

# Scrutiny of the Welsh Government Draft Budget 2025-26

February 2025



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# Scrutiny of the Welsh Government Draft Budget 2025-26

February 2025



# About the Committee

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

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Current Committee membership:



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



**Mike Hedges MS**  
Welsh Labour



**Rhianon Passmore MS**  
Welsh Labour



**Sam Rowlands MS**  
Welsh Conservatives

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The following Members attended as substitutes during this inquiry:



**Hannah Blythyn MS**  
Welsh Labour



**John Griffiths MS**  
Welsh Labour

The following Member was also a member of the Committee during this inquiry:



**Peter Fox MS**  
Welsh Conservatives

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## Chair's Foreword

The Welsh Government's financial settlement for 2025-26 has been hailed by the Chancellor of the Exchequer as the "largest real terms funding increase since devolution". With its promise of "optimism" and a "brighter future", the narrative for this Draft Budget is certainly a welcome break with the austerity of previous years.

Our task as a Committee was to consider whether the Welsh Government's funding proposals matches that rhetoric. However, in a number of areas, we found them to be empty words.

Despite the increases in funding, stakeholders expressed fundamental concerns about whether the proposed budgets for next year are sufficient to provide adequate levels of support and safeguard critical services in light of the challenges being faced.

All too often, we found that the Welsh Government's plans lacked focus and clarity and our report identifies a number of key areas where improvements are required.

We received a groundswell of evidence from organisations concerned by the impact of increases in employer National Insurance Contributions, with a number of bodies warning of a cliff-edge scenario if additional support is not provided and we have called on the Welsh Government to provide urgent clarity on this matter.

The Committee also heard that the cost of living crisis has not gone away and that it has become entrenched in the daily lives of many across Wales. We found that the Welsh Government is pivoting away from providing dedicated support in this area and believe this should be a higher priority.

Although the Draft Budget allocates an additional £1.5 billion for 2025-26 compared to 2024-25, we heard evidence questioning the financial resilience of frontline services and we are deeply concerned that the medium to long-term financial outlook for a number of sectors is not sustainable.

We are also disappointed with the insufficient focus given by the Welsh Government to tackle issues around performance and productivity across public services, and agree with stakeholders that there is a need for radical honesty within government to grapple with these issues.

The Welsh Government itself acknowledges that public services are “fragile” and, despite increased allocations, many services are “close to the brink” and “unable to withstand further shocks”.

We have asked the Welsh Government for clarity and assurances on the steps being taken through the Draft Budget to ensure the financial sustainability of key services as a matter of urgency, as well as the actions being taken to understand the impact of the funding that is being provided.

At a time when the funding outlook beyond 2025-26 looks increasingly constrained and with services under the continuing pressure of high demands, we believe these steps are more essential than ever.

This report reflects the views of those who took part in our evidence sessions, and those who responded to our consultation before Christmas as well as individuals and organisations who engaged with the Committee last summer through our focus groups, our stakeholder event in Carmarthen and at our sessions at the Urdd Eisteddfod in Meifod, the National Eisteddfod in Pontypridd and the Royal Welsh Show.

We are thankful for each and every submission: This report would not have been possible without them and, as ever, our stakeholders have been instrumental in informing our conclusions and recommendations.

This is a milestone budget and the Welsh Government’s single biggest policy programme for the year ahead. This report provides clear areas where greater focus is needed and where improvements should be made if it is to meet its ambitions. We look forward to hearing how the Cabinet Secretary will take them forward ahead of the Final Budget debate in March.



**Peredur Owen Griffiths MS**  
Chair of the Finance Committee

## Conclusion and Recommendations

**Conclusion 1.** The Committee will consult Senedd committees involved in budget scrutiny ahead of the Welsh Spending Review and the 2026-27 budget round to explore ways to maximise budgetary scrutiny in the Senedd, in order to mitigate the impact of a curtailed scrutiny window. ....Page 27

**Recommendation 1.** The Committee recommends that if, as expected, the timetable for scrutinising the Draft Budget is curtailed for the 2026-27 budget round:

- the Cabinet Secretary and his officials continue to attend a pre-budget scrutiny session with the Finance Committee; and
- the Cabinet Secretary works with the Finance Committee to identify ways in which scrutiny opportunities can be enhanced in the Senedd. .... Page 27

**Recommendation 2.** The Committee recommends that the Cabinet Secretary:

- outlines his views on proposed changes to the Budget Process Protocol before the beginning of the next financial year; and
- works with Senedd officials to develop key principles as a basis for a fundamental redrawing of the protocol ahead of the next budget round. .... Page 27

**Recommendation 3.** The Committee recommends that the Cabinet Secretary provides dates and details of:

- the UK Government’ Spending Review and the Welsh Government’s involvement in that process; and
- the Welsh Government’s own Spending Review, including when the outcomes of the review will be known and how the Senedd can inform that process. .... Page 28

**Recommendation 4.** The Committee recommends that the Cabinet Secretary explains how capital funding has changed between the 2024-25 and 2025-26 financial years, broken down by portfolio and type of investment, and that such an approach is adopted in future budget rounds.....Page 47

**Recommendation 5.** The Committee recommends that the Cabinet Secretary includes a comparison of outturn figures from the previous financial years against the proposed figures for the forthcoming year, as part of the Draft Budget documentation from the next budget round onwards.....Page 47

**Recommendation 6.** The Committee recommends that the Cabinet Secretary publishes the latest block grant transparency data before the Final Budget debate and at regular intervals thereafter.....Page 47

**Recommendation 7.** The Committee recommends that the Cabinet Secretary shares information provided by the Treasury to the Welsh Government showing Barnett consequential with the Senedd soon after each UK fiscal event.  
..... Page 48

**Recommendation 8.** The Committee recommends that the Cabinet Secretary works with the UK Government to ensure that issues with the Fiscal Framework regarding uprating borrowing and limits on the Wales Reserve to original real terms value; and removing the annual drawdown limit from the Wales Reserve are resolved before the end of the 2025-26 financial year and that an update is provided to the Committee on progress by the summer recess. .... Page 48

**Recommendation 9.** The Committee recommends that the Welsh Government provides details and timescales relating to the Welsh Spending Review, including details of documents and outputs, and commits to lay such documents before the Senedd ahead of the Draft Budget 2026-27 to allow time for Senedd committees to meaningfully inform and influence its outcomes. .... Page 49

**Recommendation 10.** The Committee recommends that the Cabinet Secretary provides an update, as a matter of urgency and before the Final Budget debate, on funding the Welsh Government will receive from the Treasury to mitigate the impact of the increase in employer National Insurance Contributions on public services.....Page 50

**Recommendation 11.** The Committee recommends that the Cabinet Secretary undertakes an assessment of the impact that increasing employer National Insurance Contributions will have on third sector organisations in Wales, and for such information to be made publicly available ahead of the Final Budget debate.  
.....Page 50

**Recommendation 12.** The Committee recommends that the Cabinet Secretary ensures that any additional funding provided by the UK Government to make up for the increase to employer National Insurance Contributions is distributed to

local authorities based on calculations of additional costs as a result of the change.....Page 51

**Recommendation 13.** The Committee recommends that the Welsh Government works with local authorities and the public sector to understand how commissioned services are impacted by the increase in National Insurance Contributions and considers the most appropriate method of distributing funds to mitigate the financial impact.....Page 51

**Recommendation 14.** The Committee recommends that the Cabinet Secretary provides a narrative around how the impacts of key long term financial risks such as climate change, demographic and health trends are being addressed in the short, medium and long term, to enable Senedd committees to consider this approach before the Draft Budget for 2026-27 is published..... Page 65

**Recommendation 15.** The Committee recommends that the Office for Budget Responsibility, as part of the redesign of their Wales Taxes Outlook publication, prioritises improving its analysis of the relative growth and performance of the Welsh taxbase and tax incomes compared to the UK in their Welsh tax outputs. .... Page 66

**Recommendation 16.** The Committee recommends that the Office for Budget Responsibility provides an update on its work to understand the impact that freezing income tax thresholds will have on the proportion of income tax raised in Wales, ahead of the 2026-27 budget round..... Page 66

**Recommendation 17.** The Committee recommends that the Cabinet Secretary provides an update on the outcome of discussions it has had with the Office for National Statistics and the Office for Budget Responsibility on steps taken to mitigate the loss of key data and its impact on Welsh forecasts..... Page 66

**Recommendation 18.** The Committee recommends that the Cabinet Secretary provides details of any assessments it has made of the likely impact of its plans to increase capital investment significantly in 2025-26 and how this may impact on capacity for private sector investment in Wales, both positively and negatively. .... Page 67

**Recommendation 19.** The Committee recommends that the Cabinet Secretary explains how the Draft Budget is moving money to support preventative measures, broken down for each Main Expenditure Group, and that this is provided ahead of the Final Budget debate..... Page 83

**Recommendation 20.** The Committee recommends that the Cabinet Secretary works with the Future Generations Commissioner to agree an updated definition of what is meant by preventative spend, for inclusion in the Draft Budget narrative for 2026-27 and that an update on these discussions is provided by the summer recess..... Page 83

**Recommendation 21.** The Committee recommends that the Cabinet Secretary works with the Future Generations Commissioner to review its Strategic Integrated Impact Assessment to ensure it accurately reflects the ways of working outlined in the Well-being of Future Generations (Wales) Act 2015, and provides an update on those discussions ahead of the summer recess..... Page 84

**Recommendation 22.** The Committee recommends that the Cabinet Secretary evaluates the documents it produces to assess the impact of the budget, to make it as straightforward as possible for stakeholders to identify how budgetary decisions align with the Welsh Government’s aims..... Page 84

**Recommendation 23.** The Committee recommends that the Welsh Government publishes, as a matter of urgency, the results of the remaining gender budget pilots and works with stakeholders to reflect the results in future budget cycles.  
..... Page 84

**Recommendation 24.** The Committee recommends that the Cabinet Secretary establishes a Standing Committee on the Cost of Living and Poverty as a matter of urgency in order to ensure that support for those most in need is provided, and that an update on progress on this issue is provided by the summer recess.  
..... Page 85

**Recommendation 25.** We recommend that the Cabinet Secretary provides details of where and when the Welsh Government’s Baby Bundle scheme will be rolled out, and if they are not provided universally across Wales, to explain the reasons for this, and for such information to be provided ahead of the Final Budget debate..... Page 85

**Recommendation 26.** The Committee recommends that the Cabinet Secretary:

- confirms the costs associated with the roll out of Phase 3 of Flying Start;
- issues an update on the proposed full roll out of the Flying Start programme, including the associated timeframes; and
- for these to be provided ahead of the Final Budget debate.

.....Page 86

**Recommendation 27.** The Committee recommends that the Cabinet Secretary works with support and charitable organisations, including those bodies representing older people, to ensure that those who are eligible to receive financial support in lieu of the Winter Fuel Payments are able to do so..... Page 86

**Recommendation 28.** The Committee recommends that the Cabinet Secretary explains how the allocations in the Draft Budget will address the increased demand for social care and outlines the actions the Welsh Government will take, as a matter of urgency, to address the social care funding model to ensure its future resilience and provides an update to the Committee by the Final Budget debate. .... Page 102

**Recommendation 29.** The Committee recommends that the Cabinet Secretary provides an update to the Committee on any additional funding the Welsh Government will provide to the social care sector and for associated purposes, ahead of the Final Budget debate..... Page 103

**Recommendation 30.** Following the UK Government Spending Review, the Committee recommends the Cabinet Secretary provides local authorities with multi-year funding settlements, as a matter of urgency, to ensure greater financial stability and facilitate future planning. .... Page 103

**Recommendation 31.** The Committee recommends that the Cabinet Secretary considers a funding floor for local authorities in the Final Budget 2025-26 and provides the criteria used for deciding when, and at what level, to implement a funding floor..... Page 104

**Recommendation 32.** The Committee recommends that the Cabinet Secretary provides further clarity on the protocol being developed between the Welsh Government and local authorities that would apply in circumstances of significant financial challenge, including timescales for implementation, by the Final Budget debate. .... Page 104

**Recommendation 33.** The Committee recommends that the Welsh Government publishes the Local Health Board allocation letter for 2025-26 and NHS Wales Planning Framework for 2025-2028 before the Final Budget debate, and reiterates its recommendation that the Welsh Government should, as a matter of course, make this information publicly available each year at the same time it is issued to the sector to facilitate scrutiny of the Draft Budget..... Page 104

**Recommendation 34.** The Committee recommends that the Cabinet Secretary:

- explains how the Welsh Government is assessing productivity across the Welsh public sector;
- explains how the capital allocations are linked to making revenue more efficient; and
- outlines the improvements it expects from public services in 2025-26 in return for the capital funding provided, and that this information is provided ahead of the Final Budget debate. .... Page 105

**Recommendation 35.** The Committee recommends that the Cabinet Secretary explains how the £40 million for the Digital Priorities Investment Fund within the Health and Social Care Main Expenditure Group was determined, how it will be allocated and how outcomes for this funding will be evaluated. ....Page 106

