked After Children.
- 5.16 We are also continuing to embed prevention through our tax levers. The Welsh Revenue Authority is making it easier for people to pay the right amount of tax at the right time. Our Landfill Disposals Tax is a preventative behavioural tax seeking to divert waste from landfill, tackle anti-social behaviour and improve our environment.

Chapter 6: Investing in our Government's priorities

Overview

- 6.01** The Budget continues to place investment in our vital public services at the heart of our spending plans, as well as supporting our ambitions for a more equal, prosperous and greener Wales.
- 6.02** From the outset, we have said that health is our priority, together with providing local government with the best possible settlement. Our preparations have also been shaped by eight cross-cutting priority areas of early years, social care, housing, employability and skills, better mental health, decarbonisation, poverty and biodiversity, as the areas where we can have the greatest impact over the longer-term. We recognise that these eight areas are the ones that have the greatest potential contribution to make to long-term prosperity and wellbeing. They are priority areas where it has been shown that early intervention – tackling root causes, rather than simply treating symptoms - pays dividends.
- 6.03** As a result of the additional funding Wales received for 2020-21, we are able to provide real terms increases to all portfolios in this Budget. Through providing funding increases, we are able to recognise pressures on spending, including increases in the pay of public servants. It also means we are able to sustain the majority of budgets at 2019-20 levels and make a number of targeted investments in line with our cross-cutting priorities. However, as our like-for-like Budget for 2020-21 remains £300m lower in real terms when compared with 2010-11, there remain numerous pressures that cannot be met with the funding available.
- 6.04** This chapter provides details of the new allocations aligned to our priorities which are summarised and referenced in Table 6.1 (revenue e.g. R1, R2 etc.) and Table 6.2 (capital e.g. C1, C2 etc.) at the end of this chapter. This chapter also highlights the key priority investment decisions within each portfolio aligned to our priority areas.

A more equal Wales

- 6.05** Equality can only be achieved if it is built on a foundation of sustainable, accessible and responsive public services for the future. We are ensuring that our vital public services upon which people rely, including our NHS, schools and local government, all receive funding increases in this budget.

Investing in health and well-being

- 6.06** We will invest an extra £421m (£385m revenue and £36m capital) in health and social care in 2020-21, bringing our total investment to more than £8.7bn.
- 6.07** Our allocations in 2020-21 build on the unprecedented level of investment we have made in recent years, including increasing spending in health and social care by over half a billion pounds in 2019-20. Our commitment to protecting health and social care in the round is evidenced by the latest figures from HM

Treasury which confirmed we have spent more per person on health and social services in 2018-19 than anywhere else in the UK. We spend more than £3,000 per person in Wales – almost £300 more per person than in England.

- 6.08 In allocating an additional £385m revenue next year, we will invest a further £342m in our NHS, taking total NHS funding in 2020-21 to more than £8bn. This additional funding enables us to continue the delivery of quality health services, ensuring access to the services people need and delivering good health outcomes.
- 6.09 As well as funding pay awards in 2020-21 and inflationary cost growth, we will invest in transforming the delivery of health services and in new technologies and treatments. This includes allocating £16m for the New Treatment Fund, delivering our commitment to invest £80m over this administration.
- 6.10 Our investment in the NHS includes increased funding for Public Health Wales next year of £6.8m. This means we are investing nearly £103m in 2020-21 to support a range of preventative health protection functions delivered across the NHS in Wales. Of the extra funding, £4.9m will support the development of a National Health Protection Service, helping the fight against Anti-Microbial Resistance, and £1.9m will be invested in Improvement Cymru, our national improvement resource for health and social care.
- 6.11 Our spending plans for health and social services in 2020-21 continue to be framed by our ambition to deliver the vision we set out in *A Healthier Wales*, our long-term plan for health and social care. In 2020-21 we are investing an additional £14m, building on the £192m for *A Healthier Wales* in 2019-20. This will provide additional funding of £3.5m to support the Flying Start approach underpinning our early years priority, an extra £10m for social services via a special grant (increasing the grant in 2020-21 to £40m in total) and £500k for the Whole School Approach to mental health. These allocations are outlined further in relevant sections below.
- 6.12 We are also investing in prevention through new investment of £5.5m in 2020-21 in support of the *Healthy Weight: Health Wales* strategy which aims to ensure that people across Wales are empowered to take responsibility for their weight and their health. Evidence shows having a healthy weight is one of the most effective ways to reduce the long-term health conditions such as diabetes, heart disease and cancers.
- 6.13 We will maintain investment of almost £29m in 2020-21 on the substance misuse agenda through our Substance Misuse Action Plan funding to help address the priorities outlined in our Substance Misuse Delivery Plan 2019-22. This includes maintaining £1.98m in 2020-21 for the All-Wales Schools Liaison Programme, educating children across Wales on substance misuse and personal safety issues at all key stages of the curriculum. Through this maintained investment we will also help to ensure people are accessing the support and services they need after the Public Health (Minimum Price for Alcohol) (Wales) Act 2018 comes into force on 2 March 2020.

- 6.14 Investing in the healthcare estate is key to delivering the vision set out in *A Healthier Wales*. The additional £36m capital means that in total £374m is being made available to support the delivery of health investment priorities. This will support major infrastructure projects including the final construction phases of the Grange University Hospital in Cwmbran and the next phase of refurbishment of the Prince Charles Hospital in Merthyr.
- 6.15 We will continue to increase our investment in primary care, with a focus on implementing the Primary Care model for Wales and collaborative working through primary care cluster. In 2019-20, we announced an increase of £25m in the General Medical Services contract, taking it to more than £536m. In addition, the Primary Care Development Fund of over £40m supports development of the primary care workforce and cluster working.
- 6.16 We continue to provide funding for sports and physical activity and will be investing a further £25.7m in 2020-21, highlighting our commitment to increasing physical activity levels and the importance of preventing ill-health. This includes additional capital investment of £3m in 2020-21 in local sporting facilities which are vital to increase participation in sport and outdoor activity.
- 6.17 We are allocating £4.3m to Healthcare Inspectorate Wales and £14.2m to Care Inspectorate Wales in 2020-21 ensuring we maintain robust inspection services to protect our most vulnerable citizens.

Investing in local government

- 6.18 Together with our health service, local government provides essential services to everyone including some of the most vulnerable in our communities. It is a critical partner for Welsh Government in our mission to improve education, provide the social care services our communities need, combat poverty and deliver a step change in social housing.
- 6.19 The revenue and capital funding to local government through the unhypothecated local government settlement for 2020-21 is significant - almost £4.5bn revenue funding as well as capital and additional specific grants to local authorities. Building on the measures we took in last year's budget round, providing local government with the best possible settlement has been a priority throughout our preparations. In this budget, against the continuing public spending uncertainty and following almost a decade of austerity, we have increased revenue funding, alongside increased non-domestic rates revenue, to provide additional funding available to local authorities of £184m in 2020-21.
- 6.20 A significant factor in our decision on increases to the funding for the local government revenue settlement has been our intention to recognise the impact of teachers' pay and pensions for the remainder of the current academic year, to provide funding beyond this to recognise the future impacts

of teachers' pay awards which will come into effect from September 2020 and to support other services where there are also some significant pressures.

- 6.21 Providing the best settlement for local government also means recognising the other funding streams allocated to local government. We are maintaining our overall investment in specific grants across our budget with nearly £1bn in 2020-21. We have committed to provide as much early certainty on specific grant allocations as possible to enable local authorities to plan their full range of services for the coming year.
- 6.22 We are also providing an additional £15m unhypothecated capital funding to local government next year. This takes the total general capital allocation to more than £197m in 2020-21, enabling local government to invest in increasing the supply of housing, which will minimise the pressures on local authority budgets and on homelessness services. It will also allow councils to start to respond to the urgent need to decarbonise, in light of the climate emergency declared by the Welsh Government and many councils over the past year.

Better mental health

- 6.23 One in four people will experience mental ill-health at some point in their lives. Getting the right treatment at an early stage, together with greater awareness of mental health can, in many cases, prevent longer-term adverse effects.
- 6.24 In recognition of the priority we place on tackling mental health problems, we will continue to ring-fence mental health funding within the NHS budget and we are investing a further £13m in mental health services to support delivery of *A Healthier Wales*, bringing the total ring-fenced allocation to more than £700m in 2020-21. Of the extra funding, £500k is targeted support for the Whole School Programme to provide counselling and emotional support for school children. This, together with an additional £2m from the education budget, brings our total funding to support the whole school approach to £5m in 2020-21. We will also provide an extra £2m to Higher Education and £2m to Further Education to build on their support services for students, staff training and innovative approaches in supporting mental health, well-being and additional learning needs.
- 6.25 We are also maintaining our £2.5m investment, which was allocated in last year's draft budget, for identifying and supporting young people with mental health and emotional well-being issues through the Youth Service. This funding will continue to be allocated through the Youth Support Grant to local authorities in 2020-21.
- 6.26 In recognition of the impact of mental health and the economy, funding of more than £830k in 2020-21 will be targeted to Healthy Working Wales, to improve health at work, prevent people being made ill at work, encourage retention or rehabilitation of those made ill at work, and prevent the link between work-related ill health and economic inactivity.

Social care

- 6.27** Compassionate, dignified care plays a critical part in strong communities, helping people to stay healthy and independent for longer and is a significant economic sector in its own right. Spending per person on health and social services combined increased by 4.6 per cent in Wales in 2018-19. Spending per person in Wales stood at £3,051, the highest of the four UK countries and some 11 per cent higher than in England, which is an extra £294 per person.
- 6.28** Building on the extra £30m allocated via a special grant to local authorities this year to address pressures in social care, we are increasing the grant to £40m in 2020-21. We are allocating £2.3m - from the extra £385m health funding - into the adoption service. This will strengthen and enhance existing services, for adopters, children and young people, helping local authorities improve outcomes for children and building resilient adoptive families.
- 6.29** We will continue our investment in the Integrated Care Fund (ICF) with a budget of more than £130m (£89m revenue and £40m capital) in 2020-21. The ICF will continue to focus on developing and testing integrated, preventative service models for older people with care and support needs, people with learning disabilities, children with complex needs, children in care or at risk of coming into care and carers. A series of services have been developed across the prevention continuum ranging from community connectors through to services to help people stay well at home and prevent hospital admission. The Fund is managed through Regional Partnership Boards, bringing health and social services together to deliver services around the needs of citizens. We are allocating additional financial transactions capital funding of £2m in 2020-21 for the Cylch Caron Integrated Resource Centre in Tregaron to provide integrated community health and care services, extra care housing and step up/step down units in a remote rural location. (C3)
- 6.30** We are allocating £900k in 2020-21 to take forward exploratory work on an integrated approach to supporting looked after children in education. As part of this we will commission a scoping exercise to further explore integrated models, Virtual Schools and whole system approaches, as a basis for a Welsh approach. (R1)
- 6.31** In 2020-21 we will be commencing a new cycle of the three year Sustainable Social Services Third Sector Grant. There is an additional £1.2m being added to the grant for 2020-21 and, over the next three years, we will be increasing the total commitment on this grant by £4.9m, bringing the total investment up to £25.9m. The funded schemes will support carers, children and young people, physical or sensory disabilities, learning disabilities and older people.

Early years

- 6.32 We want children from all backgrounds to have the best start in life. Our aim is that everyone will have the opportunity to reach their full potential and maximise their chances of leading a healthy, prosperous and fulfilling adulthood, enabling them to participate fully in communities, the workplace, and contribute to our future economic success.
- 6.33 In recognition of the critical contribution that investing in early years interventions can make to lifetime health and well-being, we are investing a further £3.5m in the Flying Start approach, building on the work of the Early Years Transformation programme enabling us to reach more children and families who need support in the early years. We are also investing an additional £4m capital to ensure the current Flying Start estate is maintained and able to continue delivering the highest standards of care. (C1)
- 6.34 *Prosperity for All* identified the role the childcare sector plays in the economic and social development of Wales. The Childcare Offer is a primary driver of change for the childcare sector. For 2020-21, we are allocating £20m from the £385m health uplift to increase funding for the Childcare Offer from £40m to £60m. We are also investing an additional £6m of capital funding in 2020-21 to support our Childcare Offer bringing the total capital budget to £70m over three years (2018-19 to 2020-21). (C1)
- 6.35 From April 2019, all childcare premises in Wales receive 100 per cent relief from their NDR bills through a package of support worth £7.5m over three years (2019-20 to 2021-22).
- 6.36 We will introduce a new scheme to pilot Baby Bundles supported by £150k in 2020-21. This is a collection of essential items and helpful guidance to assist new parents in the first weeks and months with their new baby.
- 6.37 In line with our long standing commitment on children's rights, we are investing a further £500k in 2020-21 in the Adverse Child Experiences Support Hub for Wales and £600k in 2020-21 to develop and support the awareness raising campaign should the Children (Abolition of the Defence of Reasonable Punishment) (Wales) Bill achieve Royal Assent.
- 6.38 We are allocating capital funding of £1.2m in 2020-21 to provide safe accommodation for families fleeing domestic abuse. The funding will support third sector providers to acquire dispersed community-based units with flexibility to meet the needs of families which cannot be met by refuges. As women are predominately the care-givers in our society they are more likely to flee with children.(C2)

Investing in education

- 6.39 Through the local government settlement and through our £1.8bn education budget we are delivering on *Our National Mission* action plan by raising

standards, tackling the attainment gap, and ensuring an education system that is a source of national pride and public confidence.

- 6.40 In line with our commitment to invest £100m over the course of this Assembly term to raise school standards, we are investing a further £25.5m in 2020-21. At the heart of our action plan is the delivery of the new Curriculum for Wales, which will be backed by £10m in 2020-21, with an additional £3m funding for the development of National Networks to provide support and resources for school-level curriculum design and professional learning.
- 6.41 Our national approach to Professional Learning will support the realisation of the new curriculum by preparing all our practitioners for the fundamental shift in practice required. Last year we also announced the single biggest investment in our teaching profession to date, a £24m package of professional learning over 18 months, up to 2019-20. For 2020-21, we are providing a further £15m to ensure that our teaching profession receives the support it needs to raise standards and deliver our new transformational curriculum.
- 6.42 We have made £36m available over the course of this Assembly term to reduce infant class sizes, targeted at those most adversely affected by deprivation. For 2020-21, we have set aside £11m in continued support of this commitment.
- 6.43 We remain committed to the pedagogical principles of the Foundation Phase and that approach contributes to developments within the new 3-16 curriculum. To reflect this priority, we will be investing an additional £2.5m through the Education Improvement Grant in 2020-21 to support the recognised teacher-pupil ratios that are essential to the delivery of effective Foundation Phase practice.
- 6.44 This budget provides an additional £8m in 2020-21 to support children and young people with Additional Learning Needs (ALN) to receive a high-quality education and reach their potential. The funding will support local authorities and further education colleges in meeting the additional costs associated with learners with complex needs and disabilities to succeed, and is in addition to the £20m package of funding over this Assembly term to support preparation for the implementation of the new ALN system.
- 6.45 We are maintaining our previous investments and investing an additional £1.3m for services to support minority ethnic and Gypsy, Roma and Traveller learners, providing a total of £10m to support improved outcomes for this group of learners for 2020-21.
- 6.46 We are providing an additional £14m in 2020-21 to support our Further Education colleges. Not only will this significant investment raise standards and support students, it will also provide additional funding to colleges to maintain pay parity between teachers and FE lecturers and to support pension increases. This builds on the additional funding announced last month to support pay and pension pressures in the academic year 2019/20.

- 6.47 We are now investing over £900m per annum on the most progressive and equitable student support system in the UK and to ensure that we have a sustainable funding settlement for Higher Education.
- 6.48 We are the first country in the UK to offer students support for living costs equivalent to the national living wage and the only country in the EU to offer parity of support to Part time and post graduate students. The reforms to student support outlined in the Welsh Government response to Diamond have now been implemented and our focus moves to the phased implementation of the reforms to the funding of Higher Education.
- 6.49 We are also allocating an additional £10m to bolster the 21st Schools and Colleges Programme taking our total investment over this administration to more than £650m. This will assist delivery partners in transforming the education infrastructure to provide inspiring environments for learners, and transition towards a greener educational estate.

Housing

- 6.50 We want everyone to live in a home that meets their needs and supports a healthy, successful and prosperous life. Good-quality homes are the bedrock of good communities and form the basis for individuals and families to flourish in all aspects of their lives.
- 6.51 Over this Assembly term we will have invested £2bn recognising the importance of good, quality housing to support thriving communities. In 2020-21 we are allocating an additional £175m capital taking our total investment next year to £400m. The additional funding comprises:

Activity – capital	£m
Cylch Caron Integrated Resource Centre (C3)	2
Social Housing Grant (C4)	48
Land Release Fund (C5)	5
Building with Modular (C6)	10
Tirion Homes Residential Development (C7)	18.4
Housing Loans (C8)	50
Help to Buy Wales Scheme (C9)	35
Town Centre Loans (C10)	10

- 6.52 We are committed to, and are on track to meet, our ambitious target of providing 20,000 affordable homes during this Assembly term. To continue this momentum, we are providing an additional £48m of capital funding in 2020-21 to support the Social Housing Grant. (C4)
- 6.53 Our 225,000 social homes need to be of a decent standard, recognising that quality housing has a demonstrable impact on health and well-being, and particularly mental well-being. We are maintaining our support for social landlords with £108m per year to ensure the Welsh Housing Quality Standard is achieved and maintained.

- 6.54 Capital funding of £5m in 2020-21 will be invested in the Land Release Fund which is focused on land in public ownership with the intention of accelerating its development for public policy benefit, but with an initial focus on increasing the delivery of social housing. (C5)
- 6.55 We are working in partnership with the Development Bank of Wales to develop a number of initiatives to support our housing agenda. Financial transactions capital funding of £10m in 2020-21 will speed delivery of additional modular social homes. (C6)
- 6.56 Financial transactions capital funding of £18.4m in 2020-21 will help to complete the delivery of three Tirion Homes residential developments in Tonyrefail, Cardiff and Newport to enable the delivery of more than 1,500 new homes, half of which will be affordable, without the need for any social housing grant. (C7)
- 6.57 Our Housing Loans programme will be allocated financial transactions capital funding of £50m in 2020-21 to assist Registered Social Landlords with funding development plans for new social housing and to help start to decarbonise existing homes. (C8)
- 6.58 Financial transactions capital funding of £35m in 2020-21 is being allocated to the Help to Buy Wales scheme delivered through the Development Bank for Wales. Help to Buy provides a shared equity loan to buyers of new-build homes. (C9)
- 6.59 To support our wider regeneration activities, financial transactions capital funding of £10m is being provided in 2020-21 for Town Centre Loans. The funding will be used to unlock stalled town centre sites, to bring forward new development opportunities, purchase derelict or long-term empty properties and renovate dwelling or business premises to a suitable standard free from serious hazards enabling their suitability for immediate occupation. (C10)
- 6.60 The Homelessness Prevention Grant, which we are maintaining with a £17.9m budget in 2020-21, supports the delivery of services aimed at preventing homelessness, and where it cannot be prevented ensuring it is rare, brief and un-repeated.

Equality and inclusion

- 6.61 In 2020-21 our specific equality budget will increase by more than £700k bringing our equality and inclusion budget to more than £7m. This will enable us to strengthen our work to promote equality of outcomes for people with protected characteristics.
- 6.62 This funding will progress action on the gender equality review, support the commencement of the socio-economic duty and provide support to equality and race organisations in Wales. The additional funding will also provide improved levels of support to equality and race organisations in Wales, including support to fund Windrush Day celebrations in Wales and support for

the delivery of the 'Action on Disability: The Right to Independent Living' framework. We will also sustain funding via the Equality and Inclusion Programme to support organisations such as Disability Wales, Women's Equality Network Wales, Stonewall Cymru, EYST, Welsh Refugee Council (supporting refugees and asylum seekers), TGP Cymru (supporting Gypsy, Roma and Travellers), and Victim Support (tackling hate crime).

- 6.63 An additional £250k will be allocated to the violence against women, domestic abuse and sexual violence agenda bringing our total investment to more than £5m in 2020-21. As a Government, we have publicly committed to making Wales the safest place in Europe for women, and significant work has been undertaken since the introduction of the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015.
- 6.64 In 2020-21 more than £400k will be allocated between the Women's Pathfinder project and the Youth and Female Offending blueprints, both of which have a focus on prevention. The Female Offending blueprint was developed jointly by HM Prison and Probation Service and Welsh Government, predicated on the basis of early intervention and prevention; considering how we can further divert people away from crime in the first place, but where we do have to work with offenders, that we do so in a holistic and rehabilitative way.
- 6.65 Our equality budgets are focused on preventative activity. During 2020-21, with the support of the European Transition Fund, we will be able to offer continued support to the Strengthening Community Cohesion project, the Tackling Hate Crime & Community Cohesion Action project, and the EU Citizens Rights project. These projects embed the five ways of working, with a strong emphasis on the involvement of groups with protected characteristics under the Equality Act 2010 and providing interventions which seek to prevent harmful impacts and promote integration.

Investing in evidence and improvement

- 6.66 We will invest a further £1m in public services in 2020-21. The investment will focus on £500k for data science capability, £250k for digital and data projects, and £250k for the public sector geospatial agreement.

A more prosperous Wales

- 6.67 We want an economy founded on high-quality skills, giving businesses the resources to grow and innovate and people the ability to prosper in a Fair Work Nation. Every person should be equipped with the skills they need to get a job and the opportunity to develop new skills through their working life.

Poverty

- 6.68 Our approach to tackling poverty is one where every Ministerial portfolio has responsibility for improving outcomes, focussing on initiatives that keep

money in people's pockets and on services supporting disadvantaged individuals and families.

- 6.69 We are investing nearly £1bn in a wide range of measures which contribute to tackling poverty. This includes £244m each year in the Council Tax Reduction Scheme with one in five households benefitting from a reduction in council tax, more than £125m in the Housing Support Grant and ongoing support for children and families in the early years through aspects of the Children and Communities Grant which includes funding for Families First and Flying Start.
- 6.70 We are also allocating more than £19m in 2020-21 (see below) for a package of measures specifically targeted to help some of the most vulnerable in our communities, including those living in poverty.

Activity – revenue	£m
Period Poverty (R2)	0.2
Period Dignity(R3)	3.1
Discretionary Assistance Fund (R4)	1
Time Credits programme (R5)	0.5
Early Years PDG (R6)	6.6
Pupil Development Grant Access (R7)	3.2
Free breakfast allowance pilot (R8)	0.5
School Holiday Enrichment Programme (R0)	1.8
Holiday hunger pilot (R10)	1
Home energy advice and tackling fuel poverty (R11)	0.4

- 6.71 We are allocating £220k in 2020-21 to continue to fund local authorities to provide sanitary products free of charge to members of the public in need through foodbanks and other organisations. We are also allocating more than £3.1m in 2020-21 to sustain funding for local authorities and further education colleges to supply sanitary products free of charge for all learners to promote period dignity. This will help to ensure that girls receive access to education and their attendance is not hindered by an inability to access sanitary products. (R2, R3)
- 6.72 The Discretionary Assistance Fund offers payments, or in-kind support, to provide urgent assistance to people where there is an identified need to safeguard health and well-being. Since April 2013 this fund has supported over 250,000 awards to the most vulnerable people, with £51.4m in grants since April 2013. We will provide an additional £1m in 2020-21 to meet the increasing demand on the fund. (R4)
- 6.73 We are allocating £500k in 2020-21 to develop a national Time Credits programme. Time Credits are a currency which is earned for voluntarily giving time to a number of community based projects aiming to increase community cohesion through increased volunteering opportunities and providing opportunities for people in poverty. (R5)
- 6.74 We are maintaining our investment for free school meals in 2020-21, building on the additional £7m available through the local government settlement in

2019-20 for additional free school meal costs associated with new eligibility criteria and transitional protection.

- 6.75** We recognise that the earlier you support a child, the better their outcomes will be. Over this term, we have more than doubled the Early Years PDG. We are pleased to build on this funding with an additional investment of £6.6m in 2020-21. (R6)
- 6.76** PDG Access plays a key role in supporting families with the cost of the school day. In 2019-20 we increased funding by £5m to support eligible learners in Reception, Years 3, 7 and 10. In addition, all children who are looked after in these year groups were supported for the first time last year. We are going further, allocating an additional £3.2m in 2020-21, to extend the scheme to more year groups. (R7) Taken together these two measures mean we are providing an additional £9.4m for the Pupil Development Grant (PDG), providing a record level of investment of £101m for 2020-21
- 6.77** We are investing an extra £450k for a breakfast club pilot starting in September 2020 across Wales to develop a model which enables provision of a healthy and nutritious breakfast, free of charge for pupils entitled to Free School Meals, before they commence their school day or during the morning break in secondary schools. (R8)
- 6.78** We are allocating additional funding of £1.8m in 2020-21 to the School Holiday Enrichment Programme, which provides opportunities for children aged 7-11 years to be more active, eat healthily and develop friendships whilst also making the most of local school facilities in disadvantaged areas during the summer holidays. Taking our total investment to £2.7m the extra funding will enable the extension of the programme to up to 7,600 children. (R9)
- 6.79** We are increasing funding from £100k in 2019-20 to £1m in 2020-21 to extend the Holiday Hunger Playworks Pilot, which enables existing community and play settings to extend or improve the provision of food or places for children and young people. (R10)
- 6.80** We are also responding to the risk that the impacts of climate change will not be felt equally, including home energy costs. In this Budget we are committing £36m, including £8m of European Union funding, to fund energy efficiency measures for 25,000 households through Nest and Arbed schemes. Since 2010 we have invested more than £240m through this programme, helping to lift tens of thousands of low income households out of fuel poverty. Building on current investment we have allocated funding of £400k in 2020-21 to provide advice on home energy and advice on tackling fuel poverty to low income homes. (R11)
- 6.81** As a recognition of the importance of community assets, we are providing an additional £1m in financial transactions capital in 2020-21 to the Wales Council for Voluntary Action's Community Asset Loan Fund. (C35)

Employability and Skills

- 6.82** There is a clear relationship between economic growth, jobs and tackling poverty. Secure, well-paid and sustainable employment offers both a route out of poverty and protection against it, not just for the individual, but also for their dependents and indeed their wider community.
- 6.83** We are committed to investing £175m in employability and skills for the remainder of this Assembly term. Our Employability Plan, published in March 2018, sets out our ambitions to support people into work today, whilst also preparing the workforce for the immediate and long term challenges of the future. Our plan recognises the important links between skills, training, tackling poverty, and other policy areas which impact on employment opportunities such as health, housing, transport and care.
- 6.84** In this Budget we are allocating £9m to maintain the profile of spend between EU funding and our own funding to deliver our commitment of at least a minimum of 100,000 high quality all-aged apprenticeships over this Assembly term. This brings our total investment in 2020-21 to more than £97m (net). (R12)
- 6.85** In 2019-20 an additional £3m was allocated to support the skills development of key automotive and aerospace manufacturers. We are providing further funding of £1.6m in 2020-21 to continue this important commitment.
- 6.86** We are allocating more than £40m to Job Support Wales in 2020-21 that will deliver a new approach to delivering employability and skills support from April 2020, to support around 16,000 people per year to meet what individuals need to gain employment whatever their barriers.
- 6.87** We are also allocating £9.1m in 2020-21 for Working Wales which provides one national access point, independent to the delivery of support, with qualified Careers advisors ensuring that individuals are directed to the right place at the right time depending on their needs and barriers to employment.
- 6.88** The employment levels of disabled people need to be increased to tackle the disability employment gap and disability poverty levels in Wales. Funding of £275k in 2020-21 for Disabled People Employment Champions will allow us to take action to change employer attitudes, reduce the stigma and better support employers to recruit and retain disabled people. (R13)
- 6.89** The Welsh Government's new framework – Action on Disability: The Right to Independent Living, was launched in September 2019. We are providing £225k in 2020-21 to take forward the action under this framework to work with DWP and other disability stakeholders to explore options to build upon the current Disability Confident Scheme to ensure that we have a disability award scheme in Wales that is tailored for the employer landscape and fulfils our ambition to increase the number of disabled people in employment. (R14)

- 6.90** More than £1.6m will be invested in the Wales Union Learning Fund (WULF) in 2020-21 to encourage and support learning in the workplace and recognise the important role of Trade Unions and their Union Learning in contributing to encouraging skills progression and tackling poverty.
- 6.91** Earlier this year we launched a pilot of our Personal Learning Account (PLA) Programme delivering our commitment in the Employability Plan to provide funding for vocational retraining of employed people in industry sectors where there is a demonstrable skills shortage. Investment of £2m per year is being made available over two years (2019-20 and 2020-21) to support employed adults in low paid and low skilled work. We are taking forward a gender budgeting approach as part of this pilot to understand how this approach might help identify and understand potential different impacts, including unintended impacts, to improve how we prioritise and allocate resources.

Investing in a sustainable economy

- 6.92** The Economic Action Plan (EAP) is the guiding policy and strategy document for all of our activities across the economy. At the heart of the Plan are the twin aims of reducing inequality and spreading prosperity, embodied by the economic contract and a place based approach to economic development. The Economy Futures Fund and Development Bank of Wales are the principal means by which we provide finance to businesses and are part of the streamlined approach to business finance set out in the EAP.
- 6.93** In 2020-21 we are providing additional capital funding of £20.8m for the Economy Futures Fund, taking our total business development investment to £45m, to provide finance support to businesses across Wales aligned to our aims of delivering fairer and more equitable outcomes, closer to home and provide support for existing businesses affected by Brexit. (C11)
- 6.94** We are also investing financial transaction capital funding of £5m in 2020-21 for the Repayable Fund for SMEs to support capital investment and job creation projects. This Fund aims to increase and safeguard employment in the Welsh economy, particularly in the assisted areas where there are recognised areas of high unemployment and associated deprivation. (C12)
- 6.95** Additional financial transactions capital of £40m is allocated to the Development Bank of Wales to further support businesses. This includes £20m in 2020-21 to support SME development to help create and to encourage businesses to stay and grow in Wales. (C13)
- 6.96** It also includes funding of £14m in 2020-21 for a Commercial Property Development Fund to provide approximately 150,000 square feet of high quality, modern employment floor space capable of supporting indigenous and inward investment. (C14), as well as an additional £6m to improve SMEs' ability to access finance. (C15)
- 6.97** Business Wales continues to play a vital role in supporting businesses and entrepreneurs, including supporting Brexit activity. The budget of £11m for

2020-21 will support investment in a Brexit portal, providing information and guidance on a range of preparedness issues, as well as offering a diagnostic tool to help companies assess their level of exposure to Brexit impacts.

- 6.98** Small and medium-sized businesses are the backbone of the Welsh economy. In 2020-21 we are providing more than £125m to support small and medium-sized businesses with their NDR bills, through the permanent Small Business Rates Relief scheme and our High Street and Retail Rates Relief Scheme. More than 70,000 ratepayers receive non-domestic rates relief and half of all businesses pay no rates at all.

Modern and connected infrastructure

- 6.99** Transport and digital infrastructure is critical to providing access to employment, making business to business contact easier and supporting productivity and growth in our communities. We also recognise the important link between infrastructure and the impact on our environment. Alongside our investment in sustainable travel our investments total more than £700m in digital, road, rail, air and sea infrastructure in 2020-21.
- 6.100** Reliability of public transport is key to encouraging people to switch to more sustainable types of transport and in this budget we have maintained our public transport budgets. Our commitment to provide a modern connected rail infrastructure is supported with capital investment of £206m in 2020-21. We are allocating an additional £20m for the North Wales Metro to take forward our vision for integrated travel. We are also providing an additional £15m, taking total revenue funding to £185m in 2020-21 to support the delivery of the rail franchise. (C16)
- 6.101** As well as investing in new forms of transport we also need to meet our statutory obligations to maintain our existing road assets to allow people and goods to move safely, prevent the risk of accidents, improve connectivity and access to education, skills, training and employment. The maintenance budget of more than £150m includes an additional £15m in 2020-21.
- 6.102** Cardiff Airport is an international gateway fostering both tourism and commercial business opportunities with the world with its connectivity vital to our prosperity. Financial transaction capital funding of £4.8m will support the airport's ongoing operations and allow for critical infrastructure improvements to be made. (C17)
- 6.103** By ensuring that everyone has motivation, skills and access to use digital technologies and online services, we are working to achieve a smarter, better-connected society and economy. *Delivering a Digital Wales* is our overarching plan for the development of digital connectivity. We are maintaining our planned investment of £43.5m over two years (£17.5m in 2019-20 and £26m in 2020-21) to extend the Superfast Cymru programme to deliver the next phase of high-speed broadband roll-out. This will deliver fast reliable

broadband to those parts of the country not currently served by the market and meet our commitments in *Taking Wales Forward*.

Promoting our place in the world

6.104 To deliver our ambitions for Wales in the world we providing additional funding of £3m in 2020-21 to support development of our new International Strategy which aims to raise our international profile and showcase Wales as a globally responsible nation. A key objective of the International Strategy is supporting more companies to export into new markets. We are also allocating an additional £2.5m of EU Transition Funding in 2020-21 to support export, trade and inward investment activities.

6.105 As well as being important in their own right, tourism, culture, sport and language contribute to wider economic, social and environmental outcomes for people in Wales. We are allocating funding of more than £70m in 2020-21 to support our culture and the arts through sponsored bodies, such as the Arts Council of Wales, the National Museums of Wales and the National Library of Wales. We are maintaining the budget for Cadw of £16.6m in 2020-21 to protect and care for our historic environment and to promote and develop the skills that are needed to do this effectively. We are also allocating capital funding of £5m in 2020-21 to support the establishment of Creative Wales. (C18)

6.106 We are allocating an additional £20.7m of capital funding in 2020-21 including £16m of financial transaction capital to support the delivery of strategic tourism projects. We are also maintaining Visit Wales revenue budget at £13.2m to lead investment in tourism infrastructure and events to support the visitor economy and marketing Wales in the UK and internationally as a place to visit, work and invest. (C19)

6.107 The Welsh language is an integral part of our culture and everyday lives. In support of our ambitions in *Cymraeg 2050: a million Welsh speakers* we are maintaining the Welsh language budget at £20.9m in 2020-21. There is also an increased allocation of £50k for the Welsh Language Commissioner providing a total budget of £3.6m in 2020-21.

Activity – capital	£m
Economy Futures Fund (C11)	20.8
Repayable Fund for SMEs (C12)	5
SME development (C13)	20
Commercial Property Fund (C14)	14
Micro Business Loan Fund (C15)	6
North Wales Metro (C16)	20
Cardiff Airport (C17)	4.8
Creative Wales (C18)	5
Tourism - strategic developments (C19)	16

6.108 In total in this budget we are providing a significant boost of more than £110m of capital funding in a package of investments (as outlined above) to support a

sustainable economy, developing modern and connected infrastructure and promoting our place in the world.

A greener Wales

- 6.109** In May of this year the National Assembly was the first Parliament in the world to declare a climate emergency. We subsequently formally adopted the advice of our statutory advisor on climate change, the UK Committee on Climate Change (UKCCC), committing to reducing emissions of greenhouse gasses in Wales by 95% over the next 30 years.
- 6.110** This budget is the first since the declaration of the climate emergency, building on the actions set out in *Prosperity for all: A Low Carbon Wales*, to meet the first carbon budget (2016-2020) and the 2020 interim target. *Prosperity for All: A Climate Conscious Wales*, published earlier this month, responds to the areas of risk which the UK Committee on Climate Change has highlighted as requiring ‘more urgent action’ and contains short, medium and longer-term actions in a number of key areas.
- 6.111** This budget also builds on our commitment to maximise the use of our budget levers to support a greener Wales. Within the Strategic Integrated Impact Assessment in annex C we have set out the approach to supporting Decarbonisation within this Budget and the steps we will take in future.
- 6.112** The greatest physical risk to our communities from climate change is through the increasingly intense storms, flooding and coastal erosion which we are already witnessing. In this Budget we are committing £64m in 2020-21 to defend our communities from the most severe and immediate impacts of climate change.

Activity – capital	£m
Resilient Travel (C20)	25
Electric Vehicle Transformation (C21)	29.0
Ultra-Low Emission refuse Vehicles for LAs (C22)	1
Air quality - Cardiff & Caerphilly (C23)	7.9
Innovative Housing Programme 4 (C24)	25
Coleg y Cymoedd - Carbon neutral house (C25)	8.2
International Development - Mbale tree planting (C26)	0.5
National Forest (C27)	4.5
Natura 2000 Network – enhancement (C28)	15
National Peatland restoration (C29)	1
Environmental Growth Fund (C30)	5
Town Centre Green infrastructure & biodiversity (C31)	5
Sustainable Landscapes, Sustainable Places (C32)	8
Metal Mines programme (C33)	4.5
Water quality improvements (C34)	5

- 6.113** We are investing an additional package of more than £140m of capital, together with £1.5m revenue, to support Environmental Growth in 2020-21 that promotes decarbonisation, protects our environment and enhances our biodiversity as outlined in the table on the previous page.
- 6.114** This significant new investment sits alongside our wider investments which are already delivering against this important agenda including our continued investments responding to the risk that the impacts of climate change will not be felt equally, including home energy costs, with our Warm Homes programme having invested more than £240m since 2010. To deliver on our ambitions we are increasing the funding available to Natural Resources Wales to a total of more than £60m in 2020-21.
- 6.115** The greatest physical risk to our communities from climate change is through the increasingly intense storms, flooding and coastal erosion which we are already witnessing. In this budget we are committing £64m in 2020-21 to defend our communities from the most severe and immediate impacts of climate change.