**Recommendation 36.** The Committee recommends the Cabinet Secretary provides assurances that the funding allocated in the Draft Budget to alleviate workforce pressures in the NHS and Social Care workforce is sufficient to address the recruitment and retention challenges being faced.....Page 106

**Recommendation 37.** The Committee recommends the Cabinet Secretary confirms whether the funding for the education and training of the NHS workforce reflects the Health Education and Improvement Education and Training Plan for 2025-26, with an explanation if this is not the case together with an assessment of the potential consequences.....Page 106

**Recommendation 38.** The Committee recommends that the Cabinet Secretary outlines how funding is being prioritised to support Additional Learning Needs in the Draft Budget, and the outcomes it expects this funding to achieve, ahead of the Final Budget debate..... Page 107

**Recommendation 39.** The Committee recommends that the Cabinet Secretary provides an update on the assumptions used to derive allocations to Transport for Wales in the Draft Budget ahead of the Final Budget debate. .... Page 107



# 1. Introduction

## Welsh Government Draft Budget 2025-26

1. Each year the Welsh Government publishes its Draft Budget for the next financial year. The Draft Budget sets out revenue and general capital spending plans for 2025-26.
2. The total amount of the Welsh Government's Draft Budget is made up of:
  - Funding by the UK Government known as the Block Grant;
  - Borrowing plans and use of the Wales Reserve;
  - Welsh Rates of Income Tax;
  - Non-domestic rates; and
  - Fully devolved taxes (Land Transaction Tax and Landfill Disposals Tax).
3. The Welsh Government's Draft Budget 2025-26<sup>1</sup> (the Draft Budget) was laid before the Senedd on Tuesday 10 December 2024, along with the following supporting documents:
  - Draft Budget narrative<sup>2</sup>;
  - Wales economic and fiscal report<sup>3</sup>;
  - Distributional analysis of devolved public spending in Wales<sup>4</sup>;
  - Tax policy report<sup>5</sup>;
  - The Office for Budget Responsibility's forecasts for the devolved Welsh taxes<sup>6</sup>; and
  - Welsh Rates of Income Tax ready reckoner 2025-2026<sup>7</sup>.

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<sup>1</sup> [Welsh Government, Draft Budget Proposals 2025-26, December 2024](#)

<sup>2</sup> [Welsh Government, Draft Budget 2025-26, December 2024](#)

<sup>3</sup> [Welsh Government, Wales economic and fiscal report, December 2024](#).

<sup>4</sup> [Welsh Government, Distributional analysis of devolved public spending, December 2024 in Wales](#)

<sup>5</sup> [Welsh Government, Tax policy report, December 2024](#)

<sup>6</sup> [Office for Budget Responsibility, Forecasts for the devolved Welsh taxes, December 2024](#)

<sup>7</sup> [Welsh Government, Welsh rates of Income Tax ready reckoner 2025 to 2026, December 2024](#)

4. Other outputs include a Strategic Integrated Impact Assessment (SIIA)<sup>8</sup>, Budget Improvement Plan (BIP)<sup>9</sup>, Budget expenditure lines<sup>10</sup>, tables supporting spending plans<sup>11</sup>, a document outlining the implementation costs of legislation,<sup>12</sup> a Draft Budget leaflet<sup>13</sup>, detailed proposals (in the format of the budget motion)<sup>14</sup> and an Infrastructure Finance Plan (IFP)<sup>15</sup>.

5. The Finance Committee (the Committee) is responsible for considering the Draft Budget from a strategic, overarching perspective, in accordance with Standing Order 19. Individual policy committees undertake their own focused evidence sessions in order to examine and report on the areas of the Draft Budget that fall within their respective remits.<sup>16</sup>

## Budget Process Protocol

6. The Budget Process Protocol (the Protocol) is required under Standing Order 20.1A<sup>17</sup> and sets out the administrative arrangements for the scrutiny of the Draft Budget and other related budgetary matters. The current Protocol was agreed by the Senedd on 21 June 2017.<sup>18</sup> It sets out the two stages of information that will be published by the Welsh Government relating to the Draft Budget:

- outline proposals that set out the high-level strategic spending and financing plans of the Welsh Government; and
- the detailed Draft Budget in which the Welsh Government will provide budget proposals for each portfolio at the Budget Expenditure Line (BEL) level or equivalent with appropriate supporting narrative.

7. However, for the past six years (including this year), the Welsh Government has delayed publication of its Draft Budget, with both the outline and detailed proposals published at the same time.<sup>19</sup> As the following infographic demonstrates, this had led to a constrained scrutiny window within the annual budget cycle:

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<sup>8</sup> [Welsh Government, Strategic Integrated Impact Assessment, December 2024](#)

<sup>9</sup> [Welsh Government, Budget Improvement Plan, December 2024](#)

<sup>10</sup> [Welsh Government, Budget expenditure lines, December 2024](#)

<sup>11</sup> [Welsh Government, Tables supporting spending plans, December 2024](#)

<sup>12</sup> [Welsh Government, Implementation costs of legislation 2025-26, December 2024](#)

<sup>13</sup> [Welsh Government, 2025-26 Draft Budget Explainer, December 2024](#)

<sup>14</sup> [Welsh Government, Draft Budget proposals, December 2024](#)

<sup>15</sup> [Welsh Government, Infrastructure finance plan 2025 to 2026, December 2024](#)

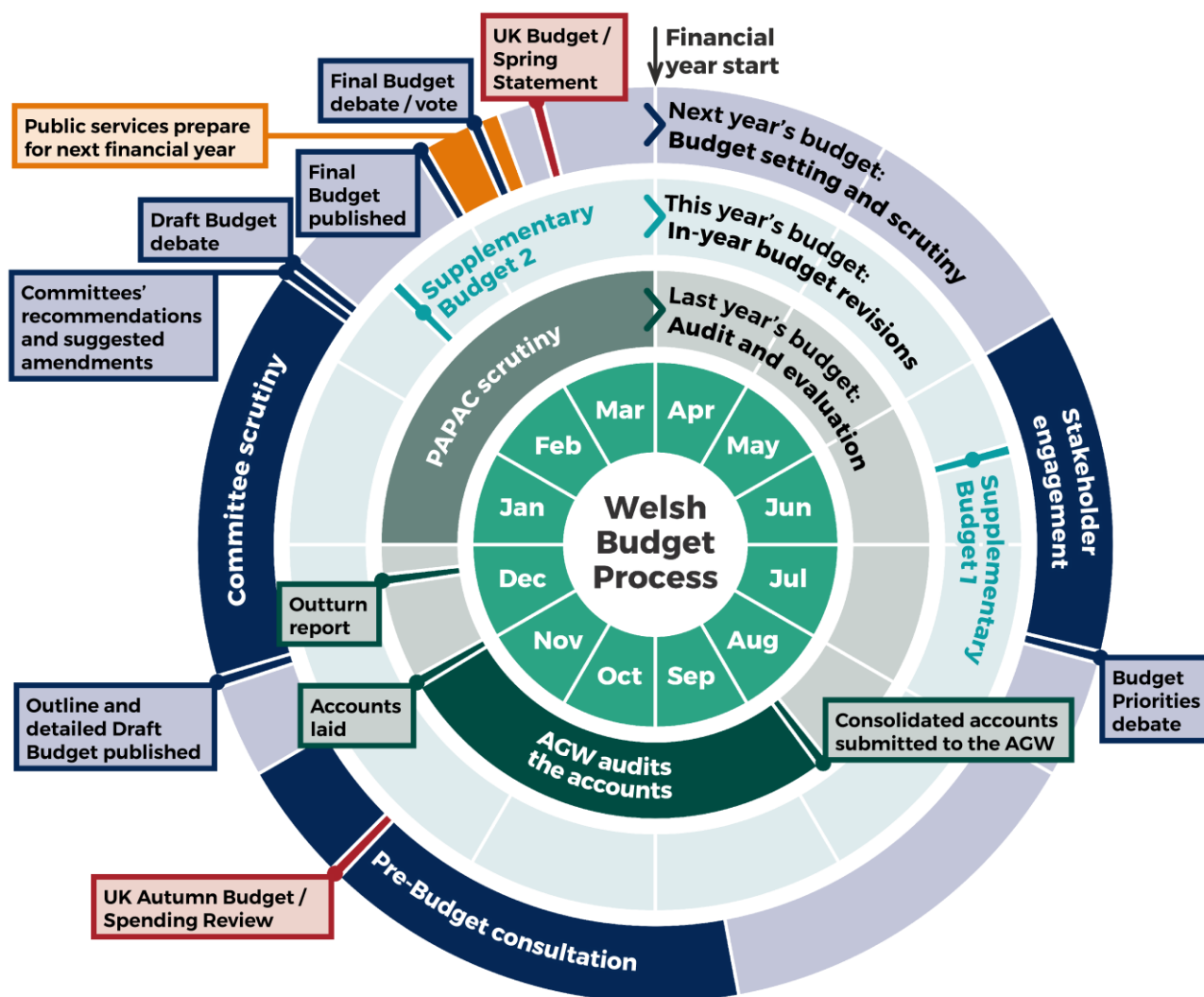
<sup>16</sup> [Standing Orders of the Welsh Parliament, September 2024](#)

<sup>17</sup> [Standing Orders of the Welsh Parliament, September 2024](#)

<sup>18</sup> [Budget Process Protocol, June 2017](#)

<sup>19</sup> [Letter from the Cabinet Secretary for Finance, Constitution and Cabinet Office to the Chair of the Finance Committee, 8 August 2024](#)

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**Key:**

AGW = Auditor General for Wales;

PAPAC = Public Accounts and Public Administration Committee

8. The Committee is currently considering changes to the Protocol, as requested by the Business Committee<sup>20</sup> in light of experiences in the Sixth Senedd to date. The Committee’s proposals for change, which reflect views expressed by the Directly Funded Bodies, are outlined in correspondence issued to the then Minister for Finance and Local Government on 11 December 2023<sup>21</sup>

<sup>20</sup> Letter from the Business Committee to the Chair of the Finance Committee, 2 August 2023

<sup>21</sup> Letter from the Chair of the Finance Committee to the Cabinet Secretary for Finance, Constitution and Cabinet Office, 11 December 2023

and the then Cabinet Secretary for Finance, Constitution and Cabinet Office on 4 July 2024.<sup>22</sup>

**9.** A subsequent letter was issued by the Committee to the current Cabinet Secretary for Finance and Welsh Language (the Cabinet Secretary) on 25 October 2024, shortly after the pre-budget scrutiny session was held, asking for clarity on the Welsh Government's position on changes to the Protocol "as soon as possible after the Autumn Budget on 30 October 2024 and before the publication of the Draft Budget".<sup>23</sup> However, no response has been received to date.

**10.** When asked about this issue in Committee, the Cabinet Secretary stated in relation to changes to the Protocol that:

*"My own view is that there is only so far we can go in the remainder of this Senedd term, because there's another big contextual change that's about to happen, which is that, after 2026, there will be a larger number of Senedd Members... I don't know that we are in a position to make decisions for those who will come after us in that new context."*<sup>24</sup>

**11.** However, the Cabinet Secretary added that "there are things that we can work on, though, purposefully and usefully, in the meantime" and that this includes looking at changes introduced since the Protocol was established to "see whether they have been useful, would they be things we would want to recommend to a successor committee to preserve".<sup>25</sup>

**12.** On whether these changes should be reflected in a revised Protocol, the Cabinet Secretary added that:

*"If the committee is happy to do it, then I am very happy to make my officials available to you, to review the operational side of the protocol, as we will ... have to manage it during the rest of this term, and then maybe to think ahead and see if there are any ideas we would put to an incoming new Government and new scrutiny arrangements, so that a more fundamental redrawing of the protocol can be brought about,*

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<sup>22</sup> [Letter from the Chair of the Finance Committee to the Cabinet Secretary for Finance, Constitution and Cabinet Office, 4 July 2024](#)

<sup>23</sup> [Letter from the Char. of the Finance Committee to the Cabinet Secretary for Finance and Welsh Language, 25 October 2024](#)

<sup>24</sup> [Finance Committee, RoP, 23 January 2025, paragraph 8](#)

<sup>25</sup> [Finance Committee, RoP, 23 January 2025, paragraph 9](#)

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*to take account of the fact that this is how it's going to be now.*<sup>26</sup>

## Public Engagement

**13.** Prior to the publication of the Draft Budget in the autumn of 2024, the Committee conducted a series of pre-budget engagement activities in the summer of 2024 to inform its scrutiny of the Welsh Government's funding proposals later in the year. These included:

- an external stakeholder event at Canolfan S4C yr Egin in Carmarthen, on 13 June 2024;
- a dedicated focus group for young people aged 16-25 facilitated by the Senedd's Citizen Engagement team held in Coleg y Cymoedd, Nantgarw, on 16 May 2024;
- a drop-in session at the Urdd National Eisteddfod in Meifod on 30 May 2024; and
- focus groups with 84 participants covering 20 local authorities across Wales facilitated by the Senedd's Citizens Engagement team, held between May and June 2024.

**14.** The views expressed during these sessions were summarised in a Summary Engagement Report, published in July 2024.<sup>27</sup>

**15.** Further engagement sessions were also held at the Royal Welsh Show and the National Eisteddfod in Pontypridd. Along with the priority areas identified in the Summary Engagement Report, these sessions informed the Committee's pre-budget scrutiny sessions with the Cabinet Secretary on 25 September 2024.<sup>28</sup>

## Budget Priorities Debate

**16.** The Committee held a Plenary debate on the Welsh Government's Spending Priorities on 17 July 2024,<sup>29</sup> based on the Committee's Summary Engagement Report.<sup>30</sup> The main issues raised by stakeholders were:

<sup>26</sup> Finance Committee, RoP, 23 January 2025, paragraph 9

<sup>27</sup> Finance Committee, Summary Engagement Report: Welsh Government Draft Budget 2025-26, July 2024

<sup>28</sup> Finance Committee, RoP, 25 September 2024

<sup>29</sup> Plenary, RoP, 17 July 2024

<sup>30</sup> Finance Committee, Summary Engagement Report: Welsh Government Draft Budget 2025-26, July 2024

- there is a general imbalance between funding front-line services and those that provide preventative services which has led to short-term, reactive spending decisions by the Welsh Government, at the expense of longer-term, strategic budgeting;
- there is a lack of understanding by the Welsh Government of the impact of its spending decisions, particularly when it is cutting funding, and more assessment needs to be undertaken to inform its approach to setting budget priorities; and
- the Welsh Government needs to commit to more long-term funding settlements for local government so they can pass long-term funding on to the organisations they support.<sup>31</sup>

**17.** The specific issues raised included:

- the long-term effect of the cost of living crisis;
- the importance of investing in preventative services;
- budgetary pressures on educational services and the effect it is having on staff and pupils/students;
- challenges facing the NHS and social care sectors and the need for integration;
- building communities and not just homes; and
- spending more efficiently and effectively to build the local economy.<sup>32</sup>

**18.** During the Plenary debate, the Chair summarised the views expressed through the Committee's engagement work under the following priority areas:

- developing a sustainable and holistic approach to funding health and social care, which is joined up and rooted in collaboration with other front-line services;
- addressing the budgetary pressures in the education sector, which is at breaking point;

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<sup>31</sup> Finance Committee, Summary Engagement Report: Welsh Government Draft Budget 2025-26, July 2024

<sup>32</sup> Finance Committee, Summary Engagement Report: Welsh Government Draft Budget 2025-26, July 2024

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- building housing and developing communities where young people feel supported to live and work;
- building the local economy by creating sustainable jobs, providing better transport links, and building affordable housing; and
- providing targeted support in the draft budget for young people.<sup>33</sup>

## Budget Timetable

**19.** On 4 July 2024, the then Trefnydd and Chief Whip<sup>34</sup> and the then Cabinet Secretary for Finance, Constitution and Cabinet Office,<sup>35</sup> wrote to the Business Committee and Finance Committee setting out a timetable for publication of the Draft Budget, in accordance with the timescales set out under Standing Order 20. Both letters proposed that:

- the outline and detailed draft proposals would be laid together before the Senedd on 10 December 2024;
- the deadline for Senedd committees to report on the Draft Budget would be 3 February 2025, with the Plenary debate on the Draft Budget taking place the day after on 4 February 2025; and
- the Final Budget would be laid on 25 February 2025.

**20.** The Committee responded on 11 July 2024<sup>36</sup> welcoming that the Draft Budget would be laid during term time, rather than during recess, but asked for a longer scrutiny window to be considered. The letter also criticised the Cabinet Secretary for not addressing the points raised by Senedd committees following the scrutiny of the Draft Budget 2024-25,<sup>37</sup> which were shared in correspondence on 27 June 2024,<sup>38</sup> and asked for the following to be considered:

- more time to be made available to scrutinise the Draft Budget to enable committees to meaningfully assess the impact the Draft Budget on

<sup>33</sup> [Plenary, RoP, 17 July 2024, paragraphs 219-244](#)

<sup>34</sup> [Letter from the Trefnydd and Chief Whip to the Chair of the Business Committee, 4 July 2024](#)

<sup>35</sup> [Letter from the Cabinet Secretary for Finance, Constitution and Cabinet Office to the Chair of the Finance Committee, 4 July 2024](#)

<sup>36</sup> [Letter from the Chair of the Finance Committee to the Cabinet Secretary for Finance, Constitution and Cabinet Office, 11 July 2024](#)

<sup>37</sup> [Finance Committee, Agenda, 26 June 2024, Item 7](#)

<sup>38</sup> [Letter from the Chair of the Finance Committee to the Cabinet Secretary for Finance, Constitution and Cabinet Office, 27 June 2024](#)

policy areas within respective remits and, in particular, to allow time to incorporate views from stakeholders;

- prioritising a two stage budget approach, in accordance with the process outlined in the Protocol, if there is time available after a UK Government fiscal event takes place; and
- the publication of ministerial evidence papers at the same time, or close to, the publication of the Draft Budget.

**21.** In addition, flexible scheduling options in the Senedd was also suggested by committees as a way to maximise scrutiny opportunities for the Draft Budget, including:

- automatically enabling Finance Committee to hold additional meeting slots during Christmas recess, should the need arise;
- providing more meeting slots for committees during the budget scrutiny window, including extending the business week and providing more slots for committees to take evidence from stakeholders and experts (which could be offset by cutting down on the length of Plenary meetings); and
- allowing more time for the consideration of Committee reports during Plenary meetings to enable detailed policy discussions on each aspect of the Draft Budget.<sup>39</sup>

**22.** Following the Chancellor of the Exchequer's statement on 29 July 2024<sup>40</sup> which confirmed that the UK Government's Autumn Statement would take place on 30 October 2024, the Committee issued a further letter asking for the publication of the Draft Budget to be brought forward to 26 November 2024, in line with the minimum timescales previously outlined by the Welsh Government in relation to the 2024-25 budget round.<sup>41</sup>

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<sup>39</sup> [Letter from the Chair of the Finance Committee to the Cabinet Secretary for Finance, Constitution and Cabinet Office, 11 July 2024](#)

<sup>40</sup> [HM Treasury, Chancellor statement on public spending inheritance, 29 July 2024](#)

<sup>41</sup> [Letter from the Chair of the Finance Committee to the Cabinet Secretary for Finance, Constitution and Cabinet Office, 29 July 2024](#)

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**23.** The then Cabinet Secretary responded on 8 August 2024 confirming the Welsh Government’s intention to adhere to the publication date of 10 December 2024.<sup>42</sup>

**24.** When asked about the timing of the publication of the Draft Budget, Wales Fiscal Analysis (WFA) told the Committee that:

*“... there’s some element of being dependent on when the UK Government makes its own autumn statement or budget. There’s no doubt that the Welsh Government is constrained by the announcement on that.”<sup>43</sup>*

**25.** WFA added that:

*“... going forward, now the UK Government is committed to go back to multi-year spending reviews—we’re expecting a spending review some time in the middle of this current calendar year—that should mean that the Welsh Government has more time to do its work in the current calendar year ...*

*So, while, I think, in this current year, we understand why it’s so constrained on time right before Christmas, I think, next year, there’s going to be much more ability for the Welsh Government to be able to put documentation out earlier.”<sup>44</sup>*

**26.** The Cabinet Secretary acknowledged the timing of the publication of the Draft Budget since 2017 had caused difficulties, stating that:

*“... year after year, we have had to deal with the fact that we are committed to introducing our draft budget in October, and almost always a major fiscal event follows within weeks of us having done that, meaning that we’ve all got to, not start all over again, but certainly substantially revise the plans that we will have published and put in front of the committee.”<sup>45</sup>*

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<sup>42</sup> [Letter from the Cabinet Secretary for Finance, Constitution and the Cabinet Office to the Chair of the Finance Committee, 8 August 2024](#)

<sup>43</sup> [Finance Committee, RoP, 8 January 2025, paragraph 162](#)

<sup>44</sup> [Finance Committee, RoP, 8 January 2025, paragraphs 163-164](#)

<sup>45</sup> [Finance Committee, RoP, 23 January 2025, paragraph 7](#)

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**27.** Adding that:

*“That is frustrating for the committee, it’s not great for witnesses, and it causes enormous additional stresses and strains within the Welsh Government”.*<sup>46</sup>

## **Pre-Budget Scrutiny**

**28.** The Committee held a pre-budget session with the Cabinet Secretary for Finance and Welsh Language on 25 September 2024.<sup>47</sup> A private technical session was also held during the same meeting with the Welsh Government’s Chief Economist, and a further private session held with academics from Bangor University. The purpose of the session with the Cabinet Secretary was to gain an insight into the economic and fiscal context informing the Welsh Government’s budget formulating process.

**29.** A further evidence session was also held with the Cabinet Secretary on 10 October 2024<sup>48</sup> to consider the Welsh Government’s First Supplementary Budget 2024-25. The Committee’s report was published on 21 October 2024.<sup>49</sup>

## **Scrutinising the Draft Budget 2025-26**

**30.** The Committee considers the overall strategic decision-making and prioritisation behind the allocation within the Draft Budget proposals, along with taxation and borrowing plans, against the backdrop of public finances and the wider economy. The Committee’s approach centres on the four principles of financial scrutiny:

- Affordability – Is the big picture of total revenue and expenditure appropriately balanced?
- Prioritisation – Is the division of allocations between different sectors/programmes justifiable and coherent?
- Value for money – Are public bodies spending their allocations well – economically, efficiently and effectively?

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<sup>46</sup> Finance Committee, RoP, 23 January 2025, paragraph 7.

<sup>47</sup> Finance Committee, RoP, 25 September 2024.

<sup>48</sup> Finance Committee, RoP, 10 October 2024.

<sup>49</sup> Finance Committee, Scrutiny of the First Supplementary Budget 2024- 25, October 2024.

- Budget process – Are they effective and accessible? Is there integration between corporate and service planning, and performance and financial management?

**31.** The Committee issued a pre-budget consultation on the Draft Budget from 20 September to 29 November 2024 on behalf of all Senedd committees.<sup>50</sup> A total of 73 responses were received.<sup>51</sup> The consultation focused on the following areas:

- Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?
- How could the budget further address gender inequality in areas such as healthcare, skills and employment?
- Is the Welsh Government’s approach to preventative spending represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).
- How should the Welsh Government explain its funding decisions, including how its spending contributes to addressing policy issues?
- How can the documentation provided by the Welsh Government alongside its Draft Budget be improved?
- How should the Welsh Government prioritise its resources to tackle NHS waiting lists for planned and non-urgent NHS treatments. Do you think the Welsh Government has a robust plan to address this issue?
- Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning.
- Has there been adequate investment from the Welsh Government in basic public sector infrastructure.
- How should the Budget support young people?
- How is evidence and data driving Welsh Government priority-setting and budget allocations, and is this approach clear?

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<sup>50</sup> Finance Committee, Draft Budget 2025-26 Consultation Letter, 20 September 2024

<sup>51</sup> Finance Committee, Draft Budget 2025-26: Consultation response pack, January 2025

- Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost of living crisis and the pandemic, sufficient?
- What are the key opportunities for the Welsh Government to invest in supporting an economy and public services that better deliver against the well-being goals in the Wellbeing of Future Generations (Wales) Act 2015?

## Committee View

**32.** The Committee notes with regret that this year's budget timetable was the sixth in a row where the two stage process outlined in the Budget Process Protocol was not followed. Although we welcome the publication of the Draft Budget during the Senedd term which enables Members to consider the Welsh Government's proposals on the floor of the Senedd as soon as they have been published, it is disappointing that the window for detailed scrutiny is once again limited.

**33.** As we have noted on a number of occasions during this Senedd, this is not conducive to effective parliamentary scrutiny, and we welcome the Cabinet Secretary's recognition of the challenges a curtailed timetable poses to stakeholders wishing to engage with committees on the impact of the Welsh Government's budgetary proposals.

**34.** As a Committee, we continue to mitigate these issues by holding engagement events early in the financial year, culminating in the Committee's annual budget priorities debate held in the Senedd prior to the summer recess, as well as a pre-budget evidence session with the Cabinet Secretary early in the autumn term. Our written consultation exercise is also fundamental in providing us with an understanding of the wider impact of the Welsh Government's funding decisions and we note the significant number of consultation responses received this year and thank those who took the time to provide submissions.

**35.** However, these measures are no substitute for a consistent and stable budgetary process that provides sufficient time for detailed scrutiny. To address this, the Committee is supportive of innovative solutions including exploring suggestions made by other committees, such as extending the business week when the budget timetable is truncated, and providing more slots for committees to take evidence from stakeholders and experts (which could be offset by cutting down on the length of Plenary meetings). We believe there is merit to looking at

this in greater detail, and we will explore these areas again with committees ahead of the 2026-27 budget round.

**Recommendation 1.** The Committee recommends that if, as expected, the timetable for scrutinising the Draft Budget is curtailed for the 2026-27 budget round:

- the Cabinet Secretary and his officials continue to attend a pre-budget scrutiny session with the Finance Committee; and
- the Cabinet Secretary works with the Finance Committee to identify ways in which scrutiny opportunities can be enhanced in the Senedd.