Decarbonisation

- 6.116** Decarbonisation protects our natural resources for future generations and will deliver on our commitment to Environmental Growth including economic opportunities, better-quality jobs, more comfortable and efficient homes and improvements to our health and well-being. In this budget we are helping to mobilise businesses and communities, including accelerating the transition away from fossil fuels through greater electrification and efficiency in key economic sectors.
- 6.117** Recognising that decarbonisation of road transport is essential to delivering our net zero target, we are taking action to make it easier for people to make fewer journeys by car and use alternative forms of transport. As part of the Wales Infrastructure Investment Plan mid-point review in 2018 we invested £60m over three years (2018-19 to 2020-21) to accelerate the creation of active travel routes to connect residential areas with key employment and educational sites and services. In 2020-21 we are investing £219m in sustainable travel which includes an additional capital allocation of £25m in 2020-21 to invest in resilient travel. (C20)
- 6.118** We have protected our budgets for Youth Discounted Travel Scheme (£2m) and Concessionary Fares (£60m) in 2020-21 which makes bus travel more affordable for younger people and provides free travel for older people to access employment, education, social events, training, medical appointments and any other journey purposes.
- 6.119** As part of our aim for a zero emission bus fleet by 2028 we are allocating a total of £29m capital funding (£21.5m of traditional capital and £7.5m financial transaction capital) in 2020-21 towards delivering an electric bus fleet, to encourage the use of public transport while reducing the carbon emissions and helping improve air quality. We are also allocating capital funding of £1m

in 2020-21 to support the transition from diesel refuse collection vehicles to ultra-low emission refuse collection vehicles in the public sector fleet. (C21, C22)

- 6.120** We recognise the importance of the environment for our physical and mental health and we are providing additional allocations to improve air quality. We are allocating capital funding of more than £7.9m in 2020-21 to support the implementation of measures to bring about urgent compliance with nitrogen dioxide limit values in Cardiff and Caerphilly. (C23)
- 6.121** We are allocating additional capital funding of £25m in 2020-21 to extend our Innovative Housing Programme responding to emerging evidence that modular and other modern methods of home construction can successfully deliver near zero carbon homes. We have also allocated an additional £8.2m of capital funding in 2020-21 for a carbon neutral house project within Coleg Y Cymoedd, designed to provide a state of the art education and training facility to ensure the sustainability of our housing stock. (C24, C25)
- 6.122** Our budget priorities are designed to ensure that we secure the future of Welsh farming communities, and keep our farmers on the land. In this Budget we have committed to maintain £76m, including £40m of European Union funding, to support our farmers to adopt sustainable farming practices that make their businesses and our countryside more resilient to the impact of climate change.

Biodiversity

- 6.123** In declaring a climate change emergency we recognise the very significant threat to our wildlife. We have already introduced legislation which places statutory responsibilities on the Welsh Government and wider public authorities to ensure we all play our part to protect our environment.
- 6.124** Meeting the challenges of a climate emergency is an international matter and we recognise our role in supporting communities across the world. Alongside our investment in planting trees in Wales we are also allocating capital funding of £500k in 2020-21 to plant millions of trees in a recently deforested area in eastern Uganda. (C26)
- 6.125** We are delivering on our ambition to create a National Forest to extend the full length of Wales, investing £4.5m in 2020-21 to begin a programme to improve the condition and connectivity of our most precious ancient woodlands and to accelerate the rate of tree planting. This will create new tourism opportunities, building on the success of the Wales Coastal Path, as well as absorbing our carbon emissions. (C27)
- 6.126** We are allocating an additional £15m in 2020-21 in our Natura 2000 Network, containing the 112 most ecologically important nature sites and some of our most threatened habitats and species. We are committed to invest in improving the condition of these sites and strengthening the arrangements for managing them in the future. In this budget we are also committing £1m of

capital funding in 2020-21 to deliver the first year of a national peatland restoration programme which aims to bring under sustainable management all areas of peat supporting semi-natural habitat. (C28, C29)

- 6.127** Alongside these capital investments we are allocating revenue funding of £1m in 2020-21 to support the management and maintenance of these activities. In the coming year we will pilot a ‘taskforce’ approach to provide the public sector with specialist advice on improved integration of biodiversity in policy development, public procurement and wider estate management. Funding of £500k is being allocated to support the taskforce in 2020-21. (R15, R16)
- 6.128** We want to see places for nature in all our communities, so we can all see environmental growth from our doorsteps. To start this process we are investing capital funding of £5m in 2020-21 to a specific Environmental Growth Fund – Local Places for Nature to support reversing the decline in nature in our local communities. (C30)
- 6.129** A further capital allocation of £5m will also be used to establish green infrastructure and encourage biodiversity in our towns and cities bringing our total capital regeneration budget in 2020-21 to more than £50m. (C31)
- 6.130** We are allocating capital funding of £8m in 2020-21 to enhance biodiversity through our ‘Sustainable Landscapes, Sustainable Places’ initiative. (C32)
- 6.131** We are committing £9.5m of capital funding in 2020-21 to tackle water quality issues that affect our rivers and other inland waterbodies. This includes £4.5m on remediating metal mines which, since they were abandoned in some cases more than 100 years ago, remain the single greatest source of pollution of Welsh waters. Improving water quality will improve the health of the wider environment, making it more resilient to the impact of climate change. (C33, C34)
- 6.132** To deliver on our ambitions we are increasing the funding available to Natural Resources Wales to a total of more than £60m in 2020-21 to boost their efforts in tackling climate change and its impact.
- 6.133** We are allocating a further £498k to the national parks authorities bringing the total budget to £9.9m in 2020-21, reflecting the importance of the protection and promotion of our natural environment to health and well-being.

Table 6.1: Additional revenue allocations

	£m
Social care	
Looked After Children Virtual Schools (R1)	0.9
Poverty	
Period Poverty (R2)	0.2
Period Dignity (R3)	3.1
Discretionary Assistance Fund (R4)	1
Time Credits programme (R5)	0.5
Early Years PDG (R6)	6.6
Pupil Development Grant Access (R7)	3.2
Free breakfast allowance pilot (R8)	0.5
School Holiday Enrichment Programme (R9)	1.8
Holiday hunger pilot (R10)	1
Home energy advice and tackling fuel poverty (R11)	0.4
Employability & Skills	
Apprenticeships (R12)	9
Disabled People Employment Champions (R13)	0.3
Disability Confident (R14)	0.2
Biodiversity	
National Forest & other capital bids (R15)	1
Biodiversity taskforce (R16)	0.5

Table 6.2: Additional capital allocations

	£m
Early years	
Flying Start and Childcare facilities (C1)	10
Safe accommodation for families fleeing domestic abuse (C2)	1.2
Housing	
Cylch Caron Integrated Resource Centre (C3)	2
Social Housing Grant (C4)	48
Land Release Fund (C5)	5
Building with Modular (C6)	10
Tirion Homes Residential Development (C7)	18.4
Housing Loans (C8)	50
Help to Buy-Wales (C9)	35
Town Centre Loans (C10)	10
Employability & Skills	
Economy Futures Fund (C11)	20.8
Repayable Fund for SMEs (C12)	5
SME Development (C13)	20
Commercial Property Fund (C14)	14
Micro Business Loan Fund (C15)	6
North Wales Metro (C16)	20
Cardiff Airport (C17)	4.8
Creative Wales (C18)	5
Tourism – strategic developments (C19)	16
Decarbonisation	
Resilient Travel (C20)	25
Electric Vehicle Transformation (C21)	29
Ultra-Low Emission refuse Vehicles for LAs (C22)	1
Air quality - Cardiff & Caerphilly (C23)	7.9
Innovative Housing Programme 4 (C24)	25
Coleg y Cymoedd - Carbon neutral house (C25)	8.2
Biodiversity	
International Development - Mbale tree planting (C26)	0.5
National Forest (C27)	4.5
Natura 2000 Network – enhancement (C28)	15
National Peatland restoration (C29)	1
Environmental Growth Fund (C30)	5
Town Centre Green infrastructure & biodiversity (C31)	5
Sustainable Landscapes, Sustainable Places (C32)	8
Metal Mines programme (C33)	4.5
Water quality improvements (C34)	5
Other	
WCVA - Community Asset Loan Fund (C35)	1

Chapter 7: Welsh Government spending plans

Wales' expenditure budget

- 7.01 Devolved expenditure in Wales for 2020-21 comprises allocations to Welsh Government main expenditure groups (MEGs) of £18.3bn.
- 7.02 Table 7.1 shows the components of the Wales expenditure budget, broken down by MEG and indicative budgets for the Assembly Commission, the Auditor General for Wales and the Public Services Ombudsman for Wales. The table also shows unallocated reserves funding. The MEG allocations reflect the high-level priorities set out in chapter six. Our draft Budget is presented in MEGs as these form our control totals for managing the Budget throughout the year.

Table 7.1 Allocation of the Wales Budget

MAIN EXPENDITURE GROUPS (MEGs)		2020-21 New Plans Draft Budget
		£000s
Health and Social Services		8,903,009
Housing and Local Government		5,866,224
Economy and Transport		1,547,711
Education		2,551,295
International Relations and the Welsh Language		219,060
Environment, Energy and Rural Affairs		350,162
Central Services and Administration		389,757
Total Allocations to Welsh Government MEGs		19,827,218
Unallocated Resource	Fiscal Resource	103,473
	Non-Fiscal Resource	151,193
Unallocated Capital	General	37,377
	Financial Transactions	45,939
Assembly Commission *		57,988
Public Services Ombudsman for Wales *		4,954
Wales Audit Office *		7,878
Direct Charges to the Welsh Consolidated Fund		737
TOTAL WELSH BUDGET		20,236,757

*Budgets for the directed funded bodies are for illustrative purposes only and have been rolled forward from the first supplementary budget 2019-20. Following scrutiny and approval of the direct funded bodies' budgets for 2020-21, these figures will be revised and included in the Welsh Government's Final Budget.

Categories of expenditure

7.03 Within the MEG allocations there are different types of expenditure which are used for different purposes:

- Fiscal resource
- Non-fiscal resource
- General capital
- Financial transactions
- Annually Managed Expenditure (AME)

7.04 Tables 7.2a and 7.2b set out the MEG allocations by these categories and also by year.

Table 7.2a - Summary of the Welsh Government MEG Total Allocations

2020-21 DRAFT BUDGET TOTAL MEG ALLOCATIONS										
£000s										
	Resource			Capital			AME			TOTAL MEG
MEG*	Fiscal	Non Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total	
HSS	8,176,438	190,000	8,366,438	374,488	0	374,488	162,083	0	162,083	8,903,009
HLG	3,970,194	240	3,970,434	585,085	150,505	735,590	1,160,200	0	1,160,200	5,866,224
E&T	540,060	192,400	732,460	700,466	85,260	785,726	29,525	0	29,525	1,547,711
Educ	1,459,636	107,154	1,566,790	217,711	-195	217,516	-124,399	891,388	766,989	2,551,295
IRWL	157,952	8,882	166,834	33,467	15,746	49,213	3,013	0	3,013	219,060
EERA	195,095	21,675	216,770	128,992	2,000	130,992	2,400	0	2,400	350,162
CSA	341,072	16,000	357,072	28,686	1,000	29,686	2,999	0	2,999	389,757
TOTAL	14,840,447	536,351	15,376,798	2,068,895	254,316	2,323,211	1,235,821	891,388	2,127,209	19,827,218

*MAIN EXPENDITURE GROUPS (MEG)s: Health and Social Services (HSS); Housing and Local Government (HLG); Economy and Transport (E&T); Education (Educ); International Relations and the Welsh Language (IRWL); Environment, Energy and Rural Affairs (EERA); Central Services and Administration (CSA)

Table 7.2b – Summary of Welsh Government MEG Allocations

FISCAL RESOURCE ALLOCATIONS	
MAIN EXPENDITURE GROUPS (MEGs)	£000s
	2020-21 New Plans Draft Budget
Health and Social Services	8,176,438
Housing and Local Government	3,970,194
Economy and Transport	540,060
Education	1,459,636
International Relations and the Welsh Language	157,952
Environment, Energy and Rural Affairs	195,095
Central Services and Administration	341,072
Total Fiscal Allocations to Welsh Government MEGs	14,840,447

NON-FISCAL RESOURCE ALLOCATIONS	
MAIN EXPENDITURE GROUPS (MEGs)	£000s
	2020-21 New Plans Draft Budget
Health and Social Services	190,000
Housing and Local Government	240
Economy and Transport	192,400
Education	107,154
International Relations and the Welsh Language	8,882
Environment, Energy and Rural Affairs	21,675
Central Services and Administration	16,000
Total Non Fiscal Allocations to Welsh Government MEGs	536,351
Total Resource Allocations to Welsh Government MEGs	15,376,798

GENERAL CAPITAL ALLOCATIONS	
MAIN EXPENDITURE GROUPS (MEGs)	£000s
	2020-21 New Plans Draft Budget
Health and Social Services	374,488
Housing and Local Government	585,085
Economy and Transport	700,466
Education	217,711
International Relations and the Welsh Language	33,467
Environment, Energy and Rural Affairs	128,992
Central Services and Administration	28,686
Total General Capital Allocations to Welsh Government MEGs	2,068,895

FINANCIAL TRANSACTION CAPITAL ALLOCATIONS	
MAIN EXPENDITURE GROUPS (MEGs)	£000s
	2020-21 New Plans Draft Budget
Health and Social Services	0
Housing and Local Government	150,505
Economy and Transport	85,260
Education	-195
International Relations and the Welsh Language	15,746
Environment, Energy and Rural Affairs	2,000
Central Services and Administration	1,000
Total Financial Transaction Capital Allocations to Welsh Government MEGs	254,316
Total Capital Allocations to Welsh Government MEGs	2,323,211

AME RESOURCE ALLOCATIONS	
MAIN EXPENDITURE GROUPS (MEGs)	£000s
	2020-21 New Plans Draft Budget
Health and Social Services	162,083
Housing and Local Government	1,160,200
Economy and Transport	29,525
Education	-124,399
International Relations and the Welsh Language	3,013
Environment, Energy and Rural Affairs	2,400
Central Services and Administration	2,999
Total Resource AME Allocations to Welsh Government MEGs	1,235,821

AME CAPITAL ALLOCATIONS	
MAIN EXPENDITURE GROUPS (MEGs)	£000s
	2020-21 New Plans Draft Budget
Health and Social Services	0
Housing and Local Government	0
Economy and Transport	0
Education	891,388
International Relations and the Welsh Language	0
Environment, Energy and Rural Affairs	0
Central Services and Administration	0
Total Capital AME Allocations to Welsh Government MEGs	891,388
Total AME Allocations to Welsh Government MEGs	2,127,209

Table 7.3 – Direct borrowing for capital purposes

	2020-21
Total borrowing outstanding as at 1 April (principal)	199,862
Proposed capital borrowing to be drawn in-year	125,000
Repayment of principal in-year	(6,365)
Aggregate capital borrowing outstanding as at 31 March	318,497
Interest payments due in-year	4,724

Table 7.4 - Direct borrowing for capital purposes, repayment schedule

Repayment schedules based on borrowing at the levels detailed above			
Principal interest	Amounts falling due within 1 year (£'000)	Amounts falling due within 1 – 5 years (£'000)	Amounts falling due after 5 years (£'000)
	6,365	43,108	275,389
	4,724	26,469	64,573

Annex A: Reconciliation of administrative budget and resource allocations in the annual Budget motion

2020-21 DRAFT BUDGET								
£000s								
	HSS	HLG	E & T	Educ	IRWL	EERA	CSA	TOTAL
Resource	8,366,438	3,970,434	732,460	1,566,790	166,834	216,770	357,072	15,376,798
Capital	374,488	735,590	785,726	217,516	49,213	130,992	29,686	2,323,211
Resource AME	162,083	1,160,200	29,525	-124,399	3,013	2,400	2,999	1,235,821
Capital AME	0	0	0	891,388	0	0	0	891,388
TOTAL MANAGED EXPENDITURE	8,903,009	5,866,224	1,547,711	2,551,295	219,060	350,162	389,757	19,827,218
Reconciliation to Resources								
Resource Consumption - Welsh Government Sponsored Bodies	-230	-200		-305	-7,281	-12,400		-20,416
Supported Borrowing		-88,800						-88,800
National Insurance Fund Receipts Collection Costs	-906							-906
National Non-Domestic Rates Payable (and Collection Costs)		-1,141,172						-1,141,172
Interest Repayments on Borrowing							-4,724	-4,724
PFI			-8,982					-8,982
RESOURCES REQUESTED	8,901,873	4,636,052	1,538,729	2,550,990	211,779	337,762	385,033	18,562,218

*MAIN EXPENDITURE GROUPS (MEG)s: Health and Social Services (HSS); Housing and Local Government (HLG); Economy and Transport (E&T); Education (Educ); International Relations and the Welsh Language (IRWL); Environment, Energy and Rural Affairs (EERA); Central Services and Administration (CSA)

Annex B: Year on Year Changes

TOTAL - Year on Year Percentage Change	£000s		
	2019-20	2020-21	
	Supplementary Budget June 2019	New Plans	% Change
Health and Social Services	8,495,236	8,903,009	4.80
Housing and Local Government	5,607,571	5,866,224	4.61
Economy and Transport	1,353,374	1,547,711	14.36
Education	2,379,562	2,551,295	7.22
International Relations and the Welsh Language	179,767	219,060	21.86
Environment, Energy and Rural Affairs	300,840	350,162	16.39
Central Services and Administration ⁶	358,913	389,757	8.59
Total Resource Allocations to Welsh Government MEGs	18,675,263	19,827,218	

TOTAL - Year on Year Percentage Change - Real Terms	£000s		
	2019-20	2020-21	
	Supplementary Budget June 2019	New Plans	% Change
Health and Social Services	8,495,236	8,903,009	2.90
Housing and Local Government	5,607,571	5,866,224	2.72
Economy and Transport	1,353,374	1,547,711	12.29
Education	2,379,562	2,551,295	5.28
International Relations and the Welsh Language	179,767	219,060	19.65
Environment, Energy and Rural Affairs	300,840	350,162	14.29
Central Services and Administration	358,913	389,757	6.63
Total Resource Allocations to Welsh Government MEGs	18,675,263	19,827,218	

⁶ The baseline for 2019-20 does not reflect an additional allocation to the CSA MEG for the current financial year for Brexit-related staffing costs which will be rolled forward to 2020-21 spending plans. The adjustment for this financial year will be reflected in the Second Supplementary Budget and will be subject to the National Assembly's approval.

RESOURCE - Year on Year Percentage Change	£000s		
MAIN EXPENDITURE GROUPS (MEGs)	2019-20	2020-21	
	Supplementary Budget June 2019	New Plans	% Change
Health and Social Services	8,001,040	8,366,438	4.57
Housing and Local Government	3,844,201	3,970,434	3.28
Economy and Transport	709,770	732,460	3.20
Education	1,510,853	1,566,790	3.70
International Relations and the Welsh Language	161,571	166,834	3.26
Environment, Energy and Rural Affairs	211,379	216,770	2.55
Central Services and Administration ⁷	329,698	357,072	8.30
Total Resource Allocations to Welsh Government MEGs	14,768,512	15,376,798	

RESOURCE - Year on Year Percentage Change - Real Terms	£000s		
MAIN EXPENDITURE GROUPS (MEGs)	2019-20	2020-21	
	Supplementary Budget June 2019	New Plans	% Change
Health and Social Services	8,001,040	8,366,438	2.68
Housing and Local Government	3,844,201	3,970,434	1.42
Economy and Transport	709,770	732,460	1.33
Education	1,510,853	1,566,790	1.83
International Relations and the Welsh Language	161,571	166,834	1.39
Environment, Energy and Rural Affairs	211,379	216,770	0.70
Central Services and Administration	329,698	357,072	6.34
Total Resource Allocations to Welsh Government MEGs	14,768,512	15,376,798	

⁷ See footnote 6.

CAPITAL - Year on Year Percentage Change	£000s		
MAIN EXPENDITURE GROUPS (MEGs)	2020-21		
	2020-21 Plans as per 2019-20 Final Budget	New Plans	% Change
Health and Social Services	338,488	374,488	10.64
Housing and Local Government	531,356	735,590	38.44
Economy and Transport	609,004	785,726	29.02
Education	189,296	217,516	14.91
International Relations and the Welsh Language	13,947	49,213	252.86
Environment, Energy and Rural Affairs	77,607	130,992	68.79
Central Services and Administration	17,648	29,686	68.21
Total Capital Allocations to Welsh Government MEGs	1,777,346	2,323,211	

CAPITAL - Year on Year Percentage Change - Real Terms	£000s		
MAIN EXPENDITURE GROUPS (MEGs)	2020-21		
	2020-21 Plans as per 2019-20 Final Budget	New Plans	% Change
Health and Social Services	338,488	374,488	8.63
Housing and Local Government	531,356	735,590	35.93
Economy and Transport	609,004	785,726	26.68
Education	189,296	217,516	12.83
International Relations and the Welsh Language	13,947	49,213	246.48
Environment, Energy and Rural Affairs	77,607	130,992	65.74
Central Services and Administration	17,648	29,686	65.17
Total Capital Allocations to Welsh Government MEGs	1,777,346	2,323,211	

AME RESOURCE - Year on Year Percentage Change	£000s		
MAIN EXPENDITURE GROUPS (MEGs)	2019-20	2020-21	
	Supplementary Budget June 2019	New Plans	% Change
Health and Social Services	121,100	162,083	33.84
Housing and Local Government	1,086,094	1,160,200	6.82
Economy and Transport	62,437	29,525	(52.71)
Education	(123,844)	(124,399)	0.45
International Relations and the Welsh Language	3,013	3,013	0.00
Environment, Energy and Rural Affairs	2,400	2,400	0.00
Central Services and Administration	2,977	2,999	0.74
Total Resource AME Allocations to Welsh Government MEGs	1,154,177	1,235,821	

AME RESOURCE - Year on Year Percentage Change - Real Terms	£000s		
MAIN EXPENDITURE GROUPS (MEGs)	2019-20	2020-21	
	Supplementary Budget June 2019	New Plans	% Change
Health and Social Services	121,100	162,083	31.42
Housing and Local Government	1,086,094	1,160,200	4.89
Economy and Transport	62,437	29,525	(53.57)
Education	(123,844)	(124,399)	(1.37)
International Relations and the Welsh Language	3,013	3,013	(1.81)
Environment, Energy and Rural Affairs	2,400	2,400	(1.81)
Central Services and Administration	2,977	2,999	(1.08)
Total Resource AME Allocations to Welsh Government MEGs	1,154,177	1,235,821	

AME CAPITAL - Year on Year Percentage Change	£000s		
MAIN EXPENDITURE GROUPS (MEGs)	2019-20	2020-21	
	Supplementary Budget June 2019	New Plans	% Change
Health and Social Services	0	0	0.00
Housing and Local Government	0	0	0.00
Economy and Transport	0	0	0.00
Education	774,302	891,388	15.12
International Relations and the Welsh Language	0	0	0.00
Environment, Energy and Rural Affairs	0	0	0.00
Central Services and Administration	0	0	0.00
Total Capital AME Allocations to Welsh Government MEGs	774,302	891,388	

AME CAPITAL - Year on Year Percentage Change - Real Terms	£000s		
MAIN EXPENDITURE GROUPS (MEGs)	2019-20	2020-21	
	Supplementary Budget June 2019	New Plans	% Change
Health and Social Services	0	0	0.00
Housing and Local Government	0	0	0.00
Economy and Transport	0	0	0.00
Education	774,302	891,388	13.04
International Relations and the Welsh Language	0	0	0.00
Environment, Energy and Rural Affairs	0	0	0.00
Central Services and Administration	0	0	0.00
Total Capital AME Allocations to Welsh Government MEGs	774,302	891,388	

Annex C: Strategic Integrated Impact Assessment

Introduction

1. The Strategic Integrated Impact Assessment (SIIA) of the 2020-21 Budget continues to reflect our consideration of strategic spending decisions covering equalities, human rights, children's rights, Welsh language, climate change, rural proofing, health, biodiversity, economic development and socio-economic disadvantage.
2. The sustainable development principle within the Well-being of Future Generations Act remains an underpinning consideration in how our strategic Budget allocations improve the economic, social, environmental and cultural well-being of Wales. In declaring a climate emergency this year, this Budget has made significant investments in support of decarbonisation and biodiversity. These decisions are highlighted at sections 159-188 of this annex.
3. Since 2015-16, through taking an integrated approach, our aim has been to develop a wider understanding of the cross-cutting pressures, and opportunities, that exist across key service areas, in line with our priorities - and target funding where it is needed most.
4. As we had not previously set our revenue and final capital spending plans for 2020-21 and given the wider context that has shaped our Budget preparations, we have included consideration of strategic decisions relating to maintaining investments alongside the consideration of strategic changes to our spending plans.

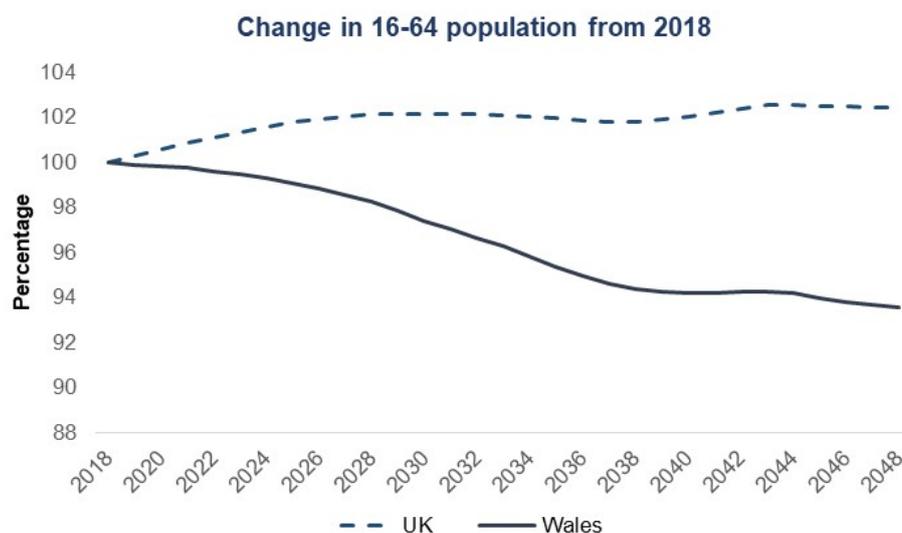
Evolving our approach to assessing impacts

5. As well as undertaking the SIIA of the 2020-21 Budget, we have engaged with a range of stakeholders to consider how we might improve the way we allocate resources over the longer term, including our approach to how we assess the impact of our Budget decisions. This has shaped the development of our Budget Improvement Plan at Annex E.
6. Following engagement with the Equality and Human Rights Commission, we are taking forward the development of a distributional impact assessment approach, to understand the impact of public spending decisions on households in different parts of the income distribution.
7. We have worked with Chwarae Teg and the Wales Centre for Public Policy as they considered phase 2 of the Gender Equality Review. As a result we are taking forward a gender budgeting approach as part of the two year Personal Learning Accounts pilot, launched in September 2019, which is supporting employed adults in low paid and low skilled work to switch careers or enter employment at a higher level in priority sectors with known gender effects.

Through this pilot we are assessing how a gender budget approach might help identify and understand potential different impacts, including unintended impacts, to improve how we prioritise and allocate resources.

Environmental, Social and Cultural Context

8. Chapters one and two of the main Budget narrative outline the financial and economic contexts that have informed this Budget. The wider environmental, cultural and social trends which informed the decision to focus our Budget preparations on the eight cross-cutting priority areas as the areas where we can have the greatest impact over the longer term, aligned to our ambition for a more equal, prosperous and greener Wales, is outlined below.
9. A range of evidence, statistics and supporting information has been considered from a number of sources such as the *Well-being of Wales 2018-19 Report*⁸, the *Future Trends report*⁹ and the *Is Wales Fairer? 2018 report*¹⁰.
10. It remains the case that one of the key drivers over the long term is the projected change in Wales' population; and the projections for different age groups, with health, social services and education, and to a lesser extent housing, most impacted. However, other important social, economic and environmental trends such as climate change will also shape future public services.



Source: ONS 2018-based principal projections

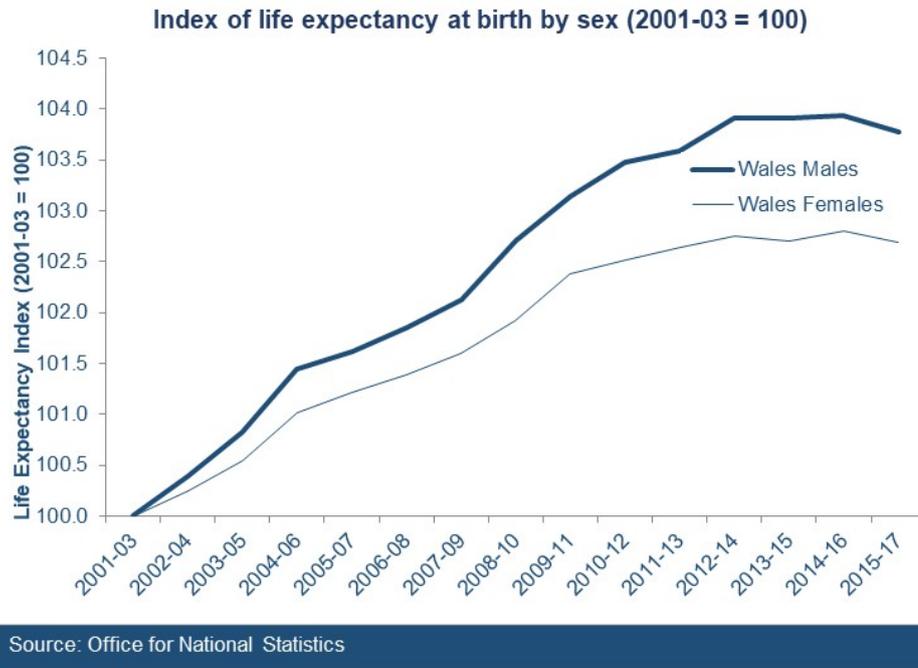
11. While the population of Wales is projected to decrease by 0.9 per cent by 2043, the number of people aged 65 and over is projected to increase by 20.8 per cent between 2018 and 2043, of which the number of people aged 75 and over is projected to increase by 56.1 per cent. However, the number of people aged 16-64 is projected to decrease by 5.7 per cent during the same period.

⁸ <https://gov.wales/statistics-and-research/well-being-wales/?lang=en>

⁹ <https://gov.wales/future-trends-2017>

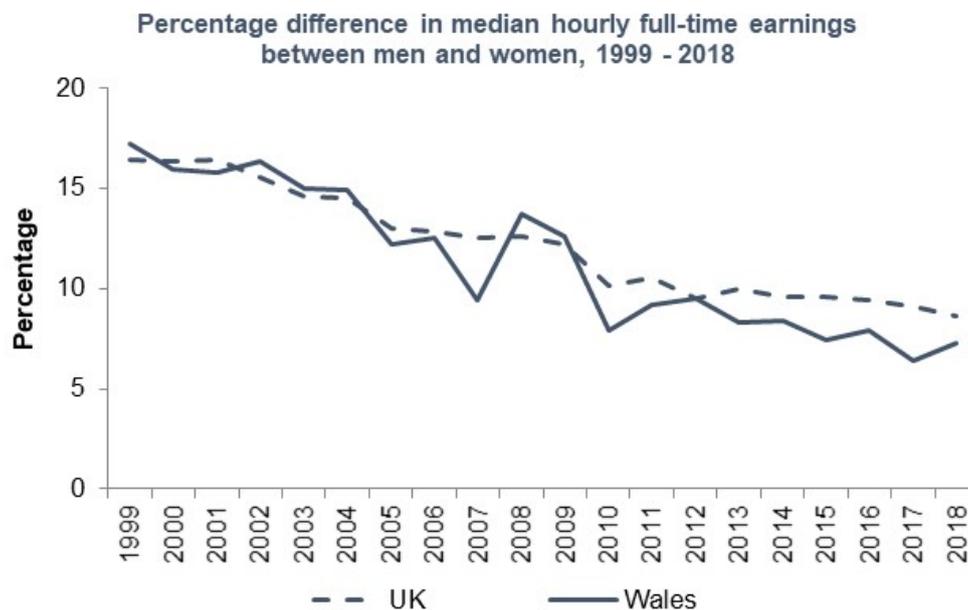
¹⁰ <https://www.equalityhumanrights.com/sites/default/files/is-britain-fairer-2018-is-wales-fairer.pdf>

- 12. After many years of continued increases, we have seen very little change in life expectancy in the last few years. Most of our lives are spent in good health, but that time is less for those living in more deprived areas.
- 13. Our priority of social care reflects that compassionate, dignified social care plays a critical part in strong communities, helping people to stay healthy and independent for longer - and it is a significant economic sector in its own right.



- 14. To deliver our ambitions for a more equal Wales we recognise the strong link between poor health and deprivation. While there has been good medium term progress in areas such as dental health and breastfeeding there has been little change in the latest year in healthy lifestyle behaviours.
- 15. One in four people will experience mental ill-health at some point in their lives. Getting the right treatment at an early stage, together with greater awareness of mental health can, in many cases, prevent longer-term adverse effects.
- 16. Getting the early years right, offers us the best chance of preventing the cycle of poverty. In this context, it is concerning that the percentage of babies born with a low birth weight has increased a little over the past few years, after a gradual decline over the previous 7 years.
- 17. Good-quality homes are the bedrock of good communities and form the basis for individuals and families to flourish in all aspects of their lives. Housing conditions have improved for many over the last 10 years meaning there are fewer people living in houses that have hazards and are not energy efficient. This also impacts positively on mental health.

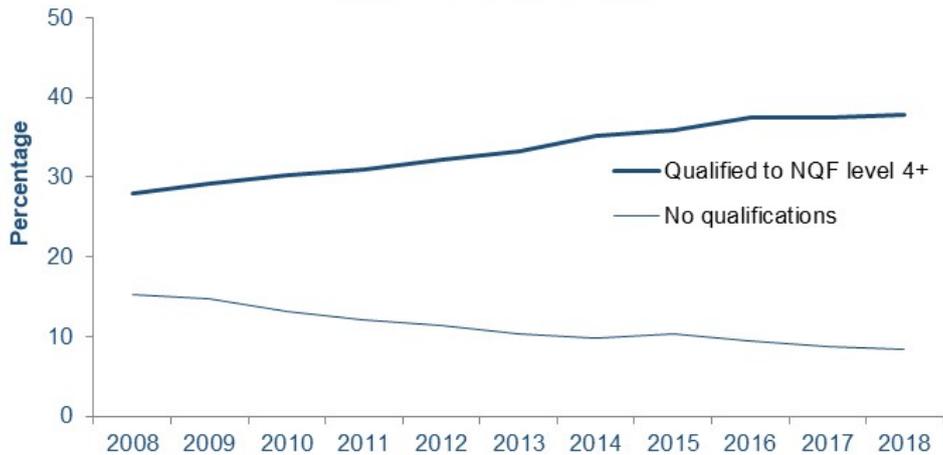
- 18. The labour market in Wales continues to be strong in historical terms. However, in line with our ambition for a more prosperous Wales we recognise this does not necessarily equate to good quality work for everyone.
- 19. The gender pay gap is at the joint lowest level on record, though the narrowing of the gap has not been a consistent trend. New data on the ethnicity pay gap also shows that on average employees from ethnic minority groups earn less per hour than white British employees.
- 20. There remains a disability pay gap and a significant gap in employment outcomes for disabled people, though the employment gap has narrowed slightly in recent years.



Source: Welsh Government Analysis of the Annual Survey of Hours and Earnings, Office for National Statistics

- 21. We know secure employment has a positive impact on a person’s health and their economic well-being. One of the main barriers to employment is skills. Qualification levels in Wales continue to increase, but we know that there remain differences in attainment at school for different population groups.
- 22. Participation of young people in education, employment or training has generally been increasing since the recession for both 16 to 18 year olds and 19 to 24 year olds.

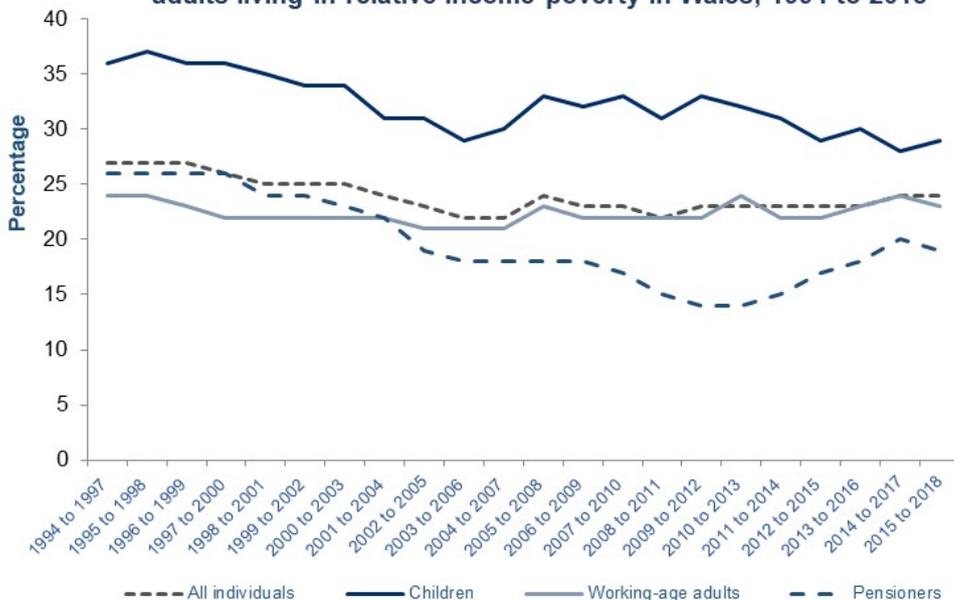
Working age population with no qualifications or qualified at level 4+, 2008 to 2018



Source: Welsh Government Analysis of Annual Population Survey, Office for National Statistics

23. Tackling poverty remains a key priority for this Government. In the context of austerity and welfare reform there has been little change in relative income poverty levels for a number of years, though changes have been seen for some groups such as families with children, especially single parent households. Relative income poverty remains highest amongst children at 29 per cent. However, fewer households are living in fuel poverty compared with 10 years ago as Welsh Government has made significant investments to ensure that Welsh homes become more energy efficient.