**Conclusion 1.** The Committee will consult Senedd committees involved in budget scrutiny ahead of the Welsh Spending Review and the 2026-27 budget round to explore ways to maximise budgetary scrutiny in the Senedd, in order to mitigate the impact of a curtailed scrutiny window.

**36.** We note that the Cabinet Secretary accepts that plans by the UK Government to hold its main fiscal event in the autumn is not compatible with the processes outlined in the Protocol and the Committee agrees that work is required to develop processes for the next Senedd that takes this into account. We welcome the Cabinet Secretary's continued engagement on these issues and call for further progress to be made, both in terms of updating the Protocol to reflect experiences in the Sixth Senedd to date as well as starting the work of fundamentally redrawing the budget process to ensure they will be fit for purpose for an enlarged Senedd.

**Recommendation 2.** The Committee recommends that the Cabinet Secretary:

- outlines his views on proposed changes to the Budget Process Protocol before the beginning of the next financial year; and
- works with Senedd officials to develop key principles as a basis for a fundamental redrawing of the protocol ahead of the next budget round.

**37.** The Committee notes that the UK Government has committed to multi year settlements and a consistent timetable for spending reviews. The Committee is particularly interested in how the Welsh Government is engaging with this process, the likely impact this will have on the Senedd's budget timetable, as well as details of its own spending review, and asks to be updated on these points. Given that the 2026-27 draft budget scrutiny process is likely to be condensed, the

Committee would also welcome interaction with other Senedd committees on the Welsh Spending Review before the next budget round.

**Recommendation 3.** The Committee recommends that the Cabinet Secretary provides dates and details of:

- the UK Government' Spending Review and the Welsh Government's involvement in that process; and
- the Welsh Government's own Spending Review, including when the outcomes of the review will be known and how the Senedd can inform that process.

## 2. Overview

### Economic Context

**38.** The Welsh Government faces a number of challenges in the remainder of 2024-25 and in 2025-26:

- The Office for Budget Responsibility (OBR)<sup>52</sup> and Bank of England<sup>53</sup> expect inflation to be in the region of around 2.4 to 2.8 per cent during 2025.
- In its October 2024 economic and fiscal outlook,<sup>54</sup> the OBR's real Gross Domestic Product (GDP) growth forecast was 1.1 per cent in 2024 and 2 per cent in 2025, indicating GDP growth is slow. In subsequent years the growth rate is expected to be lower.
- The economy in Wales has followed a similar trajectory to the UK and the OBR's UK forecasts are considered broadly applicable to Wales.<sup>55</sup>
- Public sector spending is expected to grow slowly in future years.<sup>56</sup>
- Low productivity growth is still a significant concern. The OBR forecast for annual productivity growth is 1 per cent over the next 5 years,<sup>57</sup> well below pre-financial crisis levels. Factors that will affect productivity growth include developments in international trade, domestic supply-side reform, and global technological progress.
- The GDP deflator, which measures domestic inflation within the economy, estimates inflation for 2025-26 at 2.4 per cent.<sup>58</sup>
- Real household disposable income is expected to rise, by around 1.25 per cent in both 2024-25 and 2025-26.<sup>59</sup>

<sup>52</sup> [Office for Budget Responsibility, Economic and fiscal outlook, October 2024, paragraph 2.3](#)

<sup>53</sup> [Bank of England, Monetary Policy Report, November 2024](#)

<sup>54</sup> [Office for Budget Responsibility, Economic and fiscal outlook, October 2024, paragraph 2.3](#)

<sup>55</sup> [Welsh Government, Wales economic and fiscal report, December 2024, page 3](#)

<sup>56</sup> [Welsh Government, Wales economic and fiscal report, December 2024, page 4](#)

<sup>57</sup> [Office for Budget Responsibility, Forecasts for the devolved Welsh taxes, December 2024, page 27](#)

<sup>58</sup> [HM Treasury, GDP deflators at market prices, and money GDP, October 2024](#)

<sup>59</sup> [Office for Budget Responsibility, Economic and fiscal outlook, October 2024, page 19](#)

- Unemployment is expected to be around 4 per cent in the UK and similar in Wales.<sup>60</sup>

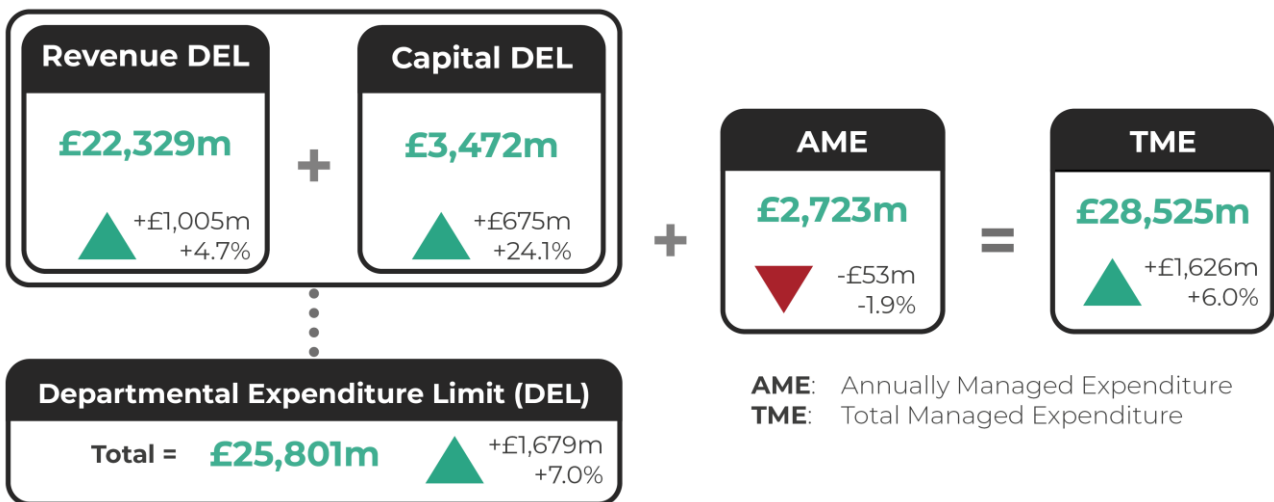
**39.** Funding for the Welsh Government from the UK Autumn Statement<sup>61</sup> restored the real terms value of the Welsh revenue budget in 2024-25 to what would have been expected at the time of the 2021 Spending Review.<sup>62</sup>

**40.** For 2024-25, the Welsh Government will receive an additional £774 million revenue and £49 million capital.<sup>63</sup> Approximately £360 million of this will likely go towards the public sector pay deals already agreed for this year compared to the 2 per cent increases assumed when budgets were first set.<sup>64</sup>

**41.** The budget for 2025-26 increases by a further £930 million, an additional £694 million of revenue and £235 million of capital.

**42.** The 2025-26 Draft Budget allocates a combined total of £25.8 billion to the Welsh Government, excluding Annually Managed Expenditure (AME). Taking out non-cash allocations, this is over £1.5 billion more than the Welsh Government’s revised baseline for 2024-25, or £2.2 billion from the Final Budget for 2024-25.

Overall changes in Welsh Government funding – Draft Budget 2025-26, compared with the Revised Baseline for 2024-25



<sup>60</sup> Welsh Government, Wales economic and fiscal report, December 2024, page 4

<sup>61</sup> HM Treasury, Autumn Budget 2024, 30 October 2024









<sup>62</sup> Wales Fiscal Analysis, Autumn Reeves: The 2024 Labour budget and its implications for Wales, 31 October 2024

<sup>63</sup> Written Statement, Welsh Government response to the UK Autumn Budget 2024, 30 October 2024

<sup>64</sup> Wales Fiscal Analysis, Autumn Reeves: The 2024 Labour budget and its implications for Wales, 31 October 2024



## Revenue and capital allocations to departments – Draft Budget 2025-26

	Total revenue and capital allocation	Change 2024-25 Revised Baseline to 2025-26 Draft Budget	
 Health and Social Care	£12,854m	£649m 5.3%	▲
 Housing and Local Government*	£6,740m	£473m 7.6%	▲
 Education**	£2,440m	£96m 4.1%	▲
 Transport	£1,407m	£121m 9.4%	▲
 Climate Change and Rural Affairs	£901m	£117m 14.9%	▲
 Economy, Energy and Planning	£837m	£176m 26.6%	▲
 Central Services and Administration	£463m	£36m 8.3%	▲
 Social Justice	£159m	£11m 7.7%	▲

### Comparisons Between 2024-25 and 2025-26

**43.** The Welsh Government decided to make comparisons in its Draft Budget documentation between 2025-26 budget allocations and 2024-25 using a significantly revised baseline. One of the main reasons was that figures for 2025-26 will include allocations for public sector pay awards on top of those given in 2024-25, whereas allocations in the First Supplementary Budget 2024-25<sup>65</sup> do not include funding for these main pay agreements.<sup>66</sup> This is because the Supplementary Budget was published on 1 October 2024, with funding for these payments not known until the UK Autumn Statement on 30 October 2024.

<sup>65</sup> Welsh Government, First Supplementary Budget 2024-25, 1 October 2024.

<sup>66</sup> Welsh Government, Draft Budget 2025-26, December 2024, page 7.

**44.** Additions to the baseline are around £650 million revenue cash.<sup>67</sup> Approximately £460 million of this relates to pay costs<sup>68</sup> and £190 million to increased pension costs for public sector employees (SCAPE).<sup>69</sup> Also, there is a £238 million reduction in revenue non-cash student loans (as in the First Supplementary Budget 2024-25<sup>70</sup>). In terms of general capital, £20 million is added to the baseline for rail service support.

**45.** Taken together, if this revised baseline had not been used to calculate differences between 2024-25 and 2025-26, the increases in funding for 2025-26 would have appeared higher. The Cabinet Secretary confirmed this when giving evidence to the Committee:

*“... next year’s budget actually understates the impact of funding over these two years, because we’ve had a significant amount of additional money available to us in-year this year, which means that the platform for next year is higher than it would normally have been. We’ve had more money in-year than in any year I can remember for at least a decade.”<sup>71</sup>*

**46.** An official accompanying the Cabinet Secretary added that “we wanted to avoid showing misleadingly large shifts between 2024-25 and 2025-26, because that’s not what people will experience”.<sup>72</sup>

**47.** In subsequent correspondence at the request of the Committee, the Cabinet Secretary provided further information to enable a wider comparison of budget changes from 2023-24 to 2025-26.<sup>73</sup> An official accompanying the Cabinet Secretary explained that this was intended to give “a proper sense of how money has moved and what’s now available that wasn’t available previously”.<sup>74</sup>

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<sup>67</sup> [Wales Fiscal Analysis, Autumn Reeves: The 2024 Labour budget and its implications for Wales, 31 October 2024](#)

<sup>68</sup> [Wales Fiscal Analysis, Autumn Reeves: The 2024 Labour budget and its implications for Wales, 31 October 2024](#)

<sup>69</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 30](#)

<sup>70</sup> [Welsh Government, First Supplementary Budget 2024-25, 1 October 2024](#)

<sup>71</sup> [Finance Committee, RoP, 12 December 2024, paragraph 39](#)

<sup>72</sup> [Finance Committee, RoP, 12 December 2024, paragraph 45](#)

<sup>73</sup> [Letter to the Chair of the Finance Committee from the Cabinet Secretary for Finance and Local Government, 22 January 2025](#)

<sup>74</sup> [Finance Committee, RoP, 23 January 2025, paragraph 33](#)

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**48.** In analysing the Welsh Government’s approach, WFA concluded that “baseline issues make scrutiny of these spending plans more difficult than usual”.<sup>75</sup> When asked to elaborate on this point, WFA told the Committee that:

*“... it’s difficult this year to get a proper sense of how total spending is changing and how portfolios are changing from this year to next year, not that the Welsh Government has done anything different from usual ... but this financial year is going to be quite exceptional. Both Conservative and Labour Chancellors this year have increased massively the amount of day-to-day spending in the budget for 2024-25.”<sup>76</sup>*

**49.** WFA further stated that, when adjustments are made to the baseline for 2024-25, “the actual change from this year to next year in real terms is actually quite negligible”.<sup>77</sup> They added that, whilst the “major components of the budget” relating to the NHS and local government had increased by 3.7 per cent and 3.1 per cent respectively from 2024-25, it was a “much tighter outlook” for the residual elements of the budget.<sup>78</sup>

**50.** The Institute for Fiscal Studies (IFS) added that the “presentation of the budget is far from ideal”.<sup>79</sup> In particular, it noted that the way accounting adjustments relating to international financial reporting standards 16 (IFRS16) are presented “substantially overstate the increase in capital spending next year”.<sup>80</sup>

**51.** As a result, the IFS noted that “ascertaining the true changes in the capital spending plan next year is pretty difficult”<sup>81</sup> and that “it’s quite hard to see where the Welsh Government is prioritising capital spending on a more like-for-like basis”.<sup>82</sup>

**52.** WFA added that:

*“... I don’t think it’s useful, in terms of scrutinising the plans, that you had to go back to a PDF document that was published in*

<sup>75</sup> [Thinking Wales- Meddwl Cymru, Making sense of the Welsh Government’s Draft Budget for 2025-26, 11 December 2024](#)

<sup>76</sup> [Finance Committee, RoP, 8 January 2025, paragraph 143](#)

<sup>77</sup> [Finance Committee, RoP, 8 January 2025, paragraph 144](#)

<sup>78</sup> [Finance Committee, RoP, 8 January 2025, paragraph 158](#)

<sup>79</sup> [Finance Committee, RoP, 8 January 2025, paragraph 154](#)

<sup>80</sup> [Finance Committee, RoP, 8 January 2025, paragraph 151](#)

<sup>81</sup> [Finance Committee, RoP, 8 January 2025, paragraph 176](#)

<sup>82</sup> [Finance Committee, RoP, 8 January 2025, paragraph 177](#)

*October to get a true picture of how much additional spending there's going to be on capital in the NHS next year.”<sup>83</sup>*

**53.** In responding to these comments, the Cabinet Secretary was “not ... surprised that some people find the Welsh Government budget difficult to follow and understand, because it’s a complex business”.<sup>84</sup> In defending how the budget was presented, the Cabinet Secretary explained that:

*“... there was a choice for the Welsh Government. We could have presented the budget as a comparison between where we started this year and where we will start next year. That would have inflated the increase in the budget that we appear to have next year in a way that I thought was just misleading, because so much money had come in to us in-year that it was a more authentic and honest reflection of next year’s budget to compare it with a restated budget in the current year, in which those baseline issues were put in, so we were comparing what we really would be getting as new money next year, not what might appear to be new money, but was in fact already in this year’s baseline.”<sup>85</sup>*

**54.** The Cabinet Secretary added that the Welsh Government could have adopted a different approach but that “would simply have got a different set of anxieties from people looking at the budget, saying that we were overstating the amount of additional resource available for public services next year”.<sup>86</sup>

**55.** Despite its comments on the presentation of the Draft Budget as a whole, WFA welcomed the clarity presented in other parts of the Draft Budget documentation, particularly how forecasts relating to revenue from devolved taxation was outlined. However, it criticised the Treasury for not publishing another version of their block grant transparency data since July 2023.<sup>87</sup> When asked if the Welsh Government could step in to publish this information, the Cabinet Secretary told the Committee that “the preferable arrangement is for the UK Government to publish that” but that the Treasury would not be publishing it imminently. The Cabinet Secretary confirmed that “In default of that, Chair, I am happy that we will publish the information we have” although also recognising

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<sup>83</sup> Finance Committee, RoP, 8 January 2025, paragraph 183

<sup>84</sup> Finance Committee, RoP, 23 January 2025, paragraph 29

<sup>85</sup> Finance Committee, RoP, 23 January 2025, paragraph 30

<sup>86</sup> Finance Committee, RoP, 23 January 2025, paragraph 30

<sup>87</sup> Finance Committee, RoP, 8 January 2025, paragraph 248

that “those figures will probably have been overtaken by further events involving Barnett consequentials”.<sup>88</sup>

## Intergovernmental Relations

**56.** Developments in fiscal intergovernmental relations is a longstanding matter of interest to the Committee and was the subject of an inquiry and report, which was laid before the Senedd on 14 October 2024.<sup>89</sup>

**57.** During the pre-budget evidence session on 25 September 2024,<sup>90</sup> the Cabinet Secretary referred to a number of legacy and unresolved issues between the UK and Welsh governments, including:

- National Rail spending decisions, including HS2 and ensuring consequences of transfer of core Valleys lines;
- Fiscal Framework, uprating limits and also the wider issue of reviewing the agreement;
- European funding;
- Coal-tip safety expenditure (the UK budget included £25 million for this); and
- Ensuring investment zone fundings comes as promised and concluding work on free ports.<sup>91</sup>

**58.** The Welsh Government’s response to the Committee’s First Supplementary Budget 2024-25 report confirmed that discussions had been held regarding issues with the Fiscal Framework and that end of year flexibilities have been discussed at recent Finance: Interministerial Standing Committee (F:ISC) meetings.<sup>92</sup>

**59.** The Cabinet Secretary confirmed that:

*“We made progress in this way ... that is in the manifesto of the UK Labour Party going into the election, to attend to greater*

<sup>88</sup> Finance Committee, RoP, 23 January 2025, paragraph 14

<sup>89</sup> Finance Committee, Fiscal Intergovernmental Relations, October 2024

<sup>90</sup> Finance Committee, RoP, 25 September 2024

<sup>91</sup> Finance Committee, RoP, 25 September 2024, paragraph 10-15

<sup>92</sup> Welsh Government, Response to Response to the recommendations in the Finance Committee’s report “Scrutiny of the First Supplementary Budget 2024-25”, December 2024

*flexibilities in the way in which devolved Government budgets are managed.”<sup>93</sup>*

**60.** The Cabinet Secretary also stated that “the incoming Government has been helpful in giving us much earlier notification of its plans” than had previously been the case.<sup>94</sup>

**61.** In its oral evidence, WFA emphasised the importance of the Welsh Government having “greater flexibilities in the use of its funds going forward” which it saw as increasingly essential in the context of increasing preventative spend at a time of budgetary constraint, explaining that:

*“... we’d want to see Welsh Government’s ability to carry forward funds to offset the current likelihood that future years are going to be much tighter. So, we’d like to see a larger Welsh reserve, a more flexible Welsh reserve, allowing those funds to be carried forward. That can only be determined by the UK Government, and I understand, from public statements, that there is a negotiation over that. But I think, when we’re looking at prevention, at that longer term spend, having the flexibility to carry forward funds is really important.”<sup>95</sup>*

**62.** When asked on progress on these issues and whether changes will be made to the Fiscal Framework by the end of the 2025-26 financial year, the Cabinet Secretary acknowledged that “some of these things are very straightforward and ... it’s a bit frustrating that there’s been delay in getting them put right”.<sup>96</sup> In relation to uprating borrowing and reserve limits in line with inflation, the Cabinet Secretary added that:

*“There’s cross-party agreement here in the Senedd that, at the very least, their real value should be restored, given that the budget that we’re managing is many billions of pounds larger than it was back then and the tools we have to manage that are no longer as effective as they were when they were first set. Just putting that right would seem to me to be not difficult to do. There’s more we want than that, but that would be a good starting place.”<sup>97</sup>*

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<sup>93</sup> Finance Committee, RoP, 12 December 2024, paragraph 63

<sup>94</sup> Finance Committee, RoP, 23 January 2025, paragraph 20

<sup>95</sup> Finance Committee, RoP, 8 January 2025, paragraph 199

<sup>96</sup> Finance Committee, RoP, 23 January 2025, paragraph 65

<sup>97</sup> Finance Committee, RoP, 23 January 2025, paragraph 66

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**63.** In terms of persuading the Treasury to bring such changes about quickly, the Cabinet Secretary stated that:

*“My own impression is that the culture in the Treasury is very entrenched and that you need very determined political direction in order to shift some of that thinking ... There is a growing understanding that we are not a department. But I wouldn’t describe the pace at which that change is happening as rapid, and there certainly is a lot of catching up to do.”<sup>98</sup>*

## Funding Outlook

**64.** While there are no forward funding figures for 2026-27, WFA expect UK Government spending plans to be “much tighter”<sup>99</sup> in coming years, with discretionary resource expenditure increasing “at a rate of just under 1% a year in real terms”.<sup>100</sup>

**65.** The UK Government is currently undertaking a spending review.<sup>101</sup> In September, the Cabinet Secretary told the Committee a Welsh spending review was also underway.<sup>102</sup>

**66.** The OBR noted that recent developments by the UK Government had improved the “predictability of the fiscal policy-making process” adding that:

*“I think the commitment to going back to a regular programme of spending reviews and doing multi-year reviews and setting out three to five-year prospects for public spending certainly makes it easier to assess the credibility of the Government’s spending plans and ensure that those fiscal rules are supported by a more detailed bottom-up plan for public services.”<sup>103</sup>*

**67.** However, WFA told the Committee that the funding outlook beyond 2025-26 posed challenges:

*“Much of the increase in spending that was announced at the October budget, for the Welsh Government, most of it happens*

<sup>98</sup> Finance Committee, RoP, 23 January 2025, paragraph 70

<sup>99</sup> Thinking Wales- Meddwl Cymru, Making sense of the Welsh Government’s Draft Budget for 2025-26, 11 December 2024

<sup>100</sup> Welsh Government, Wales economic and fiscal report, December 2024, page 59

<sup>101</sup> House of Commons Library, Autumn Budget 2024: A summary, 30 October 2024, page 6

<sup>102</sup> Finance Committee, RoP, 25 September 2024, paragraph 113

<sup>103</sup> Finance Committee, RoP, 8 January 2025, paragraph 69

*this year, so, from last year to this year, and then not such a big increase in real-terms spending next year in terms of day-to-day spending, and a more difficult outlook beyond that as well.”<sup>104</sup>*

**68.** The Cabinet Secretary recognised that “future settlements will be less generous than the current one” and outlined ways in which the Welsh Government is preparing for that:

*“I want to make sure that we maximise the investments we’re able to make next year because it builds that budget higher for the future. And if there are to be smaller percentages, well, at least we’ve got the best base we can proceed from.”<sup>105</sup>*

**69.** The Cabinet Secretary also said that “we will have the multi-year settlements ... and if money is to be tighter, then at least managing it, knowing that over the period, will help” and that the “additional budget flexibilities” will be beneficial.<sup>106</sup>

**70.** When asked to comment on plans for the Welsh Government’s own spending review, the Cabinet Secretary confirmed that “The process is underway” and that it:

*“... will involve all my Cabinet colleagues in a more fundamental look at the way the budget is currently dispersed, the pressures and ambitions that we will see for the future, how we will use the opportunity of the three-year and four-year horizon that we’re promised by the UK Government to make sure that we have the best alignment we can between the resources that we have and the things we want to see happen in Wales.”<sup>107</sup>*

**71.** In terms of timescales, the Cabinet Secretary confirmed that the UK Government spending review is expected to conclude in June 2025, but stated in the relation to the Welsh Spending Review that:

*“I don’t myself regard our spending review as a process that starts and finishes. I want it to be a continuous way of us taking this opportunity to stand back a bit from the year-on-year way we’ve been driven by having only annual budgets. I don’t think*

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<sup>104</sup> Finance Committee, RoP, 8 January 2025, paragraph 145

<sup>105</sup> Finance Committee, RoP, 23 January 2025, paragraph 93

<sup>106</sup> Finance Committee, RoP, 23 January 2025, paragraph 94

<sup>107</sup> Finance Committee, RoP, 23 January 2025, paragraph 41



*it will just be an episode, which will come to an end; I think it will be a way of thinking about the budget.”<sup>108</sup>*

**72.** In terms of impact, the Cabinet Secretary confirmed that the “bulk of it” would be seen “beyond next year and into the next Senedd term”.<sup>109</sup> He also outlined how the spending review process would work in practice:

*“The way I want to structure it with my colleagues is that I want to ask my colleagues to make a contribution by looking at parts of the Welsh budget for which they are not responsible. Because I think that frees up somebody around the table to be able to participate in that thinking, without always having to worry about how this will affect their own responsibilities and the budgets they have to discharge them.”<sup>110</sup>*

**73.** An official accompanying the Cabinet Secretary also confirmed that “the principles within the Well-being of Future Generations (Wales) Act 2015 are really embedded within the spending review work”<sup>111</sup> and that “As well as engaging with the OBR, we’re engaging with the Institute for Government, the Wales Centre for Public Policy and a number of organisations to help us with this thinking” as part of the spending review work.<sup>112</sup>

**74.** In addition, the official explained that:

*“The Cabinet Secretary talked about Ministers looking at issues outside their own portfolios. We’re doing that at official level as well, so really looking at integration and collaboration and cross-Government working ... So, we obviously do that within the annual budget cycle, but the spending review creates a greater opportunity to do that.”<sup>113</sup>*

## **Increases in Employer National Insurance Contributions**

**75.** The Autumn Statement announced several changes to UK tax policy, which included an increase to employer National Insurance Contributions (NICs).<sup>114</sup> From 6 April 2025, the rate of employer NICs contributions will increase from 13.8 per

<sup>108</sup> Finance Committee, RoP, 23 January 2025, paragraph 41

<sup>109</sup> Finance Committee, RoP, 23 January 2025, paragraph 41

<sup>110</sup> Finance Committee, RoP, 23 January 2025, paragraph 43

<sup>111</sup> Finance Committee, RoP, 23 January 2025, paragraph 49

<sup>112</sup> Finance Committee, RoP, 23 January 2025, paragraph 48

<sup>113</sup> Finance Committee, RoP, 23 January 2025, paragraph 48

<sup>114</sup> HM Treasury, Autumn Budget 2024, 30 October 2024

cent to 15 per cent.<sup>115</sup> The Cabinet Secretary for Housing and Local Government says HM Treasury has confirmed it will provide additional funding in the first half of 2025-26 to the Welsh Government to reflect the impact of the increased employers' NICs for public sector staff.<sup>116</sup> The National Living Wage will also increase from 1 April 2025 by 6.7 per cent.