Percentage of all people, children, pensioners and working-age adults living in relative income poverty in Wales, 1994 to 2018

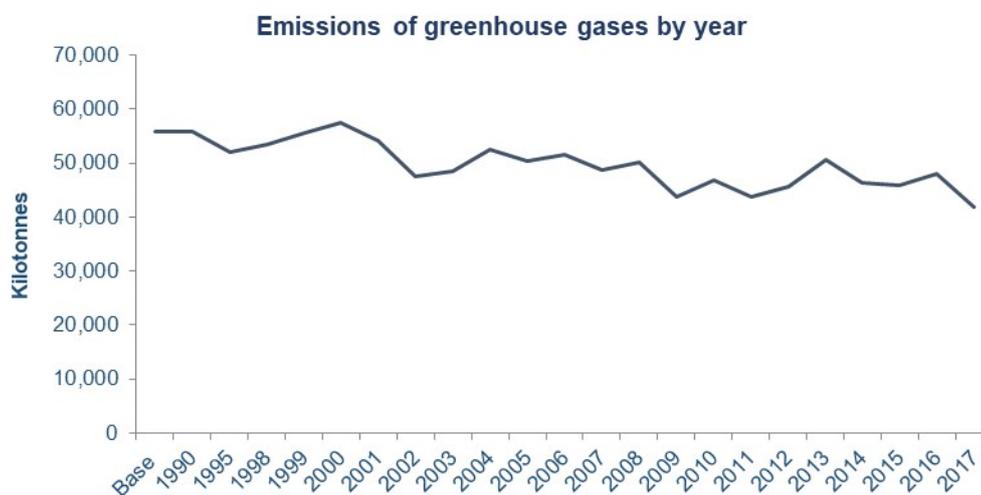


Source 1: Poverty: StatsWales
Source 2: Households Below Average Income data tables for Wales: Welsh Government

24. We know that changes to the welfare system have strong links to poverty, especially growing levels of in-work poverty. The Equality and Human Rights

Commission published their 2018 report, *Is Wales Fairer?*, which suggests that Wales is more reliant on welfare than the other nations. This means that reductions made to in-work and out-of-work benefits have a greater impact.

25. There are also wider important societal and cultural trends. Over the last two years there has been a slight increase in community cohesion and feelings of safety remain at a similar level. At the same time, recorded race hate crime incidents have also been increasing.
26. Latest survey data suggests that there are increases in the percentage of people who say they speak Welsh, but not fluently, with use of the language remaining steady.
27. The actions we are taking under our ambition for a greener Wales reflects the need to respond to the climate emergency and protect our wonderful environment as an important next step on our journey.
28. There has been a large fall in greenhouse gas emissions in the latest year, and over the longer term emissions have fallen by over a quarter since the 1990s. Air pollution continues to be a significant health issue, although there have been improvements in the levels of three of the main air pollutants in the last year.



Source: National Atmospheric Emissions Inventory

29. The capacity of renewable energy generation installations has risen in the last decade and almost half of electricity consumed comes from renewable sources. The UK Committee on Climate Change (UKCCC) has indicated that the decarbonisation of road transport is essential to delivering a net zero target. Informing our approach, current trends suggest that despite growth in rail use, private vehicles are set to remain the dominant mode of transport in Wales in the short to medium term at least.
30. Our priority of biodiversity reflects that while there have been improvements in the population of some species, overall, biological diversity is declining.

Although a few years old, our ecological footprint suggests that our key natural resources are being depleted faster than they can be replenished.

A more equal Wales

31. In line with this Government's core values of fairness and equality, this Budget puts these values into action. This section provides an overview of how our spending plans for the next year have considered the impact on protected groups in Wales.

Age

32. We are ensuring that vital public services upon which people rely, including our NHS, schools and Local Government all get funding increases to recognise the vital role public services play at key stages throughout people's lives. Local authorities are also a key deliverer of preventative services, including through schools education, giving children and young people the opportunity to thrive and meet their potential; and through social and other services that ensure that people are able to be part of their communities, which can reduce the call on other public services such as the NHS.
33. Contained within this Budget are investments that support people from birth into education, support our communities and the people who work in our economy and the taxes they pay, through to supporting people to age well into later life.

Disability

34. One of the key considerations to deliver our priority of employability and skills has been the knowledge that secure employment has a positive impact on a person's health and their economic well-being. The employment levels of disabled people need to be increased to close the disability employment gap and improve the well-being of disabled people.
35. In 2020-21 we are providing additional funding of £275k for Disabled People Employment Champions and £225k to develop a Welsh disability award scheme for employers to take action to change employer attitudes, reduce the stigma and better support employers to recruit and retain disabled people. Funding for the Disabled People Employment Champions and a potential new Welsh disability award scheme will have a positive impact. A number of barriers currently prevent disabled people from entering, staying and progressing in work. Both the Champions and the potential award scheme will help employers recruit and retain disabled people.

Gender reassignment and Sexual orientation

36. Alongside the increases we have made to public services which disproportionately benefits protected groups, we are also maintaining our existing investment in the Welsh Gender service launched in July 2019 consisting of a multi-disciplinary Welsh Gender Team, Local Gender Teams in

each health board and Directed Enhanced Service to improve support in primary care.

Sex

37. Among the decisions we are taking, we are allocating an additional £1.2m capital in 2020-21 to provide safe accommodation for families fleeing domestic abuse. Welsh Women's Aid's *State of the Sector* report 2017-18 found that 431 survivors referred to refuge were unable to be supported by the service due to resources and capacity. This investment also recognises women are more likely to be affected by domestic abuse than men and more likely to flee their homes with children. To recognise reports of a considerable shortage of provision for men fleeing domestic abuse, and that men are less likely to seek or accept refuge accommodation, dispersed units may also offer more acceptable safe accommodation.
38. We are allocating £220k in 2020-21 to maintain funding for local authorities to provide sanitary products free of charge to members of the public in need through foodbanks and other organisations. This funding will help local authorities to address the negative impact of period poverty in communities by providing sanitary products to those who may not otherwise be able to afford them.
39. The funding we provided in 2019-20 to supply free sanitary products for all learners, supported more than 140,000 pupils in schools and nearly 53,000 students in Further Education institutions. We are sustaining funding of £3.1m in 2020-21 for local authorities to supply sanitary products free of charge for all learners to promote period dignity, to help ensure that girls' education is not hindered by an inability to access sanitary products.

Pregnancy and maternity

40. Among the additional investments we are making as part of the £421m increase to health and social services in 2020-21 is a further £3.5m to support the Flying Start approach. This will extend the reach of health visiting, parenting and speech and language development to around an additional 3,500 children. We are also investing an additional £4m of capital funding to ensure the current Flying Start estate is maintained and able to continue delivering the highest standards of care.
41. We are also investing £150k to pilot Baby Bundles in 2020-21, to support new parents in the first weeks and months with their new babies, providing useful information and direct support including around healthy eating, safe-sleeping, breastfeeding and post-natal mental health.

Other protected characteristics

42. In the 2020-21 Budget we have been able, for the first time, to provide real-terms increases to all portfolios. This means that alongside the targeted investments we are making in line with the cross-cutting priorities, we are able to sustain the majority of budgets at 2019-20 levels in areas which impact

different protected characteristics. This includes maintaining funding in the Integrated Care Fund of more than £130m in 2020-21 to assist Regional Partnership Boards in developing and testing new integrated models for delivering health and social care to those who most need it.

43. It is deeply concerning that we have seen increases in hate crime. We are continuing support the Tackling Hate Crime and Community Cohesion Action with an additional £600k. This funding will have a positive impact by helping tackle hate crime and support hate crime victims across Wales, including those from ethnic and religious minority communities.
44. We are also providing an additional £500k to the EU Citizens Rights project. This will positively impact on EU Citizens living in Wales by supporting them to address their concerns about their status within the UK and assisting those who may be experiencing barriers to equality of opportunity.
45. We are sustaining more than £7m of funding for the Equality and Inclusion Grant which supports a number of organisations such as the Women's Equality Network, Stonewall Cymru, Ethnic Minorities & Youth Support Team Wales, Wales Refugee Council, TGP (supporting Gypsy, Roma and Travellers), Victim Support (tackling hate crime) and Disability Wales. Sustaining this budget will have a positive impact on communities across Wales, specifically those with protected characteristics, as this funding will be used to provide a strategic and coordinated approach to deliver advice and support to citizens and community organisations across a range of key equality and inclusion issues.
46. We are providing additional funding of £1.3m for the Minority Ethnic and Gypsy Roma and Traveller grant. This will improve the educational outcomes of a wide group of vulnerable learners from minority ethnic and Gypsy, Roma and Traveller communities. It is intended to overcome the additional barriers that prevent learners from ethnic minority and Gypsy, Roma and Traveller backgrounds achieving their full potential.

Investing in health and well-being

47. At the heart of our ambitions for Wales is the health and well-being of the nation. We are investing an additional £421m in health and social care in 2020-21 bringing our total investment next year to more than £8.7bn.
48. Social care and healthcare play a significant role in supporting the most disadvantaged, whether through old age, disability or the need to safeguard children. In 2020-21 we will invest a further £342m in our NHS.
49. At the same time both the NHS and social care services also face increasing demands from an ageing and changing population. The cost of care increases significantly with age, with short-term costs likely to arise from new treatments and the labour intensive nature of health and social care services.

50. To ensure our health and social care services are sustainable we are providing funding which supports interventions that can help prevent problems occurring in the future. We are increasing funding for Public Health Wales by £6.8m in 2020-21. This means we are investing nearly £103m in 2020-21 to support a range of preventative health protection functions that will help prevent infection, identify and mitigate against infectious risks to individuals and the wider population, and enhance the early detection and management of infections when they arise. This includes extra funding of £4.9m to support development of a National Health Protection Service to help fight against Anti-Microbial Resistance, and £1.9m in Improvement Cymru, our national improvement resource for health and social care.
51. We are investing £5.5m in 2020-21 to support the *Healthy Weight: Health Wales* strategy to reduce obesity. Evidence shows having a healthy weight is one of the most effective ways to reduce the risk of long-term health conditions such as diabetes, heart disease and cancers. There is also significant financial cost, with illnesses associated with obesity estimated to cost the Welsh NHS more than £465m per year by 2050, with a cost to society and the economy of £2.4bn.
52. We will maintain investment of almost £29m in 2020-21 on the substance misuse agenda through our Substance Misuse Action Plan to help address the priorities outlined in our Substance Misuse Delivery Plan 2019-22. Drug related deaths continue to rise in Wales (along with the rest of the UK), up to 327 in 2018-19, of which 208 were drug misuse deaths. In 2020-21, funding will be focussed on reducing waiting times, making interventions earlier and using the right interventions.
53. The funding we are providing to tackle substance misuse includes maintaining nearly £2m in 2020-21 for the All-Wales Schools Liaison Programme, educating children across Wales on substance misuse and personal safety issues at all key stages of the curriculum. This funding will raise awareness of the dangers and the impact of substance misuse and also the help and support available.
54. We have maintained funding for sports and physical activity at 2019-20 levels, meaning we will invest a further £25.7m in 2020-21, highlighting our commitment to increasing physical activity levels and the importance of preventing ill-health. This includes additional capital investment of £3m in 2020-21 in local sporting facilities which are vital to increase participation in sport and outdoor activity. Research has shown that as well as benefitting physical health, being regularly active in sport can reduce the risk of dementia by 30 per cent, the risk of clinical depression by 21 per cent and increased self-reported good health, leading to reduced use of mental health services.

Investing in local government

55. Providing local government with the best possible settlement has been central to our Budget preparations. Local government provides essential services to everyone including some of the most vulnerable in our communities, helping

to improve education, provide the social care services our communities need, combat poverty and deliver a step-change in social housing.

56. The revenue and capital funding to local government through the unhypothecated local government settlement for 2020-21 is significant - almost £4.5bn revenue funding as well as capital and additional specific grants to local authorities. Building on the measures we took in last year's Budget round, providing local government with the best possible settlement has been a priority throughout our preparations. In this Budget, against the continuing public spending uncertainty and following almost a decade of austerity, we have increased revenue funding, alongside increased non-domestic rates revenue, to provide additional funding available to local authorities of £194m in 2020-21.
57. We are also providing an additional £15m in unhypothecated capital funding to local authorities and are maintaining our overall investment in specific grants across our Budget of nearly £1bn in 2020-21.
58. Local authorities are responsible for carrying out their own impact assessments as part of their decisions on local budgets. However, we know that they face significant pressures in education and social care as the largest areas of their expenditure, alongside their other services such as youth and community services.
59. It is expected that the biggest positive impact from funding being directed to education could fall on those children and young people who have the lowest educational outcomes, including those from lower income families and certain ethnic minorities. Skills and qualifications are the biggest single influence on people's chance of being in employment and on their incomes. Children from deprived backgrounds continue to have poorer outcomes than other groups with, on average, the equivalent to almost two fewer GCSEs at grade C.
60. Funding is also expected to support social care services, where demand is increasing and local authorities are seeking to modernise and transform services. Local authorities have cited in particular the increased demands in children's services. Increased funding will support disabled children and young people recognising their diversity, supporting their independence and choices, providing empowerment and respecting their rights.
61. Expenditure on local authority services has been shown to be particularly important in supporting women. Women are more likely than men to need public services, more likely to work in the public sector and more likely to have to increase their unpaid work when services are cut. Many of the services provided by local government are disproportionately provided by women and to women and children, including social care, transport and housing, directly for themselves or indirectly for others for whom they care.

Mental Health

62. Getting the right treatment at an early stage, together with greater awareness of mental health can, in many cases, prevent longer-term adverse effects. Mental ill-health also has a significant impact on life expectancy.
63. We also know the impacts of poor mental health are not felt equally. Women and girls are more likely to suffer from mental health conditions and suicide rates for men are consistently higher across all age groups. Wales' most deprived communities have the poorest mental health and well-being. Remaining mentally and physically active into old age is critical to reducing the risk of developing dementia, other health conditions, and depression as a result of loneliness and isolation.
64. We will continue to ring-fence mental health funding within the NHS budget and we are investing a further £13m in mental health services to support delivery of *A Healthier Wales*, bringing the total ring-fenced allocation to over £700m in 2020-21.
65. Referrals to child mental health services have almost doubled over recent years, reflecting greater awareness and greater prevalence. This has placed a strain on services. Of the extra £13m funding in mental health services, £500k is targeted support for the Whole School Programme to provide counselling and emotional support for school children. This, together with an additional £2m from the education budget, brings our total funding to support the whole school approach to £5m in 2020-21.
66. For these reasons, we will also provide £2m to Higher Education and £2m to Further Education to build on their support services for students, staff training and innovative approaches in supporting mental health, well-being and additional learning needs.
67. The OECD estimates that poor mental health costs the UK economy 4.5 per cent of GDP every year, and the UK Centre for Mental Health estimates the total annual cost to UK employers of mental ill-health is nearly £26bn. Employment is vital to good mental health whilst unemployment leads to a deterioration in health and well-being. We are allocating more than £830k in 2020-21 to *Healthy Working Wales* to support a collaborative programme which aims to improve health at work.

Social Care

68. Social care services face increasing demands from a growing and ageing population, with the number of people aged 65 and over projected to increase significantly by 2043. Importantly, future demand will depend on the changing care needs of the population. By the very nature of the services they provide, investment in social care services will impact on the most disadvantaged, whether through old age, disability or the need to safeguard children.

69. This includes support provided to children and young people who are physically and mentally disabled, through to older people's social care supporting those on lower incomes, and those coping with physical and mental difficulties as they age. Building on the extra £30m allocated to local authorities this year via a special grant to address pressures in social care, we are increasing the grant to £40m in 2020-21.
70. Children placed for adoption are children who have the highest risk of remaining 'looked after' for their entire childhoods if they are not adopted. During 2018-2019 more than 310 children were placed in their new adoptive home. We are allocating £2.3m (from the extra £421m health funding) to the adoption service. This will strengthen and enhance existing services for adopters, children and young people, helping local authorities improve outcomes for children and build resilient adoptive families.
71. Social care needs are developing with the changing nature of illnesses, with a need for a greater focus on prevention and access to a wider range of services. We are continuing our investment in the Integrated Care Fund (ICF) with a budget of more than £130m (£89m revenue and £42m capital) in 2020-21 to assist Regional Partnership Boards in developing and testing integrated, preventative service models for older people with care and support needs, people with learning disabilities, children with complex needs, children in care or at risk of going into care, and carers. The ICF capital programme is also investing in purpose built accommodation and intermediate care facilities to help older people, people with dementia, and adults and children with physical or learning disabilities continue to live independently in the community, as well as investing in infrastructure to support the delivery of integrated health and care services in the community.
72. We are also allocating financial transactions capital funding of £2m in 2020-21 for the Cylch Caron Integrated Resource Centre in Tregaron to provide integrated community health and care services, an additional 34 extra care housing and step up/step down units in a remote rural location.
73. We are allocating £900k in 2020-21 to take forward exploratory work on an integrated approach to supporting looked after children in education. As part of this we will commission a scoping exercise to further explore integrated models, Virtual Schools, and whole system approaches, as a basis for a Welsh approach.
74. In 2020-21 we are adding an additional £1.2m to the Sustainable Social Services Third Sector Grant. Over the next three years we will be increasing the total commitment on this grant by £4.9m, bringing the total investment up to £25.9m. The funded schemes will support carers, children and young people, physical or sensory disabilities, learning disabilities and older people.

Early Years

75. Delivering the right early years support for all children, particularly those from deprived backgrounds, provides the foundation for lifelong well-being and is

the best means of breaking the poverty cycle. Our approach is focused on early intervention and prevention and is designed to reduce the number of families developing more complex needs which require more intensive and costly interventions at a later date. By tackling problems early, we are far more likely to stop children encountering difficulties at a later stage, when the difficulties can be much harder to solve.