**76.** At the same time as these changes will be made, the UK Government announced that the maximum Employment Allowance from £5,000 to £10,500 and removed a restriction that currently applies to the Employment Allowance where employers who have incurred a secondary Class 1 NICs liability of more than £100,000 in the tax year immediately prior to the year of the claim are unable to claim it.<sup>117</sup> This means eligible businesses can reduce their employer NICs by up to £10,500 annually.

### **Additional Funding**

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**77.** In the Draft Budget narrative, the Welsh Government confirms the UK Government will provide additional funding to help mitigate the cost of increased employers' NICs to support devolved public services, over and above the funding allocated in the UK Autumn Budget.<sup>118</sup> On this point, the Cabinet Secretary told the Committee that:

*“We know, for example, that 53 per cent of all employers will not be affected at all by the national insurance contribution rise, because of the rise in the employment allowance. A quarter of a million employers will be better off as a result of the changes that the Chancellor made. And we know that workers who are within the ONS definition of a public sector employee will be covered by the Chancellor.”<sup>119</sup>*

**78.** In subsequent correspondence, the Cabinet Secretary provided current best estimates of the additional direct cost to the devolved public sector in Wales arising from changes to employer NICs.<sup>120</sup> This amounted to total costs of £253 million with the Cabinet Secretary adding that “These estimates will be further

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<sup>115</sup> [HM Treasury, Autumn Budget 2024, 30 October 2024](#)

<sup>116</sup> [Letter from the Cabinet Secretary for Housing and Local Government to Leaders of County Borough Councils in Wales, 11 December 2024](#)

<sup>117</sup> [HMRC policy paper, 13 November 2024](#)

<sup>118</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 6](#)

<sup>119</sup> [Finance Committee, RoP, 12 December 2024, paragraph 76](#)

<sup>120</sup> [Letter from the Cabinet Secretary for Finance and the Welsh Language to the Chair of the Finance Committee, 20 December 2024](#)

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refined as organisations develop their plans for 2025-26”.<sup>121</sup> The Cabinet Secretary also confirmed that:

*“HM Treasury has acknowledged the change to employer NICs will increase costs for public sector employers and it will “provide funding to the public sector to support them with the additional cost associated with these changes”. We are working with HM Treasury to clarify the details and the level of support that will be provided.”<sup>122</sup>*

**79.** The Cabinet Secretary also said that the UK Government providing a “Barnett consequential of what would be provided in England would not be the right way in which to cover the costs of public sector employers”, adding that:

*“I would regard it as fundamentally unfair ... I do not think it can be fair that that applies to one part of the United Kingdom and not another. And the risk is—and I’m not saying that this risk has materialised—that English public sector employers are covered in full, we get a Barnett consequential of that, which means that Welsh public sector employers are not covered in full.”<sup>123</sup>*

**80.** Similar sentiments about a funding shortfall was noted by the Welsh Local Government Association (WLGA), who told the Committee that:

*“Our biggest concern, I suppose, is if NI money is Barnettised from the UK Government to Wales, because the bigger public sector in Wales than in England, potentially we won’t get the full amount of NI money that is needed, and that’s something in the conversations that are ongoing.”<sup>124</sup>*

**81.** In terms of whether consequential funding will be provided, the IFS stated that:

*“... the UK Government will provide additional funding—probably via the Barnett formula, or at least that’s what the rumours are in Scotland—to pay the cost of higher employer national insurance for public sector employees that are employed directly, but not those working for third or private sector*

<sup>121</sup> [Letter from the Cabinet Secretary for Finance and the Welsh Language to the Chair of the Finance Committee, 20 December 2024](#)

<sup>122</sup> [Letter from the Cabinet Secretary for Finance and the Welsh Language to the Chair of the Finance Committee, 20 December 2024](#)

<sup>123</sup> [Finance Committee, RoP, 23 January 2025, paragraph 56](#)

<sup>124</sup> [Finance Committee, RoP, 15 January 2025, paragraph 103](#)

*organisations funded by the Government. That includes private sector or third sector social care providers or childcare providers, and it also includes universities.”<sup>125</sup>*

**82.** The IFS added that:

*“The Welsh Government could choose, if it wished to, to provide funding from its general funding to provide compensation for those organisations, but, of course, that would mean less funding elsewhere.”<sup>126</sup>*

**83.** When asked whether the Welsh Government had received confirmation from the UK Government on how associated consequential for the public sector will be calculated, the Cabinet Secretary confirmed that “we don’t have any further certainty” adding that “We have what the Chancellor has said ... that there will be help for public sector employers using the Office for National Statistics definition of what a public sector employer is”.<sup>127</sup>

**84.** The Cabinet Secretary also confirmed that he would be pressing the Chief Secretary to the Treasury on these matters at the Finance: Interministerial Standing Committee in February, which will be held in Cardiff.<sup>128</sup>

## **Impact on Organisations in Wales**

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**85.** Concerns over the impact of increases to employer NICs was a significant theme in the responses submitted to the Committee’s consultation on the Draft Budget.

**86.** The Chairs of Universities Wales noted that the changes to NICs “places a provisional estimate for the total cost of the employer NI contributions for Welsh universities at around £20m per annum from April 2025”.<sup>129</sup> They added that:

*“The Treasury has since confirmed that it will provide additional funding for Wales to cover the costs for public sector workers as defined by the Office for National Statistics ... Our understanding is that this may mean additional funding for other parts of the tertiary sector, for instance, but will not cover universities. As independent charities, universities are currently*

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<sup>125</sup> Finance Committee, RoP, 8 January 2025, paragraph 238

<sup>126</sup> Finance Committee, RoP, 8 January 2025, paragraph 238

<sup>127</sup> Finance Committee, RoP, 23 January 2025, paragraph 54

<sup>128</sup> Finance Committee, RoP, 23 January 2025, paragraph 57

<sup>129</sup> Finance Committee, Consultation Response: Chairs of Universities Wales

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*classified by the ONS for purposes of national accounts as non-profit institutions serving households (NPISH).<sup>130</sup>*

**87.** The Federation of Small Businesses Wales also emphasised that “These increases must be considered alongside the substantial uprating in the National Living Wage and so together, these measures represent for many businesses a very significant increase in the cost of employment”.<sup>131</sup> Community Housing Cymru set out the resulting additional costs for four of its providers, which ranged from £245,000 to £620,000.<sup>132</sup> The Confederation of Passenger Transport calculated that the changes “will cost an additional £800 – £1,000 per employee for operators each year, with early evidence showing the impact will be greater in Wales”.<sup>133</sup> Llamau stated that the increase to Employers’ NICs will cost it an additional £500,000 next year.<sup>134</sup> Marie Cure also noted it would cost the organisation almost £260,000 in Wales alone.<sup>135</sup>

**88.** The NHS Confederation told the Committee that the NIC rises would have a “disproportionate effect on organisations employing people on lower pay” adding that “There’s going to be a huge knock-on effect for front-line services”.<sup>136</sup>

**89.** The impact of this change on the third sector was raised as a particular issue in the consultation responses. The Wales Council for Voluntary Action (WCVA) stated the increase of employer NICs would leave:

*“... 65% of organisations we surveyed very or moderately concerned about their ability to afford the rise. 21% told us they are considering reducing service delivery and 14% said they are considering service closure as a result of the increase of NICs...”<sup>137</sup>*

**90.** In oral evidence, the WCVA said it was “difficult to calculate”<sup>138</sup> the actual impact of the NIC rise, but that “specific mitigating measure for the increase in national insurance contributions for employers and the national living wage” was identified as a key priority that required addressing.<sup>139</sup> The Women’s Equality

<sup>130</sup> [Finance Committee, Consultation Response: Chairs of Universities Wales](#)

<sup>131</sup> [Finance Committee, Consultation Response: Federation of Small Businesses Wales](#)

<sup>132</sup> [Finance Committee, Consultation Response: Community Housing Cymru](#)

<sup>133</sup> [Finance Committee, Consultation Response: Confederation of Passenger Transport](#)

<sup>134</sup> [Finance Committee, Consultation Response: Llamau](#)

<sup>135</sup> [Finance Committee, Consultation Response: Marie Curie](#)

<sup>136</sup> [Finance Committee, RoP, 15 January 2025, paragraph 232](#)

<sup>137</sup> [Finance Committee, Consultation Response: Wales Council for Voluntary Action](#)

<sup>138</sup> [Finance Committee, RoP, 8 January 2025, paragraph 315](#)

<sup>139</sup> [Finance Committee, RoP, 8 January 2025, paragraph 302](#)

Network also emphasised that the third sector would be further impacted “unless the national insurance rises is mitigated”.<sup>140</sup>

**91.** Pobl Care and Support noted that “Local Authorities and Health Boards commission the third sector to deliver a large proportion of Adult Health & Social Care”<sup>141</sup> and that:

*“These commissioned services are impacted heavily and disproportionately by the direct costs relating to the changes in employers National Insurance contributions and increases to the National and Real Living Wage. These costs and its compounding nature is likely to have a devastating impact on both the third and social care sector.”*<sup>142</sup>

**92.** On the impact the changes would have on the provision of local services, the WLGA explained that:

*“Part of the conversation that has been had with the Welsh Government is to understand the impact on different local authorities. So, for example, a number of local authorities have their leisure services or their waste collections and other services in the private sector, or are seconded and have staff working through various companies. In those cases, potentially, if they don’t get any NI support, that comes as an additional burden to those local authority budgets.”*<sup>143</sup>

**93.** However, the WLGA also said that :

*“I think we need to be a bit careful not to welcome the funding, but complain about where it’s come from—it needs to come from somewhere. So, we’ve been assured that we will get that money and that is built into our budget assumptions.”*<sup>144</sup>

**94.** The IFS noted that changes to NICs may have a disproportionate impact on Wales, explaining that:

*“... with a lower pay structure in Wales, given that the increases of employer national insurance are bigger for lower paid*

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<sup>140</sup> [Finance Committee, RoP, 8 January 2025, paragraph 322](#)

<sup>141</sup> [Finance Committee, Consultation Response: People Care and Support](#)

<sup>142</sup> [Finance Committee, Consultation Response: People Care and Support](#)

<sup>143</sup> [Finance Committee, RoP, 15 January 2025, paragraph 102](#)

<sup>144</sup> [Finance Committee, RoP, 15 January 2025, paragraph 92](#)

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*workers, given the reduction in the allowance, that will mean a bigger impact in Wales.”<sup>145</sup>*

**95.** However, the IFS added that the increases may conversely have “an offsetting impact” given that “a bigger share of Welsh employment is in small businesses, and they’re also increasing the employment allowance so that some small businesses will actually pay less employer national insurance.”<sup>146</sup>

**96.** The OBR also told the Committee that its evidence suggested that the burden of this change would be felt more by workers than employers over the long-term:

*“... the evidence seems to be that if you think about the ultimate burden of the higher national insurance contribution, we think it’s very likely that maybe as much as 75 per cent of it actually gets passed back on to workers in the form of lower wage increases than they otherwise would have got”.*<sup>147</sup>

**97.** The OBR added that:

*“... our assessment is that, probably 60 per cent, 75 per cent even, of the effect will flow back to lower wages than they otherwise would have been ... that doesn’t mean that wages are going to be absolutely cut; it’s just that wage increases will be less than they would have been.”*<sup>148</sup>

**98.** In response to the concerns raised about the impact of the NIC rises on the third sector, the Cabinet Secretary told the Committee that:

*“There is extra money for the third sector in this budget. It is not money for the third sector to pay national insurance contributions, but third sector organisations faced with those decisions will need to construct their budgets accordingly.”*<sup>149</sup>

**99.** When asked if the Welsh Government had undertaken an analysis of the overall impact of the NIC changes on bodies in Wales, the Cabinet Secretary confirmed that:

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<sup>145</sup> Finance Committee. RoP. 8 January 2025, paragraph 242

<sup>146</sup> Finance Committee. RoP. 8 January 2025, paragraph 76

<sup>147</sup> Finance Committee. RoP. 8 January 2025, paragraph 13

<sup>148</sup> Finance Committee. RoP. 8 January 2025, paragraph 25

<sup>149</sup> Finance Committee. RoP. 12 December 2024, paragraph 77

*“What I’m not going to be in a position to do is to provide money to organisations in Wales for which the Welsh Government is not being provided with funds. Any money we get to cover the costs of public sector employers we will pass directly to those services ... But I can’t magic money out of the Welsh Government budget to cover costs that are not being covered elsewhere.”<sup>150</sup>*

**100.** He added that:

*“... what I’m very reluctant to do—partly because I just don’t have the wherewithal, and partly because I have some objections of principle—is to divert money that has come to Wales for our public services, for our responsibilities, to cover responsibilities that are exercised elsewhere.”<sup>151</sup>*

## Committee View

**101.** The Committee notes that the Welsh Government has received a significant increase to its budget both within 2024-25 and for 2025-26. This is a welcome shift in funding to replenish public sector budgets, although we recognise that the vast majority of the additional money relates to areas such as public sector pay and pensions. We also note that funding for 2025-26 will be more generous than following years, with an expectation that UK Government spending plans will be much tighter.