76. Flying Start, our flagship early years programme, reaches 36,000 children and their families each year. It provides access to funded, quality, part time childcare provision for 2-3 year olds, parenting support, intensive health visitor support, and support for speech, language and communication.
77. We are investing a further £3.5m in the Flying Start approach in 2020-21, building on the work of the Early Years Transformation programme, enabling us to reach more children and families who need support in the early years. This increase will extend the reach of the health visiting, parenting and speech and language development components of the scheme to around an additional 3,500 children across Wales. We are also investing an additional £4m of capital funding to ensure the current Flying Start estate is maintained and able to continue delivering the highest standards of care.
78. Evidence has shown that the provision of affordable, accessible, quality early years provision, available at the times parents need it, plays an important role in the expansion of the economy, helping parents, especially mothers, to return to work. High-quality early education and childcare also produces greater long-term benefits for our children and strongly influences their life chances in the future.
79. For 2020-21, we are allocating £20m from the £421m health uplift to increase funding for the Childcare Offer from £40m to £60m. Our *Evaluation of the Early Implementation of the Offer* indicates that it is having a positive impact, helping 88 per cent of parents financially, providing 67 per cent parents with more employment opportunities, and allowing 76 per cent of settings to become more sustainable. At the end of July 2019, almost 16,000 three and four year old children were accessing government funded childcare. A typical parent whose child is benefitting from 20 hours of childcare per week is getting the equivalent of an extra £90 per week in their pockets.
80. We are also investing additional £6m capital funding in 2020-21 to support our Childcare Offer bringing the total capital investment to £70m over three years. This will support the co-location of services, with the Childcare Offer aiming to provide Early Childhood Education and Care facilities on one site and supporting Flying Start's co-locating, multi-agency teams approach.
81. Since April of this year, all childcare premises in Wales are receiving 100 per cent relief from their non-domestic rates in a package of support worth £7.5m over three years (2019-20 to 2021-22).
82. We are introducing a new scheme to pilot Baby Bundles in 2020-21. The bundles will contain a selection of practical items to help care for a new baby

as well as useful information. The scheme will also provide health professionals with an opportunity to engage families with support services where necessary, and initiate conversations around healthy eating, safe-sleeping, breastfeeding and post-natal mental health.

83. As a government, we have a long-standing commitment to children's rights, based on the United Nations Convention on the Rights of the Child (UNCRC). We are investing a further £500k in 2020-21 in the Adverse Child Experiences Support Hub for Wales and £600k to develop and support the awareness raising campaign to contribute towards a number of measures provided for in the Children (Abolition of the Defence of Reasonable Punishment) (Wales) Bill to achieve Royal Assent. The UNCRC, together with other international human rights, recognises that children have the right to have their dignity and physical integrity respected under the law. Through this Bill children in Wales will be offered the same legal protection from physical punishment as adults.
84. We are allocating £1.2m in 2020-21 to provide safe accommodation for families fleeing domestic abuse, supporting third sector providers to acquire dispersed community-based units with flexibility to meet the needs of families which cannot be met by refuges. As women are predominately the care-givers in our society, they are more likely to flee with children. In 2017-18 the Welsh Government's Live Fear Free helpline supported nearly 2,000 survivors who said they had children who were also impacted by the abuse. During the year, the Helpline supported parents of over 3,500 children. We also recognise that men fleeing domestic abuse are less likely to seek or accept refuge accommodation and in these cases dispersed units may offer more acceptable safe accommodation.

Investing in education

85. Education is one of the most important investments we can make to improve the life chances of children, particularly those from deprived communities and those with protected characteristics. We are investing more than £2.5bn in education in 2020-21. Delivering on *Our National Mission* action plan we are raising standards, tackling the attainment gap, and ensuring that we have an education system that is a source of national pride and public confidence.
86. In line with our commitment to invest £100m over the course of this Assembly term to raise school standards, we are investing a further £25.5m in 2020-21 alongside the funding we are providing through the local government settlement. At the heart of our action plan is the delivery of the new Curriculum for Wales, which will be backed by £10m in 2020-21, with an additional £3m funding for the development of National Networks to provide support and resources for school-level curriculum design and professional learning.
87. Our national approach to Professional Learning has been informed by a range of evidence, including the 2018 independent review *Teaching A Valued Profession*. For 2020-21, we are providing a further £15m to ensure that our

teaching profession receives the support it needs to raise standards and deliver our new transformational curriculum.

88. Despite improvements in some areas, there continue to be gaps in educational attainment between different groups. For example, a higher proportion of children from Asian, Chinese and mixed ethnicities reach expected levels of attainment than those from a White ethnic background. Educational attainment levels remains lower than the average for all pupils for Gypsy, Roma and Traveller learners and for children receiving care and support. The educational outcomes of pupils with special educational needs has improved in recent years.
89. We have made £36m available over the course of this Assembly term to reduce infant class sizes, targeted at those most adversely affected by deprivation. For 2020-21, we have set aside £11m in continued support of this commitment. 115 schools across Wales are benefitting from this funding through the appointment of 110 additional teachers, 42 additional teaching assistants, the creation of 52 new classrooms and remodelling and upgrading of existing classrooms in 7 schools.
90. This Budget provides an additional £8m in 2020-21 to support children and young people with Special Educational Needs (SEN) to receive a high-quality education and reach their potential. The funding will support local authorities and further education in meeting the additional costs associated with learners with the most complex needs to overcome the barriers for them to succeed. This will support an estimated 115,000 learners. This funding is in addition to the £20m package of funding over this Assembly term to support preparation for the implementation of the new Additional Learning Needs (ALN) system.
91. We are maintaining our previous investments and investing an additional £1.3m for services to support minority ethnic and Gypsy, Roma and Traveller learners, providing a total of £10m to support improved outcomes for this group of learners for 2020-21.
92. Further Education colleges disproportionately benefit protected groups because of the type of learning they provide; and part-time provision mainly provided through Further Education has particularly positive impacts for women. We are also increasing our funding to support our Further Education colleges by £14m in 2020-21 to raise standards and support students.
93. We are allocating an additional £10m to bolster the 21st Schools and Colleges Programme taking our total investment over this Administration to more than £650m. This will assist delivery partners in transforming the education infrastructure to provide inspiring environments for learners, and transition towards a greener educational estate.

Housing

94. We want everyone to live in a home that meets their needs and supports a healthy, successful and prosperous life. Good quality homes are the bedrock

of good communities and form the basis for individuals and families to flourish in all aspects of their lives.

95. Over this Assembly term we will have invested £2bn, recognising the importance of good quality housing to support thriving communities. In 2020-21 we are allocating an additional £175m capital, taking our total investment next year to more than £400m.
96. We are committed to, and are on track to meet, our ambitious target of delivering 20,000 affordable homes during this Assembly term. During 2018-19, 2,592 additional affordable housing units had been delivered for the people who need it across Wales, including families with children. To continue this momentum, we are providing an additional £48m of capital funding in 2020-21 to support the Social Housing Grant.
97. Wales' 225,000 social homes need to be of a decent standard, recognising that quality housing has a demonstrable impact on health and well-being. This includes the links between cold, damp homes and respiratory disease and asthma. These health problems can contribute to adverse childhood experiences as well as having a negative impact on children's ability to learn and have a significant impact on the ability of older people to continue to live independently in their own homes. For example 25 per cent of children in bad housing gain no GCSEs compared with around 10 per cent not living in bad housing. In addition, children living in acutely bad housing are 20 per cent more likely to attend hospital A&E departments than other children. Investment in good quality homes therefore has a direct impact on the health of those living in them.
98. Housing conditions have improved over the last 10 years, meaning there are fewer people living in houses that have hazards and are not energy efficient. We are maintaining our support for social landlords with £108m per year to ensure the Welsh Housing Quality Standard is achieved and maintained.
99. Our investments in housing also ensure that existing and new housing improves energy efficiency, help reduce fuel poverty and improve physical and mental health outcomes. The UKCCC has identified housing and domestic heat as important areas in which governments must deliver firm plans in order to meet decarbonisation targets.
100. Alongside the investments we are making under our Decarbonisation priority area, our Housing Loans programme will be allocated financial transactions capital funding of £50m in 2020-21 to assist Registered Social Landlords with development plans for new social housing and to help start to decarbonise existing homes. We are also investing £10m in 2020-21 to speed up the delivery of additional modular social homes that can eliminate fuel poverty for tenants and be built to zero or near-zero carbon standards, as well as providing jobs, training and apprenticeships.

101. Providing secure, affordable housing plays an important role in supporting vulnerable individuals to overcome mental health and substance misuse issues. Enabling people to stay in their homes for longer also brings significant health and social benefits. Investment in housing also provides support to the Welsh economy in terms of maintaining and supporting jobs in the construction industry and the supply chain.
102. In 2020-21 we are allocating £5m in a Land Release Fund to accelerate the development of social housing, with the aim of unlocking the potential for developing public land for public good, particularly to meet the demands for social and affordable housing. Financial transactions capital funding of £18.4m in 2020-21 will help to complete the delivery of three Tirion Homes residential developments in Tonyrefail, Cardiff and Newport to enable the delivery of more than 1,500 new homes, half of which will be affordable, without the need for any social housing grant. We are allocating £35m to the Help to Buy - Wales scheme, as part of our ongoing commitment to help people access home ownership. This additional funding will ensure that first time buyers, in particular, are supported by the Welsh Government to own their homes, as 76 per cent of all purchases through the scheme are first-time buyers.
103. To support our wider regeneration activities, we are also providing £10m for Town Centre Loans to support regionally prioritised projects, promoting economic regeneration and well-being of our towns and communities. This scheme now supports 32 towns across Wales. The recognised benefits and gains include supporting job creation and economic growth through the provision of modern business space, and allowing local and new business to grow and develop in our town centres. This includes supporting Green Infrastructure in town centres.
104. It is unacceptable that people are made homeless or forced to sleep on the streets in a prosperous society. It remains the case that more men are likely to be homeless than women, but those approaching local authorities and who are successfully prevented from becoming homeless are more likely to be women. Nearly half of households threatened with homelessness had dependent children.
105. The latest data shows that the successful homelessness prevention rate improved to 68 per cent in 2018-19, despite an increase in the number of households threatened with homelessness. We are maintaining our Homelessness Prevention Grant investment of £17.9m in 2020-21 to ensure we go further. This funding will help people who are chronically affected by homelessness, such as rough sleepers, by funding night shelters, hostels, outreach work, meditation, and bond schemes, and provides a substantial network of advice services. The will also help support our continued investment in the seven Housing First projects across Wales which will provide intensive support to over 100 people with a history of repeat rough sleeping, and assist them into long term accommodation.

Equality and inclusion

106. In 2020-21 equality budgets will increase by over £700k bringing our equality and inclusion budget to more than £7m. This will enable us to strengthen our work to promote equality of outcomes for people with protected characteristics. This funding will progress action on the Gender Equality Review, support the commencement of the socio-economic duty and provide support to equality, race and disability organisations in Wales.
107. An additional £250k will be allocated in 2020-21 to address violence against women, domestic abuse and sexual violence bringing our total investment to more than £5m. As a Government, we have committed to making Wales the safest place in Europe for women, and significant work has been undertaken since the introduction of the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015.
108. In 2020-21 over £400k will be allocated to the Women's Pathfinder project and the Youth and Female Offending blueprints, both of which have a focus on prevention.
109. While the numbers of young Welsh people in custody has reduced significantly, many are in custody away from their homes, family and communities. The Youth Justice Blueprint sets out a commitment for realising how devolved and non-devolved services can work together to realise children's rights and develop a youth justice system in Wales which is based on rights-based principles.
110. We also need an urgent solution for female offending in Wales. Women are often sent to prison for low-level summary offences, and the use of short-term prison for those who have not committed serious offences, can have a catastrophic impact on them and their families. There are around 250 Welsh women currently held in prison in England. The issues associated with being a long way from home facing Welsh women offenders and their families are considerable and a very real concern in respect of the impact on children in particular, but also the rehabilitation of the woman.
111. Our equality budgets are focused on preventative activity. During 2020-21, with the support of the European Transition Fund, we will be able to offer continued support to the Strengthening Community Cohesion project, the Tackling Hate Crime and Community Cohesion Action, and the EU Citizens Rights project. These projects embed the five ways of working, with a strong emphasis on the involvement of groups with protected characteristics under the Equality Act 2010 and providing interventions which seek to prevent harmful impacts and promote integration.

Investing in evidence and improvement

112. We will invest a further £1m in improving evidence gathering and data in the public sector in 2020-21. The investment will focus on £500k for data science

capability, £250k for digital and data projects, and £250k for the public sector geospatial agreement.

A more prosperous Wales

113. We want an economy founded on high-quality skills, giving businesses the resources to grow and innovate and people the ability to prosper in a Fair Work Nation. Every person should be equipped with the skills they need to get a job and the opportunity to develop new skills through their working life.

Poverty

114. It is a stark reality that people born into deprived families are expected to do less well at school, are more likely to be NEET as a young person; unemployed as an adult and have a shorter healthy life expectancy. In the context of austerity there has been little change in relative income poverty levels for a number of years, though changes have been seen for some groups.
115. We are investing nearly £1bn in a wide range of measures which contribute to tackling poverty including ongoing support for children and families in the early years through aspects of the Children and Communities Grant which includes funding for Families First and Flying Start.
116. Aligned to our ambition of a more prosperous Wales, we are also allocating more than £19m in 2020-21 in a package of measures specifically targeted to help some of the most vulnerable people in our communities, including those living in poverty. We are funding targeted initiatives that keep money in people's pockets, and are funding services supporting disadvantaged individuals and families.
117. We continue to maintain our investment of £244m each year in the Council Tax Reduction Scheme, with one in five households benefitting from a reduction in council tax. In 2018-19, almost 280,000 vulnerable and low-income households in Wales continued to be protected from any increase in their Council Tax liability, of which 220,000 continued to pay no council tax at all. The average support provided to households under the scheme in 2018-19 was approximately £940 per year. Alongside the reduction scheme, over half a million households receive discounts and exemptions on their council tax bills each year. Many of these discounts support households which are at greater risk of poverty.
118. We are sustaining funding of £220k for local authorities to provide sanitary products free of charge to members of the public in need through foodbanks and other organisations, to address the negative impact of period poverty in communities. In 2019-20, we provided funding to supply sanitary products free of charge for all learners, which impacted more than 140,000 pupils in schools and nearly 53,000 students in FE institutions. We are therefore continuing to fund local authorities with £3.1m in 2020-21 to supply sanitary products free of charge for all learners to promote period dignity and help

ensure that girls' attendance in education is not hindered by an inability to access sanitary products.

119. The Discretionary Assistance Fund offers payments, or in-kind support, to provide urgent assistance to people where there is an identified need to safeguard health and well-being. Since April 2013, this fund has given almost 260,000 awards to the most vulnerable people, with £52.4m provided in grants. We will provide an additional £1m in 2020-21 to meet the increasing demand on the fund. This helps people in need with essential costs after an emergency, and helps meet the immediate cost of living - covering the cost of food and fuel for those who are facing severe financial hardship or to enable vulnerable people to either establish themselves in the community or to remain living independently in the community, preventing the need for institutional care.
120. We are allocating £500k in 2020-21 to develop a national Time Credits programme aiming to increase community cohesion through increased volunteering opportunities and providing opportunities for people in poverty.
121. As well as relative income poverty remaining highest amongst children there also remains a link between deprivation and attainment levels at school, showing poorer performance at every key stage and on all performance measures. In January 2019, 78,902 pupils were known to be eligible for free school meals in Wales. We are maintaining our investment for free schools meals in 2020-21, building on the additional £7m available through the local government settlement in 2019-20.
122. The Pupil Development Grant (PDG) plays an essential role in supporting those pupils eligible for Free Schools Meals, through building greater equity within our education system to ensure that each and every learner has the opportunity to achieve their full potential. Since its introduction in 2012, we have made available more than £475m through the PDG, which has supported the equivalent of over 530,000 children and young people to reach their potential. To extend the impact of this grant, we are providing an additional £9.4m in 2020-21, providing a record level of investment of £101m.
123. We are allocating an additional £3.2m in 2020-21 for the PDG Access fund. This scheme helps families of disadvantaged learners meet the everyday costs associated with school. As well as being used for school uniform, this fund can be used for equipment, sports kit and kit for activities outside school. In 2019-20 we increased funding by £5m to support eligible learners in Reception, Years 3, 7 and 10. In addition, all children who are looked after in these year groups were also supported for the first time. The additional funding in 2020-21 allows us to extend the scheme to more year groups.
124. Children who have the opportunity to eat a healthy and nutritious breakfast prior to the start of the school day are more likely to achieve their full educational potential. In January 2019, 61,487 children of primary school age benefited from the Free Breakfast in Primary Schools Scheme. We are investing an extra £450k for a breakfast club pilot to also develop a model

which enables provision of a healthy and nutritious breakfast, free of charge, for secondary school pupils entitled to Free School Meals, before they commence their school day or during the morning break.

125. We are allocating additional funding of £1.8m in 2020-21 to the School Holiday Enrichment Programme, which provides opportunities for children aged 7-11 years to be more active, eat healthily and develop friendships whilst also making the most of local school facilities in disadvantaged areas during the summer holidays. This summer, over 3,700 places were offered to pupils in 77 schemes across 21 local authorities in Wales. Increasing our total investment for 2020-21 to £2.7m will enable us to extend the programme to up to a further 7,600 children across all local authorities.
126. We are increasing funding from £100k in 2019-20 to £1m in 2020-21 to extend the Holiday Hunger Playworks Pilot, which enables existing community and play settings to extend or improve the provision of food or places for children and young people. Targeting areas where there are high levels of deprivation and risk of holiday hunger, this funding aims to support the programme to reach 10,000 children across 200 play schemes.
127. Poverty has long-term implications on children's life chances and health in adulthood. Over this Assembly term, we have more than doubled the Early Years PDG. We will build on this funding with an additional investment of £6.6m in 2020-21, increasing the grant by a further £450 to bring all learners up to a per pupil grant level of £1,150.
128. Fewer households are living in fuel poverty compared with 10 years ago as our homes become more energy efficient. We are also responding to the risk that the impacts of climate change will not be felt equally, including home energy costs. In this Budget we are committing £36m, including £8m of European Union funding, to fund energy efficiency measures for 25,000 households through Nest and Arbed schemes. Since 2010, we have invested more than £240m through this programme, which has improved the energy efficiency of more than 55,000 homes in Wales, saving bill payers an estimated average of £400 a year on their domestic fuel bills. Building on current investment, we have allocated funding of £400k in 2020-21 to provide advice on home energy and advice on tackling fuel poverty to low income homes.
129. We are providing an additional £1m in financial transactions capital in 2020-21 to the Wales Council for Voluntary Action's Community Asset Loan Fund. Community owned buildings provide opportunities to socialise and volunteer, helping to tackle loneliness and isolation. They help to build resilience within communities through providing access to public services and education. They also provide specific support ranging from foodbanks and debt and benefit advice, to exercise classes and weight loss groups.