**102.** The Committee acknowledges that making comparisons between the Welsh Government’s funding levels across 2024-25 and 2025-26 is difficult due to the scale of the increases received following the UK Autumn Statement. We note the approach taken by the Welsh Government in presenting changes between 2024-25 and 2025-26 using a revised baseline and are grateful to the Cabinet Secretary for taking a proactive approach in explaining year on year comparisons during the budget scrutiny period, including providing a comparison of outturn figures from the previous financial year. We welcome this approach and believe it should be followed again, particularly in years where there are significant changes to in-year funding.

**103.** However, we also agree with WFA and the IFS that the presentation of the Draft Budget could have been clearer, particularly in explaining how capital funding has changed between 2024-25 and 2025-26. In particular we call on the

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<sup>150</sup> Finance Committee, RoP, 23 January 2025, paragraph 60

<sup>151</sup> Finance Committee, RoP, 23 January 2025, paragraph 60



Welsh Government to explain changes separately, by portfolio and by type of investment, so that a true picture of the impact of movements in funding is provided.

**Recommendation 4.** The Committee recommends that the Cabinet Secretary explains how capital funding has changed between the 2024-25 and 2025-26 financial years, broken down by portfolio and type of investment, and that such an approach is adopted in future budget rounds.

**Recommendation 5.** The Committee recommends that the Cabinet Secretary includes a comparison of outturn figures from the previous financial years against the proposed figures for the forthcoming year, as part of the Draft Budget documentation from the next budget round onwards.

**104.** The Committee agrees with WFA that the way in which the presentation of forecasts relating to revenue from devolved taxation is presented in the Draft Budget is helpful and provides further clarity on the Welsh Government's fiscal position. However, we are also disappointed that the Treasury has not prioritised publishing the latest block grant transparency data, especially given that this has not happened since July 2023.<sup>152</sup> We welcome that the Cabinet Secretary is taking a proactive approach to provide this information in its absence and asks for this information to be shared with the Committee at the earliest opportunity.

**Recommendation 6.** The Committee recommends that the Cabinet Secretary publishes the latest block grant transparency data before the Final Budget debate and at regular intervals thereafter.

**105.** During our consideration of the Draft Budget, the Committee became aware that the Scottish Government provides details of Barnett consequential to the Scottish Parliament as a matter of course, soon after each major fiscal event.<sup>153</sup> The Committee has previously recommended that the Welsh Government provides clarity to the Senedd regarding the consequential funding it receives.<sup>154</sup> In its response to this request, the then Minister told the Committee that "consequential funding is not always clear" and that this can only happen "late in the financial year once all UK Departmental positions are understood".<sup>155</sup> Nonetheless we find it disappointing that the Scottish Government is able to provide such information quickly after a fiscal event takes place, even if this may

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<sup>152</sup> [HM Treasury, Block Grant Transparency, July 2023](#)

<sup>153</sup> [SPICE Spotlight, The Barnett formula and consequentials, November 2024](#)

<sup>154</sup> [Finance Committee, Scrutiny of Welsh Government First Supplementary Budget 2023-24, July 2023, Recommendation 3](#)

<sup>155</sup> [Welsh Government Response to Recommendations from the Finance Committee Report: Scrutiny of Welsh Government First Supplementary Budget 2023-24, August 2023](#)

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be subject to minor amendments, and the Committee calls for the same level of information to be provided by the Welsh Government to the Senedd from now on.

**Recommendation 7.** The Committee recommends that the Cabinet Secretary shares information provided by the Treasury to the Welsh Government showing Barnett consequential with the Senedd soon after each UK fiscal event.

**106.** The Committee welcomes that the relationship between the UK and Welsh governments is more open and that steps have been taken to progress issues relating to enhancing the Welsh Government's budget flexibilities. This is a longstanding area of interest to the Committee which featured heavily in our report on Fiscal Intergovernmental Relations published last year.<sup>156</sup> However, we remain frustrated that developments are slow in this area and reiterate calls for these changes to be made with haste.

**107.** The Committee is particularly disappointed that the Treasury continues to regard devolved administrations in the same way as UK departments. This bares insufficient regard to the time needed for planning and scrutinising budgets in a devolved context and is reflected in the rigidity of rules within the Fiscal Framework. We share the Cabinet Secretary's frustrations regarding the time it has taken to bring forward modest and straightforward changes, particularly given the cross-party support for them in the Senedd. It is worrying that these issues remain outstanding and we ask for further collaboration between governments on this issue as a matter of urgency to ensure that the Welsh Government's fiscal powers are maximised and reflective of the current economic context.

**Recommendation 8.** The Committee recommends that the Cabinet Secretary works with the UK Government to ensure that issues with the Fiscal Framework regarding uprating borrowing and limits on the Wales Reserve to original real terms value; and removing the annual drawdown limit from the Wales Reserve are resolved before the end of the 2025-26 financial year and that an update is provided to the Committee on progress by the summer recess.

**108.** The Committee welcomes developments at a UK level which has improved the predictability of the fiscal policy-making process as well as confirmation of a return to a regular programme of spending and multi-year reviews. The Committee also notes that the Welsh Government is currently undertaking its own Welsh Spending Review and welcomes that the Cabinet Secretary is asking other Cabinet Secretaries and officials to consider wider issues outside their

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<sup>156</sup> Finance Committee, Fiscal Intergovernmental Relations, October 2024

portfolio areas as part of this work. We are also encouraged that longer-term issues relating to demographic change and climate change will be taken into account as part of this process.

**109.** However, although the Committee notes that the Welsh Spending Review is a continuous piece of work, without a defined beginning and end, we believe that more details should be shared to ensure that Senedd committees have an opportunity to influence this process and to hold its outcomes to account. This is essential to enable the Senedd to understand the impact of the spending review process on the Welsh Government's budgetary decisions.

**110.** The Committee notes the central role of the Wellbeing of Future Generations (Wales) Act 2015<sup>157</sup> in guiding the budgetary priorities of the Welsh Government and in informing its Welsh Spending Review. The Committee was disappointed that the Future Generations Commissioner (the Commissioner) was unable to provide oral evidence to the Committee this year, given that the Commissioner is uniquely placed to give his view on how this Draft Budget achieves this. Although we welcome the analysis provided by the Commissioner in his written evidence received on 23 January 2025,<sup>158</sup> this is no substitute for oral evidence where such information can be explored in greater detail. We look forward to working with the Commissioner over the next year to ensure how his views can feed into next year's Draft Budget scrutiny work.

**Recommendation 9.** The Committee recommends that the Welsh Government provides details and timescales relating to the Welsh Spending Review, including details of documents and outputs, and commits to lay such documents before the Senedd ahead of the Draft Budget 2026-27 to allow time for Senedd committees to meaningfully inform and influence its outcomes.

**111.** Despite the improved communication between the Welsh and UK governments on funding announcements ahead of the Autumn Statement, we are deeply concerned by the continued uncertainty relating to funding that the Welsh Government will receive to mitigate the impact of the increase in employer NICs in devolved areas in Wales.

**112.** The Committee agrees with the Cabinet Secretary that a Barnett consequential of what would be provided in England would not be a fair way to cover these costs and support the Cabinet Secretary in his discussions with the Treasury on this matter. We also note that these issues are due to be discussed

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<sup>157</sup> [Well-being of Future Generations \(Wales\) Act 2015 \(anaw2\)](#)

<sup>158</sup> [Future Generations Commissioner, 2025-26 WG Draft Budget Analysis: additional evidence to the Senedd Finance Committee, 23 January 2025](#)

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with the Chief Secretary to the Treasury at the forthcoming FISC meeting in Cardiff, and ask for the Committee to be updated on the outcome of those discussions as soon as possible, ahead of the Final Budget debate.

**113.** Despite these efforts, the Committee is disappointed that uncertainties relating to this funding continues, and believes this to be particularly concerning given evidence received which shows that this is likely to have a disproportionate impact on employers in Wales. As a result, we ask the Welsh Government to provide clarity on this issue as a matter of urgency, especially given the strength of feeling expressed by respondents to the Committee's consultation, across a range of sectors.

**114.** The Committee in particular notes that the increase in employer NICs will have different impacts on different sectors and that the scale of the impact will be dependent on a number of factors including whether there is a scarcity of skills and the proportion of staff within organisations and sectors on wages at or close to the minimum wage. This is particularly acute in relation to the third sector, and we ask the Cabinet Secretary to assess the impact of these changes on the ability of providers within those sectors to continue to provide local services.

**115.** While the Committee notes evidence which suggests that the overall impact is expected to lead to slightly slower wage growth and additional inflationary pressures, we fully recognise that this will create an increased incentive on employers to invest in increasing productivity rather than additional workforce. We also note that the composition of the Welsh workforce and wage structure may lead to slightly different impacts to those in England.

**116.** We also note the impact these changes will have on the provision of local services and the potential this additional burden this will have on local authority budgets. The Committee believes that the Welsh Government should ensure that any additional funding should be distributed to local authorities based on calculations of additional costs due to the NIC change, and should work with local authorities, to ensure that such costs are covered appropriately.

**Recommendation 10.** The Committee recommends that the Cabinet Secretary provides an update, as a matter of urgency and before the Final Budget debate, on funding the Welsh Government will receive from the Treasury to mitigate the impact of the increase in employer National Insurance Contributions on public services.

**Recommendation 11.** The Committee recommends that the Cabinet Secretary undertakes an assessment of the impact that increasing employer National

Insurance Contributions will have on third sector organisations in Wales, and for such information to be made publicly available ahead of the Final Budget debate.

**Recommendation 12.** The Committee recommends that the Cabinet Secretary ensures that any additional funding provided by the UK Government to make up for the increase to employer National Insurance Contributions is distributed to local authorities based on calculations of additional costs as a result of the change.

**Recommendation 13.** The Committee recommends that the Welsh Government works with local authorities and the public sector to understand how commissioned services are impacted by the increase in National Insurance Contributions and considers the most appropriate method of distributing funds to mitigate the financial impact.

### 3. Taxation, Forecasts and Other Fiscal Levers

**117.** The agreement between the Welsh and UK governments on the Welsh Fiscal Framework, published in December 2016,<sup>159</sup> gave the Welsh Government responsibility to decide whether to use the OBR's tax forecasts or alternative independent tax forecasting arrangements for devolved Welsh taxes, which were introduced in April 2018.

**118.** The OBR has provided independent Welsh tax revenue forecasts for every year since the 2020-21 budget round. It provides detailed information on:

- the public finances through its fiscal forecast;
- the economy through its economy forecast;
- policy costings which include estimates of the effect of new policies announced by Governments; and
- the potential impact of Brexit on the economy and public finances.<sup>160</sup>

**119.** Its latest Welsh Taxes Outlook was published alongside the Welsh Government's Draft Budget for 2025-26 and sets out the OBR's forecast for each of the devolved Welsh taxes: Welsh rates of income tax (WRIT), Land Transaction Tax (LTT) and Landfill Disposals Tax (LDT).<sup>161</sup>

**120.** The OBR noted in its Welsh taxes outlook<sup>162</sup>; that Welsh tax forecasts are consistent with the central forecast for the UK economy and public finances presented in its October 2024 economic and fiscal outlook.<sup>163</sup> The Welsh Taxes Outlook publication provides an initial assessment of successive forecast differences for the WRIT for 2022-23. The OBR stated that they were reassured "there doesn't seem to be a particular bias one way or another in the forecast areas".<sup>164</sup> A more detailed version of this analysis will be published at the time of the Final Budget.

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<sup>159</sup> [UK Government, The agreement between the Welsh Government and the United Kingdom Government on the Welsh Government's fiscal framework, December 2016](#)

<sup>160</sup> [Office for Budget Responsibility, Economic and fiscal outlook, October 2024](#)

<sup>161</sup> [Office for Budget Responsibility, Forecasts for the devolved Welsh taxes, December 2024](#)

<sup>162</sup> [Office for Budget Responsibility, Forecasts for the devolved Welsh taxes, December 2024, page 1](#)

<sup>163</sup> [Office for Budget Responsibility, Economic and fiscal outlook, October 2024, page 19](#)

<sup>164</sup> [Finance Committee, RoP, 8 January 2025, paragraph 69](#)

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## Fiscal Risks

**121.** Since July 2022, the OBR has been publishing an annual fiscal risks and sustainability report.<sup>165</sup> This is part of work for the UK Government and incorporates biennial long-term projects and updated analysis of major potential fiscal risks.