Employability and Skills

130. There is a clear relationship between economic growth, jobs and tackling poverty. Secure, well-paid and sustainable employment offers both a route out of poverty and protection against it, not just for the individual, but also for their dependents and indeed their wider community.
131. We are committed to investing £175m in Employability and Skills for the remainder of this Assembly term. Our Employability Plan is supporting people into work, whilst supporting employers to create fairer and healthier workplaces that upskill and plan for the future. Our ongoing investment will support the In Work Support Service that has helped 4,200 people stay in, or return to work, providing help with musculoskeletal and/or mental health conditions.
132. Providing people with the skills they need to secure and remain in employment is key to reducing poverty levels as well as meeting the changing needs of our economy. We will continue our investment in our flagship apprenticeship programme to deliver a minimum of 100,000 high quality all-age apprenticeships over this Assembly term. We are allocating £9m in 2020-21 to maintain the profile of spend between EU funding and our own funding to deliver our commitment. This brings our total investment this year to more than £97m.
133. In 2019-20 an additional £3.2m was allocated to support the skills development of key automotive and aerospace manufacturers. We are providing further funding of £1.6m in 2020-21 to continue our commitment to support these manufacturers to respond to the uncertainties posed by Brexit, by developing the skill-sets of their Wales-based staff in sectors that deliver more secure, well paid jobs.
134. We are allocating over £40m to Job Support Wales in 2020-21 that will deliver a new approach to delivering employability and skills support from April 2020, to support around 16,000 people per year to meet what individuals need to gain employment whatever their barriers. Of these, over 9,000 participants are expected to achieve positive outcomes, with around 80 per cent of participants entering employment after completion of the programme.
135. We are also allocating £9.1m in 2020-21 for Working Wales which provides one national access point, independent to the delivery of support, with qualified Careers advisors to ensure that individuals are directed to the right place at the right time depending on their needs and barriers to employment. This will support an estimated 42,000 individuals per annum and as at the end of October 2019, in excess of 20,000 unique clients had been seen by Careers Wales with over 17,000 of these referred to further support.
136. The employment levels of disabled people need to be increased to tackle the disability employment gap, with poverty levels for disabled people in Wales still too high. Funding of £275k in 2020-21 for Disabled People Employment

Champions will allow us to take action to change employer attitudes, reduce the stigma and better support employers to recruit and retain disabled people.

137. The Welsh Government's new framework *Action on Disability: The Right to Independent Living* was launched in September 2019. We are providing £225k in 2020-21 to take forward the action under this framework to ensure that we have a disability award scheme in Wales that is tailored to the employer landscape in Wales and fulfils our ambition to increase the number of disabled people in employment.
138. More than £1.6m will be invested in the Wales Union Learning Fund (WULF) in 2020-21 to encourage and support learning in the workplace. This will directly contribute to the skills and poverty agenda by supporting and encouraging skills progression as a route to in-work advancement and helping to overcome barriers to learning. In 2018-19 alone Trade Union Learning Representatives helped provide access to learning to 7,088 people.
139. Earlier this year we launched a pilot of our Personal Learning Account (PLA) programme, backed by investment of £2m per year over two years. The pilot will offer vocational retraining for employed people to support them to move into industry sectors where there is a demonstrable skills shortage. There are known gender effects within the pilot's priority sectors, therefore as part of this work we are assessing how a gender budget approach might help identify and understand potential different impacts, including unintended impacts, to improve how we prioritise and allocate resources.

Investing in a sustainable economy

140. The Economic Action Plan is the guiding policy and strategy document for all of our activities across the economy. At the heart of the Plan are the twin aims of reducing inequality and spreading prosperity, embodied by the economic contract and a place-based approach to economic development. It recognises regional variations in wealth and well-being, and recognises that different parts of Wales have different opportunities and challenges.
141. Since the launch of the Economy Futures Fund in May 2018 155 projects have accepted offers. In 2020-21 we are providing additional capital funding of £20.8m for the Economy Futures Fund. This takes our total investment to £45m in order to provide finance support to businesses across Wales, in alignment with our aims of delivering fairer and more equitable outcomes, and providing support for existing businesses affected by Brexit. This funding will include a focus on support for areas with high deprivation, areas where significant high skilled jobs have been recently lost in rural areas, and areas where social and cultural impacts are a case for intervention.
142. We are investing financial transaction capital funding of £5m in 2020-21 for the Repayable Fund for SMEs, aiming to increase and safeguard employment in the Welsh economy, particularly in the assisted areas where there are recognised areas of high unemployment and associated deprivation. We are also allocating financial transactions capital funding of £20m in 2020-21 to

support SME development to help create and to encourage businesses to stay and grow in Wales.

143. The lack of investment ready sites and premises has been raised as a key issue across Wales. We are allocating additional financial transactions capital funding of £14m in 2020-21 for a Commercial Property Development Fund which will support the creation of local employment opportunities to help to tackle poverty and disadvantage.
144. Supported by a budget of £11m Business Wales continues to play a vital role in supporting businesses and entrepreneurs, including supporting Brexit activity across Wales. Business Wales has advised over 30,000 individual entrepreneurs and businesses, helped establish over 4,000 new enterprises and supported businesses to create more than 18,000 new jobs.
145. In 2020-21 we are maintaining provision of £125m to support small and medium-sized business with their non-domestic rates bills, through our permanent Small Business Rates Relief scheme and High Street and Retail Rates Relief Scheme. More than 70,000 ratepayers receive non-domestic rates relief and half of all businesses pay no rates at all.

Modern and connected infrastructure

146. Transport and digital infrastructure is critical to linking people and communities as well as providing access to employment, making business-to-business contact easier, and supporting productivity and growth. We also recognise the important link between infrastructure and the impact on our environment. Alongside our investment in sustainable travel, our investments total more than £700m in digital, road, rail, air and sea infrastructure in 2020-21.
147. It is widely accepted that some groups with protected characteristics are more likely to rely on public transport and active travel to access jobs and services because of age, poverty, health or because they are disabled. Improvements in the access to, availability of, safety, and cost of public transport should play a key role in the long-term in reducing disadvantage to protected groups.
148. Our aim is to increase the number of people using public transport by encouraging travellers to switch from private car use, thereby reducing congestion, carbon emissions and improving air quality and economic performance. Our rail commitments are supported by capital investment of £206m in 2020-21. We are allocating an additional £20m for the North Wales Metro to take forward our vision for integrated travel. We are also providing an additional allocation of £15m taking total revenue funding to £185m in 2020-21 to support the delivery of the rail franchise. Improved services with more capacity will build on the increased numbers of rail journeys reported in 2017-18 which reached the highest level on record.
149. As well as investing in new forms of transport we also need to meet our statutory obligations to maintain our existing road assets to allow people and

goods to move safely, prevent the risk of accidents, improve connectivity and access to education, skills, training and employment. The maintenance budget of more than £150m includes an additional £15m in 2020-21.

150. While road infrastructure is essential, we recognise the environmental impacts it can have. We are actively working to reduce emissions at key locations across the trunk road network as well as applying these fundamentals across the network. We also ensure that our interventions are designed to minimise construction carbon and vehicle emissions.
151. We are also providing financial transaction capital funding of £4.8m in 2020-21 for Cardiff Airport as an international gateway fostering both tourism and commercial business opportunities with the world. We will continue to work with Cardiff Airport to support its mission to reduce its carbon emissions which have fallen by 53 per cent since 2015/16.
152. Existing evidence suggests that superfast connectivity has positive social impacts on well-being, benefitting those isolated in rural communities, and young people who need access for education and maintaining their social networks. Alongside positive environmental impacts linked to reduced carbon emissions from increased teleworking and reduced commuting. We are maintaining our planned investment of £43.5m over two years (£17.5m in 2019-20 and £26m in 2020-21) to extend the Superfast Cymru programme to deliver fast reliable broadband to those parts of the country not currently served by the market. The successor project will connect a further 26,000 premises which will include both business and residential properties.

Promoting our place in the world

153. Tourism, culture, sport and language contribute to wider economic, social and environmental outcomes for people in Wales, including mental and physical health and community cohesion. Over 11,500 businesses help bring nearly 11 million overnight visitors to Wales and £6.3bn each year. The visitor economy is a key driver of wealth and opportunity in Wales, the sector employs around 9 per cent of employment in Wales with a particular impact on rural areas and the sector is one of the biggest employers of people with disabilities.
154. During 2018 there were 941,000 trips taken in Wales by international visitors and expenditure of £405m. To deliver our ambitions for Wales in the world we are providing additional funding of £7.3m to a total budget of nearly £15m in 2020-21 to support development of our new International Strategy which aims to raise our international profile; grow the economy through exports and inward investment; and showcase Wales as a globally responsible nation. We are also allocating an additional £1.2m of EU Transition Funding in 2020-21 to support export, trade and inward investment.
155. Our own study on arts and health in Wales identified more than 200 projects that are proving effective in preventing illness, helping maintain good mental and physical health and aiding recovery. Free access to cultural activity has seen visit figures at the National Museums reach nearly 1.9 million in 2018-

19, together with over 208,000 young people provided with opportunities to learn outside the classroom.

156. To support the important role cultural activities in Wales, we are allocating funding of more than £70m in 2020-21 to support the Arts Council of Wales, the National Museums of Wales and the National Library of Wales. We are maintaining the budget for Cadw of £16.6m in 2020-21 to protect and care for our historic environment and to promote and develop the skills that are needed to do this effectively. We are also allocating capital funding of £5m in 2020-21 to support the establishment of Creative Wales.
157. We are allocating an additional £16m of financial transaction capital funding of in 2020-21 to support the delivery of strategic tourism projects. We are also maintaining Visit Wales' revenue budget at £13.2m to lead investment in tourism infrastructure and events to support the visitor economy and marketing Wales in the UK and internationally as a place to visit, work and invest.
158. Survey data since the Census has suggested an increase in non-fluent Welsh speakers, although the percentage speaking Welsh on a daily basis has not increased, with children reported to be the most likely to speak Welsh. In support of our ambitions in *Cymraeg 2050: a million Welsh speakers* we are maintaining the Welsh language budget at £20.9m in 2020-21. There is also an increased allocation of £50k for the Welsh Language Commissioner providing a total budget of £3.2m in 2020-21.

A greener Wales

159. In May of this year the Welsh Government declared a climate emergency to drive urgent action by the public sector, businesses and communities in Wales. This call was later backed by the National Assembly for Wales, making ours the first parliament in the world to make such a declaration. We subsequently received advice from the UK Committee on Climate Change (UKCCC) our statutory advisor on climate change, who have advised that emissions in Wales must be reduced by 95 per cent by 2050 compared to 1990 levels in order for the UK to reach net zero emissions. Whilst we have accepted their recommendation and agreed to put higher targets into law, we have asked them to provide further detail on how Wales can deliver more rapid and complete emissions reductions so that we can minimise the social and environmental damage from climate change.
160. This Budget is the first that we have published since the declaration of the climate emergency, building on the commitment of the Minister for Finance and Trefnydd to maximise the use of our Budget levers to support a greener Wales. It includes an additional £95.6m for decarbonisation measures in 2020-21 as part of a wider additional green investment of over £140m, including measures to also address the decline in biodiversity.
161. This significant new investment sits alongside our wider investments which are already delivering against our *Low Carbon Delivery Plan*, including our

continued investments responding to the risk that the impacts of climate change will not be felt equally, including home energy costs, with our Warm Homes programme having invested more than £240m since 2010. To deliver on our ambitions we are increasing the funding available to Natural Resources Wales to a total of more than £60m in 2020-21.

162. The greatest physical risk to our communities from climate change is through the increasingly intense storms, flooding and coastal erosion which we are already witnessing. In this Budget we are committing £64m in 2020-21 to defend our communities from the most severe and immediate impacts of climate change.

Approach to supporting decarbonisation

163. The package of measures within this Budget are investments which current evidence supports as being the areas where Welsh Government can have the greatest impact to deliver our first carbon budget and to develop actions for our second carbon budget, taking into account the financial resources available. This includes reducing the carbon footprint of the Welsh Government as well as facilitating wider decarbonisation focusing on the economy.
164. It is also important to consider the scale of Welsh Government expenditure on decarbonisation, and its contribution to delivering net zero in the broader context. The decarbonisation of our economy is not only about Welsh Government investment. Our independent advisory body the UKCCC recognises that the main drivers to achieve a low carbon economy will be an effective system of carbon pricing and complementary regulatory changes (for example the restriction on the sale of fossil fuel road vehicles), large elements of which are within the competence of the UK Government and not devolved to Wales.
165. The financial impact of implementing such pricing and regulatory change is therefore likely to be met by businesses across the UK, as opposed to direct public expenditure, and the distribution of costs will also depend on how those costs are passed on to people.
166. The UKCCC has indicated that the decarbonisation of road transport is essential to delivering a net zero target, which is why £62.4m of the capital package in 2020-21 is aimed directly at the transport sector.
167. This includes the additional £1m we are providing in 2020-21 to support local authorities to develop a programme to replace diesel refuse compaction vehicles with ultra-low emission equivalents. There are approximately 180 diesel vehicles in operation, the replacement of which will save an estimated 4,000 tonnes of carbon dioxide emissions per year.

168. Other measures to address the decarbonisation challenges facing road transport include:
- A £25m investment in resilient travel infrastructure. The UKCCC recognises that the full decarbonisation of transport over the longer run requires a major focus on fully decarbonising private vehicles, including cars. However, the reliability of public transport as part of a wider package of measures is key to encouraging people to switch to modes which are more sustainable over the shorter run. Bus travel can only compete with car journeys where there is investment in high quality bus corridors with dedicated bus lanes and filters, good shelters and real-time information provision. Equally, a resilient and sustainable network of walking and cycling and bus corridors will require a joined up network where people can move in a seamless way between sustainable modes.
 - An additional £29m to support the purchase of a new low-emission bus fleet, as well as investing in electric charging infrastructure across Wales. Not only will this have a direct impact on carbon emissions, but it also fits with our approach to transport decarbonisation being accessible to all, not just those who can afford an electric car.
 - An additional £7.9m to support the implementation of air quality measures in Cardiff and Caerphilly. These measures are aimed at urgently reducing nitrogen dioxide emissions, but will also have a positive impact in reducing carbon emissions. Whilst some of these actions will require difficult choices, there are also opportunities to deliver emissions reduction technology to buses, taxi mitigation measures, and city centre transport and active travel measures.
169. The UKCCC has also identified housing and domestic heat as an important area to address. This Budget provides an additional £25m in our Innovative Housing Programme. Evidence emerging from the programme's predecessor suggests that modular and other modern methods of home construction can successfully deliver near zero carbon homes. Increasing the volume of homes built this way will start to drive down the costs of producing zero carbon homes (which currently are more expensive than building traditional brick and block), ensuring the programme can deliver more homes in the future.
170. We are also responding to the risk that the impacts of climate change will not be felt equally, including home energy costs. In this Budget we are committing £36m, including £8m of European Union funding, to fund energy efficiency measures for 25,000 households through Nest and Arbed schemes. Since 2010 we have invested more than £240m through this programme, helping to lift tens of thousands of low income households out of fuel poverty. Building on this investment, we have allocated funding of £400k in 2020-21 to provide advice on home energy and advice on tackling fuel poverty to low income homes. This will prioritise those in greatest need, including people living with circulatory and respiratory conditions, with research showing that our work is reducing demand on the NHS by protecting vulnerable individuals from damp and cold conditions.

171. The UKCCC has also indicated that we need to address the shortage of necessary skills if we are to achieve our targets. We are allocating an additional £8.2m of capital funding for a Carbon neutral house project within Coleg Y Cymoedd, designed to provide a state of the art education and training facility.
172. In assessing spend, we have also considered the wider benefits of investments that go beyond solely decarbonisation, which can often be a secondary benefit rather than the sole purpose. For example, the decarbonisation impact of active travel is largely dependent on an overall modal shift from road transportation. However, the promotion of active travel, and the provision of active travel infrastructure also allows for the delivery of wider health benefits.
173. Assessing the direct contribution to decarbonisation that specific expenditure achieves is not a simple process in many cases. For example, as part of this Budget, we are investing in developing the electric vehicle charging infrastructure in Wales. The impact that this investment will have is closely linked to the uptake of electric vehicles more generally, which in turn is dependent on the regulatory choices that the UK Government makes in terms of restricting traditional petrol and diesel vehicles.
174. Following advice from the UKCCC, we have increased our long-term pathway to respond to a climate emergency. The Welsh Government has committed to putting a higher emission reductions target of at least 95 per cent into law. This means our pathway will change and our delivery plans to achieve our carbon budgets will have to reflect our new ambition.
175. Next year we will be receiving further Welsh-specific advice and recommendations from the UKCCC, including recommendations on changing our pathway through our 2030 and 2040 targets and our second carbon budget. We will also receive a progress report on our first carbon budget, and HM Treasury will be undertaking a review of how the transition to net zero would be funded and where the costs would fall. These are all key pieces of evidence which we will need to review in developing future actions.
176. As outlined above, direct public spending is only one of the key levers through which the Welsh Government is supporting the climate emergency. Our low carbon delivery plan *Prosperity for All: A Low Carbon Wales* sets out how Wales aims to meet the first carbon budget (2016-2020) and consequently the 2020 interim target through 100 policies and proposals across Ministerial portfolios.
177. *Prosperity for All: A Climate Conscious Wales*, published earlier this month, responds to the areas of risk which the UK Committee on Climate Change has highlighted as requiring 'more urgent action' and contains short, medium and longer term actions in a number of key areas.
178. Not all of the actions in the plan are about spend - some are about setting our policy direction, and providing clarity and certainty. For example power

generation is our largest emissions sector. We will reduce the use of fossil fuels for power generation through implementing policy such as phasing out Unabated Coal, developing planning policy and exploring new policy interventions.

179. Through the development of our Budget Improvement Plan, we will continue to explore how the assessment of the carbon impact of our spending programmes can be made more robust. This will consider the incremental impact of Welsh Government spend, as well as the wider impact that policy implementation has on carbon emissions.

Biodiversity

180. Our economy, health and well-being depends on healthy, resilient ecosystems. They provide us with our food, clean water and the air we breathe, and the raw materials and energy for our industries, and protect us against hazards, such as flooding and climate change. While there is evidence of some positive trends in relation to Welsh peatlands, soils and species, overall, biological diversity is declining.
181. In response we are delivering on our ambition to create a National Forest to extend the full length of Wales, investing £4.5m of capital in 2020-21 to begin a programme to improve the condition and connectivity of our ancient woodlands and to accelerate the rate of tree planting. Meeting the challenges of a climate emergency is an international agenda and we recognise our global responsibility and role in supporting other communities across the world. Together with our commitment to tree planting in Uganda (supported by an investment of £500k in 2020-21), this investment will not only contribute to our decarbonisation goals but also support the reversal of the decline in biodiversity. The National Forest will also unlock tourism opportunities and help local communities better connect with their natural environment.
182. The terrestrial habitats of Wales support a rich variety of flora and fauna and include many species found in Britain and species unique to Wales. We are allocating an additional £15m in 2020-21 in our Natura 2000 Network, which contains the 112 most ecologically important nature sites and some of our most threatened habitats and species, covering more than 700,000 hectares or 7 per cent of Welsh land area and 36 per cent of territorial waters.
183. Peatlands play a dual role in absorbing vast quantities of carbon emissions and supporting a rich suite of habitats and species. In this Budget we are also committing £1m of capital funding in 2020-21 to deliver the first year of a national peatland restoration programme. This aims to bring under sustainable management all areas of peat supporting semi-natural habitat.
184. Alongside these capital investments, we are allocating revenue funding of £1m in 2020-21 to support the management and maintenance of these capital activities. In the coming year we will also pilot a 'taskforce' approach to provide the public sector with specialist advice on improved integration of biodiversity, which will be supported by funding of £500k.

185. Green infrastructure improvements help with climate change adaptation, cool cities and town centres, and help reduce pressure on ground and surface water run-off. Access to green spaces and community services has been highlighted by Public Health Wales as one of the most cost effective measures that can be taken by Government in improving health outcomes.
186. We are investing capital funding of £5m in 2020-21 in a specific Environmental Growth Fund – Local Places for Nature and providing a further capital allocation of £5m to establish green infrastructure and encourage biodiversity in our towns and cities. We are also committing £9.5m of capital funding in 2020-21 to tackle water quality issues that affect our rivers and other inland waterbodies, improving the quality of our waters across Wales, making it more resilient to the impact of climate change.
187. To deliver on our ambitions we are increasing the funding available to Natural Resources Wales to a total of more than £60m in 2020-21 to boost their work to tackle climate change. This will include increased renewable energy generation on public sector land, increased natural flood management, and investment in the evidence to identify the best opportunities we have for expanding woodlands, peatlands and other important habitats.
188. We are also allocating a further £498k to the National Parks authorities, bringing the total budget to £9.9m in 2020-21, reflecting the importance of the protection and promotion of our natural environment to health and well-being.

Annex D: Technical information

Financial Transactions capital

1. Last year, the UK Government revised its consolidated budgeting guidance to require financial transactions to be treated on a net basis for UK departments. Under this change, UK departments must forecast the level of income expected from loans and equity investments and their departmental budget is reduced accordingly. The exception to this rule is housing, where it is difficult to forecast the income profile as it is dependent on house purchases rather than a contracted loan repayment.
2. In departments where there is a comparable devolved competency area then this would lead to a Barnett share of the reduction.
3. However, the application of the policy to devolved administrations has not yet been determined and we continue to plan on the current basis of re-paying the investment to HM Treasury. The current arrangement is that the re-payment will be 80% of the total financial transaction funding allocated to reflect the need for some flexibility at a devolved administration level.
4. As many of the schemes funded by financial transaction capital in Wales are different to those developed by UK Government departments we continue to work with HM Treasury to ensure that changes to the budgetary treatment does not penalise Wales. The table below shows the level of financial transaction funding currently allocated to each MEG, along with the profile of repayments.

Financial Transactions allocations and projected 80% repayments reported to HM Treasury August 2019

	£m				
	100%	80%			
Total allocations to MEGs	Total allocations	Repayments up to and including 2019-20	Repayments falling due within 1 year	Repayments falling due within 2 to 5 years	Repayments falling due after 5 years
Housing and Local Government	654.5	0.8	1.0	12.4	509.4
Economy and Transport	446.5	2.9	2.0	111.4	240.9
Education	4.5	0.7	0.1	0.6	2.2
Environment, Energy and Rural Affairs	16.2	-	-	-	13.0
International Relations & Welsh Language	2.4	0.9	0.2	0.8	-
Central Services & Administration	0.4	-	-	-	0.3

Innovative Finance schemes

5. In previous budgets we have set out the range of innovative finance schemes that have been developed.
6. Unhypothecated funding continues to be distributed through the RSG, for two local government borrowing initiatives – for highways and schools. Funding also continues to be allocated for two rounds of investment using the Housing Finance Grant.
7. In 2020-21, the Coastal Risk Management Programme (CRMP) will see investment in local authority flood and coastal defence assets. CRMP will see £150m of additional investment over a three-year period (2019-20; 2020-21 and 2021-22) to manage current and future risks from climate change and sea level rise to coastal communities across Wales. There are currently 24 local authority schemes in the programme.
8. Innovative finance schemes provide a much-needed boost to capital budgets, enabling around £870m of infrastructure investment to be delivered sooner than would have otherwise been achievable. Details of the funding implications for the period covered by this draft Budget are set out in the table below.

Operational schemes	Estimated capital value (£m)	2020-21 Revenue Implications (£m)	Peak revenue Implications (£m)
LGBI Highways improvements	170	12	12
LGBI Schools – Band A Acceleration	170	10	10
Housing Finance Grant	130	4	4
Housing Finance Grant 2	250	9.0	9.0
Flood & Coastal Risk Management	150	5.0	7.3
Total	870	40	42.3

9. Three schemes are being developed using the Mutual Investment Model (MIM), which was launched in 2017 – completing dualling of the A465; the development of the new specialist Velindre Cancer Centre and supporting the next phase (Band B) of the 21st Century Schools and Education programme. These schemes will see additional investment of more than £1bn in Wales,

ensuring vital facilities for the public are accessible sooner than would otherwise have been available through capital budgets.

10. In July 2018, the A465 dualling project became the first MIM scheme to be tendered to the market. In July 2019, the procurement of a Private Sector Deliver Partner (PSDP) to support the Education project commenced. Payment for MIM schemes will not begin until the assets are available for public use. It is anticipated that the A465 will open in phases from 2022-23.

Annex E: Budget Improvement Plan

For this year's annual Budget preparations, we have developed a **Budget Improvement Plan** that outlines our vision, including short-term and medium-term ambitions over the next 5 years, to improve the budget process using the Well-being of Future Generations Act goals and the five ways of working to drive continuous improvement.

This has been published as a separate annex and can be found at:

<https://gov.wales/budget-improvement-plan>

Annex F: Implementation costs of legislation

Costs of Implementing Enacted Legislation in 2020-21

[Click on the title of each Act for background information]

Title of Act	Which BEL funds the costs?	Implementation phase		RIA estimate of costs (£)	Actual costs (£)	Amount set aside in Budget 2020-2021 (£)
Health and Social Services						
Public Health (Wales) Act 2017 ¹	Health Improvement & Healthy Working	July 2017 – March 2022	2017-18	232,400	21,890	
			2018-19	816,800	516,794	
			2019-20	388,400	224,832	
			2020-21	107,200		274,132
Regulation and Inspection of Social Care (Wales) Act 2016 ²	Sustainable Social Services	2016 – April 2019	2016-17	2,100,000	282,000	
			2017-18	1,800,000	1,500,000	
			2018-19	1,800,000	1,500,000	
			2019-20	1,800,000	1,500,000	
			2020-21	1,800,000		1,200,000
Public Health (Minimum Price for Alcohol) (Wales) Act 2018	Substance Misuse	2019-20 - 2023-24	2019-20	250,820	Expect full spend	
			2020-21	274,000		274,000

¹ Opportunity costs identified in the RIA have been removed from estimated figures, which now show only costs where a flow of funds was expected. Actual costs and the amount set aside for 2020-21 have been updated following re-profiling during the implementation phase.

² Due to the phased approach adopted for implementation, costs to the service regulator have been staggered rather than concentrated in the first year as indicated in the RIA.

Housing and Local Government						
Renting Homes (Wales) Act 2016 ¹	1100 Housing Policy (formerly Independent Housing)	Jan 2016-April 2021	2016-17	140,000	-	
			2017-18	65,000	-	
			2018-19	35,000	-	
			2019-20	20,000	-	
			2020-21			No budget confirmed yet
Planning (Wales) Act 2015 ²	2250 Planning and Regulation	2016-2020	2016-17	353,611	40,532	
			2017-18	94,295	67,201	
			2018-19	83,595	191,116	
			2019-20	140,468	90,773	
			2020-21	-		52,116
International Relations and Welsh Language						
Historic Environment (Wales) Act 2016	Conserve, protect, sustain and promote access to the historic and natural environment	2016-2021	2016-17	220,887	220,000	
			2017-18	230,000	181,321	
			2018-19	197,000	217,000	
			2019-20	197,000	156,208	
			2020-21	197,000		200,000

¹ Due to a delay in implementation the anticipated costs have been re-profiled into the current and future years, which is still subject to change as decisions on implementation are on-going.

² The largest variance in costs is shown in 2016-17 and the RIA reflects the anticipated inclusion of a £120,000 payment from the Welsh Government to assist LPAs to cover set up costs and production of the SDP, which was also included as a means of incentivising LPA to pursue the production of an SDP following the Royal Assent of the Act. With no interest expressed by LPAs during this period no costs were incurred. Other differences between RIA and actual figures reflect changes in the cost profile over a number of years

Education						
<u>Additional Learning Needs and Education Tribunal (Wales) Act 2018</u>	5115 (Additional Learning Needs)	Sept 2021 – July 2024	2016-17	27,409	27,409	
			2017-18	158,000	123,461	
			2018-19	175,000	257,274	
			2019-20	353,500	16,314 (to date)	
			2020-21	2,536,000		2,536,000
	5511 (Raising Standards)		2016-17	-	-	
			2017-18	270,000	270,000	
			2018-19	3,200,000	3,200,000	
			2019-20	3,800,000	279,750 (to date)	
			2020-21	3,800,000		3,200,000

Health and Social Services

Public Health (Wales) Act 2017

1. Across its broad range of provisions the Public Health (Wales) Act will make an important contribution to public health in Wales. This puts in place important protections for the public, including extending the smoke-free requirements to certain open spaces, a mandatory licensing scheme for special procedures as well as prohibiting the intimate piercing of anybody under the age of 18. The Act addresses other important public health issues including obesity and the planning of toilets for use by the public.

Regulation and Inspection of Social Care (Wales) Act 2016

2. The Regulation and Inspection of Social Care (Wales) Act is a set of provisions that provides a revised and streamlined legislative framework for the regulation and inspection of care and support in Wales. The Act proposes to introduce changes that will:
 - reform the regulatory regime for care and support services;
 - provide a regulatory framework that requires an approach to the regulation of care and support services focused on outcomes for service users;
 - reform the inspection regime for local authority social services functions;
 - reconstitute and re-name the Care Council for Wales as Social Care Wales and broaden its remit; and
 - reform regulation of the social care workforce.

The Public Health (Minimum Price for Alcohol) (Wales) Act 2018

3. The Public Health (Minimum Price for Alcohol) (Wales) Act 2018 (the Act) aims to tackle alcohol-related harm, including alcohol-attributable hospital admissions and alcohol-related deaths in Wales, by reducing alcohol consumption in hazardous and harmful drinkers. The Act provides a legislative basis for addressing some of the long-standing and specific health concerns around the effects of excess alcohol consumption in Wales.
4. The Act makes provision for the minimum price for which alcohol is to be sold or supplied in Wales and makes it an offence for alcohol to be sold or supplied by alcohol retailers from qualifying premises below that price. The Public Health (Minimum Price for Alcohol) (Minimum Unit Price) (Wales) Regulations 2019 set a minimum unit price for alcohol of 50p.

Housing and Local Government

Renting Homes (Wales) Act 2016

5. At the heart of the Act are the new 'occupation contracts'. With a limited number of exceptions, the Act replaces all current tenancies and licences with just two types of occupation contract:

- secure contract - modelled on the current secure tenancy issued by local authorities.
 - standard contract - modelled on the current assured shorthold tenancy used mainly in the private rented sector.
6. The Act requires landlords to issue a written statement of the occupation contract which clearly sets out the rights and responsibilities of landlords and those renting from them. A minimum six-month occupation period will be maintained by the Act and landlords will have to ensure the property is fit for human habitation. The Act also helps protect people from being evicted simply for complaining about the condition of a property.
7. People who find themselves in difficult circumstances also benefit from the Act. It will help to prevent current homelessness situations where a joint tenant leaves the tenancy, thereby ending the tenancy for everyone else. The new approach to joint contracts will also help victims of domestic abuse by enabling the person carrying out domestic abuse to be targeted for eviction.

Planning (Wales) Act 2015

8. The aim of the Planning (Wales) Act is to deliver a planning system which is positive in outlook and enables development, helping to deliver sustainable places that include homes, jobs and infrastructure, whilst providing opportunities to protect and enhance the most important built and natural environments.
9. To achieve this aim the Act:
- redefines the respective roles and responsibilities of organisations involved in delivering planning services; and
 - makes improvements to the development plan, development management and enforcement systems to improve performance and realise the full potential of planning to help deliver national, local and community aspirations.

International Relations and Welsh Language

Historic Environment (Wales) Act 2016

10. The Historic Environment (Wales) Act 2016 has three main aims:
- to give more effective protection to listed buildings and scheduled monuments;
 - to improve the sustainable management of the historic environment; and
 - to introduce greater transparency and accountability into decisions taken on the historic environment.
11. The Act amends the two pieces of UK legislation — the Ancient Monuments and Archaeological Areas Act 1979 and the Planning (Listed Buildings and Conservation Areas) Act 1990 — that currently provide the framework for the protection and management of the Welsh historic environment. It also contains new stand-alone provisions relating to historic place names; historic environment records and the Advisory Panel for the Historic Environment in Wales.

Education

Additional Learning Needs and Education Tribunal (Wales) Act 2018

12. The Additional Learning Needs and Education Tribunal (Wales) Act 2018 replaces the current Special Educational Needs (SEN) framework with a reformed system based on Additional Learning Needs (ALN).
13. The Act makes provision for universal, statutory Individual Development Plans for all children and young people with ALN. This will bring an end to the current distinction between school led interventions and local authority issued statements and will integrate the separate legislative arrangements that exist for pupils in schools and post-16 students in colleges. The Act also seeks to improve collaboration between local authorities and health boards, as well as establishing a fairer and more transparent system with greater emphasis on disagreement avoidance and dispute resolution.

Annex G: Glossary of financial terms

Action	<i>Within each Spending Programme Area (SPA), budgets are allocated to a number of sub-programmes known as Actions.</i>
Ambits	<i>Descriptions of the specific purposes for which the Welsh Ministers are authorised by the National Assembly for Wales to spend resources. Ambit descriptions and resource limits are contained within the annual Budget motion. Ambits correspond to MEGs.</i>
Annually Managed Expenditure (AME)	<i>Expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL and is therefore reviewed twice a year as part of the HM Treasury's Budget and pre-Budget report processes. AME typically consists of programmes which are large, volatile or demand-led; for example the issue of student loans.</i>
Budget Expenditure Line (BEL)	<i>Within each Action budgets are allocated to a number of sub-expenditure groups known as BELs. Tables showing budgets at BEL level are available at: http://gov.wales/funding/budget/?lang=en</i>
Barnett formula	<i>The formula used by the UK Government to calculate changes to the block grant allocated to the Welsh Government (and other devolved administrations). The Welsh Government receives the same changes in funding per head of the population as announced in England for services which are devolved to Wales. As part of the fiscal framework agreed between the Welsh Government and UK Government in 2016, there is also a needs-based factor applied to the Barnett formula allocations to Wales. This is currently set at an additional five per cent.</i>
Budget Motion	<i>The means by which the National Assembly for Wales authorises the Welsh Ministers to spend resources up to a specific level for specified purposes and to draw cash up to a specific limit from the Welsh Consolidated Fund.</i>
Capital	<i>Expenditure that in the main results in a physical asset, for example a new building. A proportion of the Capital DEL includes financial transactions capital.</i>
Departmental Expenditure Limit (DEL)	<i>The multi-year budget limit for the Welsh Government set by the HM Treasury. DEL is planned and controlled on a multi-year basis in Spending Reviews. The Welsh Government DEL and AME budgets have separate capital and resource limits.</i>
Depreciation	<i>The drop in value of an asset due to wear and tear, age and obsolescence. Under resource budgeting, depreciation is part of the Welsh Government's DEL but is a non-fiscal resource DEL item.</i>
Direct Charges on the Welsh Consolidated Fund	<i>Expenditure which is legally required to be charged directly to the Welsh Consolidated Fund and therefore does not score against the budgets of the Welsh Government or any other body. Direct charges include the remuneration of the Presiding Officer and Auditor General.</i>
Financial Transactions Capital	<i>Financial transactions capital is part of the capital DEL settlement that can only be used for loans and equity investments to third parties. In the main, the funding must be repaid to HM Treasury.</i>

Fiscal Resource DEL (previously known as near-cash)	<i>The Fiscal Resource DEL budget scores most of the department's current expenditure. Expenditure is recorded on an accruals basis. It includes expenditure on pay, current procurement, resource grants and subsidies.</i>
Main Expenditure Group (MEG)	<i>The Welsh Government DEL is divided into a number of Main Expenditure Groups. There are currently seven MEGs: Health and Social Services; Housing and Local Government; Economy and Transport; Education; Energy, Environment and Rural Affairs, International Relations and Welsh Language, and Central Services and Administration.</i>
Non-Fiscal Resource DEL (previously known as non-cash)	<i>The Non-Fiscal Resource DEL budget scores the department's current expenditure in respect of impairment of student loans and depreciation. Non-Fiscal Resource DEL is ring-fenced and cannot be used to fund fiscal resource DEL spending.</i>
Receipts	<i>Some areas of Welsh Government activity generate income, for example, through the sale or rental of assets. These are represented in the Budget as negative figures.</i>
Resource budgeting	<i>The Welsh Government's Budget is set on a resource basis derived from accruals information. Accruals information measures resources as they are consumed rather than when the cash is paid. So, for example, resource budgeting includes a charge for depreciation, a measure of the consumption or wearing out of capital assets</i>
Resource (previously known as revenue)	<i>Current expenditure, for example funding for the pay of public sector workers and to purchase consumable goods and services.</i>
Spending Review	<i>Every two or three years HM Treasury reviews expenditure for each UK Government Department and sets budgets for the forthcoming years. Budgets for the devolved administrations are derived from these budgets via the Barnett formula, which is the mechanism used by HM Treasury to calculate public expenditure allocated to Wales to reflect changes in spending levels allocated to public services in England.</i>
Spending Round	<i>The Spending Round is a UK Treasury-led process to allocate resources across all government departments, according to the government's priorities. It does not include a revision to tax forecasts.</i>
Total Managed Expenditure (TME)	<i>This is an HM Treasury control total which is made up of the total Departmental Expenditure Limit plus Annually Managed Expenditure.</i>
Wales Reserve	<i>The Wales Reserve will operate from April 2018 as a new tool to enable the Welsh Government to manage its budget across years. The Welsh Government will be able to save surplus revenues from the devolved taxes and underspend on the Departmental Expenditure Limit in the Reserve for use in future years. The Reserve will be able to hold up to £350m, with an annual drawdown limit of £125m for resource and £50m for capital. There will be no annual limit for payments in to the Reserve.</i>

Welsh Consolidated Fund	<i>The account into which the money voted by the UK Parliament for use by the Welsh Government, the Assembly Commission, the Auditor General, and the Public Services Ombudsman for Wales is paid.</i>
WGSB	<i>Welsh Government Sponsored Body. Examples include the Higher Education Funding Council for Wales and the Arts Council of Wales.</i>