**122.** Their third report focuses on the following risks to the long-term fiscal outlook over the next 50 years:

- potential economic and fiscal impact of climate-related damage;
- the impact of changing health trends on the public finances; and
- updated long-range fiscal projections, including alternative scenarios concerning productivity and migration.<sup>166</sup>

**123.** The OBR's work on climate-related impact is new, and falls into three categories:

- mitigation costs, making the transition to net zero (first considered in the 2021 Fiscal risks report);
- damage costs, caused by higher temperatures, rising sea levels and weather events (these are included for the first time in the 2024 report); and
- adaption costs to reduce that damage (this will be part of future reports).<sup>167</sup>

**124.** The impacts of these climate related risks in terms of increases in public spending and negative impacts on UK GDP are significant and will increase dramatically over time, without changes to the current policy direction and underlying assumptions.<sup>168</sup>

**125.** The OBR confirmed that its work in this area was done at a UK rather than a Welsh level, "because it's hard enough to try and do this for an economy as a whole before you get down to the granular effects that it might have on the different nations and regions of the UK".<sup>169</sup>

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<sup>165</sup> [Office for Budget Responsibility. Fiscal risks and sustainability, September 2024](#)

<sup>166</sup> [Office for Budget Responsibility. Fiscal risks and sustainability, September 2024](#)

<sup>167</sup> [Office for Budget Responsibility. Fiscal risks and sustainability, September 2024](#)

<sup>168</sup> [Office for Budget Responsibility. Fiscal risks and sustainability, September 2024](#)

<sup>169</sup> [Finance Committee. RoP. 8 January 2025, paragraph 85](#)

**126.** The OBR explained how it had conducted its work in this area:

*“We looked at two different scenarios. One was for a 2 degrees centigrade rise in temperatures, another was for a 3 degrees C rise in temperatures. Between those two scenarios, you could see, over 50 years, a loss of UK GDP of anywhere between 3 per cent and 5 per cent from the kind of damage that you’d get to an economy like the UK from climate change, where the main channels through which higher temperatures affect an economy like the UK, given the climate that we have, are more frequent heatwaves and then coastal and riverine flooding.”<sup>170</sup>*

**127.** The OBR confirmed that no specific assessments had been done on the impact that climate change would have on devolved Welsh finances, but that:

*“... we’d be happy to work with our colleagues in the Welsh Government to look at what that might mean for Wales in particular, although you would expect for a country like Wales, you’ve got a lot of rivers, you’ve got a long coastline and so that is clearly a route through which climate change can cause some significant economic damage, which then has fiscal consequences, in terms of the damage it does to the economy, but also the cost that might fall to the public sector to remediate that damage if it’s uninsurable or uninsured.”<sup>171</sup>*

**128.** The Cabinet Secretary confirmed that the Welsh Government draws upon the OBR’s work as well as the future trends reports produced by the Commissioner as part of its decision-making processes relating to the budget, stating that they provide “a wealth of information ... we can draw on, to try to look beyond the immediate horizon”.<sup>172</sup>

## Devolved Taxes

### Public Awareness

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**129.** Views on using devolved taxation or borrowing differed amongst participants in the Committee’s engagement focus groups, held during the summer of 2024, with arguments made for and against both. However, the majority of participants

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<sup>170</sup> Finance Committee, RoP, 8 January 2025, paragraph 86

<sup>171</sup> Finance Committee, RoP, 8 January 2025, paragraph 87

<sup>172</sup> Finance Committee, RoP, 23 January 2025, paragraph 47

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only wanted to see an increase of income tax for those who can afford it, and any taxation of the general public was unpopular with almost every group.<sup>173</sup>

**130.** This year, participants were also asked if they agreed or disagreed with the following statement: “I would be happy to be taxed more if the extra funds generated were spent on public services in Wales”. The majority disagreed, mainly for reasons linked to mistrust of where the funds would actually go, or because they felt people were already enduring hardship and couldn’t afford to pay more tax when wages have not increased enough to alleviate the issues of the cost of living crisis.”<sup>174</sup>

**131.** Other comments made during the focus groups include the following:

*“I don’t have faith at the moment that this additional tax would be spent correctly and efficiently enough. I hope that I will change my mind in the future. But at the moment I don’t have enough faith.” **Active traveller or Public transport user***<sup>175</sup>

*“People can’t afford to put food on the table let alone put more money in the governments pocket by paying more tax.” **Active traveller or Public transport user***<sup>176</sup>

*“I would be prepared to pay more tax if I felt that things would improve and that the money was going to be spent on frontline services. But I’m not confident that this would happen. The Welsh Government would have to prove to me that they were spending sensibly before I would agree.” **Unpaid carer***<sup>177</sup>

**132.** In terms of awareness of taxation, the majority of participants had some awareness of how the Welsh Government’s budget was funded in terms of tax devolution, but not of the specific amounts and the specific taxes involved.<sup>178</sup>

<sup>173</sup> Finance Committee, Summary Engagement Report: Welsh Government Draft Budget 2025-26, July 2024, paragraphs 10-11

<sup>174</sup> Finance Committee, Summary Engagement Report: Welsh Government Draft Budget 2025-26, July 2024, paragraphs 10-11

<sup>175</sup> Finance Committee, Summary Engagement Report: Welsh Government Draft Budget 2025-26, July 2024, paragraph 73

<sup>176</sup> Finance Committee, Summary Engagement Report: Welsh Government Draft Budget 2025-26, July 2024, paragraph 73

<sup>177</sup> Finance Committee, Summary Engagement Report: Welsh Government Draft Budget 2025-26, July 2024, paragraph 74

<sup>178</sup> Finance Committee, Summary Engagement Report: Welsh Government Draft Budget 2025-26, July 2024, paragraphs 65-66

## Welsh Rates of Income Tax

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**133.** WRIT is the most significant source of tax revenue controlled by the Welsh Government. The Draft Budget document confirms that “there will be no change to WRIT in 2025-26 and Welsh income taxpayers will pay the same rates of income tax as their counterparts in England and Northern Ireland”.<sup>179</sup>

**134.** The OBR notes that, relative to March 2024, WRIT forecasts for coming years will be increased.<sup>180</sup> This is an upgrade of on average £70 million a year, or 2 per cent. The changes in future years largely reflect upward revisions to its UK-wide forecast. UK Government Autumn Budget policy decisions also contribute £64 million, or 90 per cent of the increase, on average a year.

**135.** The OBR produces Welsh income tax forecasts on a ‘top-down’ basis by using UK-level macroeconomic forecasts to model Welsh income tax liabilities and the OBR assumes that the tax base in Wales and the UK as a whole broadly move in parallel.<sup>181</sup> In explaining their approach, the OBR stated that:

*“... the way in which we produce the Welsh income tax forecast is we forecast UK-wide income tax—the relevant parts of income tax—and then we calculate the Welsh share of that”.<sup>182</sup>*

**136.** In terms of the impact of the Autumn Statement, the OBR confirmed that:

*“... the overall impact of the budget policy package was one that was increasing spending by more than tax, increasing borrowing, and therefore, in the short term, we assume that acts to stimulate demand in the economy in the short term and tails off in the medium term.”<sup>183</sup>*

**137.** The OBR added that:

*“I think in the case of Wales one thing to bear in mind is that there were a number of moving parts in this last October budget. There was the national insurance rise, which does put an additional burden on employers, but there is also some compensation being provided to some public servants for that*

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<sup>179</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 30](#)

<sup>180</sup> [Office for Budget Responsibility, Forecasts for the devolved Welsh taxes, December 2024, page 11](#)

<sup>181</sup> [Office for Budget Responsibility, Forecasts for the devolved Welsh taxes, December 2024, page 20](#)

<sup>182</sup> [Finance Committee, RoP, 8 January 2025, paragraph 35](#)

<sup>183</sup> [Finance Committee, RoP, 8 January 2025, paragraph 36](#)

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*extra cost, as well as a lot of extra resources being provided for public services in the budget, which ... more than compensates in fiscal terms for the cost of the national insurance rise in the Welsh budget.*<sup>184</sup>

**138.** WFA noted that:

*“The big story of the forecast is how beneficial it’s been for the Welsh Government budget. Currently, next year, it’s about £317 million net benefit from tax devolution. That isn’t insignificant. It’s about 1.4 per cent of day-to-day spending allocations. It’s about equal to what the Welsh Government would receive if they increased a penny on income tax. That’s a big change in the size of the Welsh budget resulting from these tax changes.”*<sup>185</sup>

**139.** When asked about the impact of the UK Government’s decision to freeze tax thresholds until 2029 on Welsh forecasts, the OBR confirmed that “this is something we have looked at in some of our previous analysis, and we’re actually hoping to do some more analysis on this over the coming year”.<sup>186</sup> They added that:

*“... the freezing of the personal allowance we think is likely to have a relatively more important impact in Wales because of the relative distribution of earnings in Wales compared to the rest of the UK, meaning more workers are likely to be affected by that freeze, i.e. more employers will be pulled into the tax system due to the freezes in personal allowance compared to the rest of the UK”.*<sup>187</sup>

**140.** The OBR also noted in its outlook that reduced responses to many surveys, such as the Labour Force Survey, has presented challenges in producing its forecast. It told the Committee that:

*“... the response rates have fallen catastrophically ... in the last four or five years. Therefore ... the reliability of that data has been significantly eroded, and it’s going to be maybe even a couple of years before we’re likely to see major improvements in*

<sup>184</sup> Finance Committee, RoP, 8 January 2025, paragraph 72

<sup>185</sup> Finance Committee, RoP, 8 January 2025, paragraph 247

<sup>186</sup> Finance Committee, RoP, 8 January 2025, paragraph 49

<sup>187</sup> Finance Committee, RoP, 8 January 2025, paragraph 49

*that. That's a big problem for people who rely on those statistics ... it's a real issue.*"<sup>188</sup>

**141.** When asked whether the OBR could take steps to improve its Welsh forecasts, WFA stated that while the OBR has “quite a strong record” in providing information on the differences between comparable forecast revenues of the Welsh economy to England and Northern Ireland, developing information in future forecasts would be appreciated.<sup>189</sup> It added that:

*“In terms of the outturn and comparing to forecast, I think the OBR has a pretty good record, and it lays that out in its documentation. The comments that we've made in previous sessions with the Finance Committee have been around the presentation, the narrative and the depth of analysis that they provide in the documents, and I think that has improved. I think there's a greater focus on what's happening, underlying the Welsh forecast.”*<sup>190</sup>

**142.** The IFS agreed, however it suggested that the OBR could improve its forecast by moving towards:

*“... a bottom-up approach for the Welsh forecast: rather than take UK forecasts and apply Welsh shares to them, actually a more bottom-up approach for the forecast, like the Scottish Fiscal Commission does. But that would probably be quite a significant investment that would require the Welsh Government to contribute more funding to the OBR to help them do that.”*<sup>191</sup>

**143.** When asked whether the Welsh Government would be willing to work with the OBR to improve the presentation of information relating to tax revenues so their impact could be better understood, the Cabinet Secretary stated that “we are very keen to work with the OBR on the Welsh tax outlook report” and that “we're very happy to have further conversations with the OBR to improve it still further”.<sup>192</sup>

**144.** The Cabinet Secretary explained that “the version of the Welsh taxes outlook that the OBR will publish is going to be reviewed and redesigned to try to provide

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<sup>188</sup> Finance Committee, RoP, 8 January 2025, paragraph 69

<sup>189</sup> Finance Committee, RoP, 8 January 2025, paragraph 247

<sup>190</sup> Finance Committee, RoP, 8 January 2025, paragraph 81

<sup>191</sup> Finance Committee, RoP, 8 January 2025, paragraph 250

<sup>192</sup> Finance Committee, RoP, 23 January 2025, paragraph 76

some of that extra clarity”, adding that such improvements would help to explain the difference that devolved taxes makes “to the amount of money we have to do the things that the Welsh public would like to see done”.<sup>193</sup>

## Land Transaction Tax

**145.** The Draft Budget document confirms that the rates payable on higher LTT residential rates transactions are being increased by 1 percentage point for each band with effect from 11 December 2024.<sup>194</sup> The regulations bringing forward these changes were laid alongside the Draft Budget on 10 December 2024,<sup>195</sup> and considered by the Committee on 15 January 2025,<sup>196</sup> before being debated in the Senedd in Plenary on 21 January 2025<sup>197</sup>.

**146.** The Cabinet Secretary stated that the changes would result in the higher residential rates of LTT being set at, broadly, five percentage points above the main residential rates and estimated this increase would raise an additional £7 million in 2025-26.<sup>198</sup>

**147.** Total LTT forecast receipts are on average £51 million (16 per cent) higher between 2024-25 and 2028-29 when compared to February 2024.<sup>199</sup> Commercial LTT forecasts have been revised up in 2024-25 by £13 million, this was partly due to one large property transaction. Thereafter, forecasts are revised down by an average of £4 million a year (6 per cent).<sup>200</sup>

**148.** In explaining the reasons behind this, the OBR stated that:

*“... we have been surprised this year by the strength of the residential property market ... we’ve seen a stronger rebound in transactions and prices after a dip last year than we were expecting, and we’ve also seen that in the outturn data in terms of receipts from those taxes this year, both UK-wide and in Wales.”<sup>201</sup>*

<sup>193</sup> Finance Committee, RoP, 23 January 2025, paragraph 77.

<sup>194</sup> Welsh Government, Draft Budget 2025-26, December 2024, page 30.

<sup>195</sup> The Land Transaction Tax (Tax Bands and Tax Rates) (Wales) (Amendment) Regulations 2024.

<sup>196</sup> Finance Committee, Agenda, 15 January 2024, item 8.

<sup>197</sup> Plenary, RoP, 21 January 2025, paragraphs 527-247.

<sup>198</sup> Welsh Government, Written Statement: Draft Budget 2025-26: Welsh Taxes, 10 December 2024.

<sup>199</sup> Office for Budget Responsibility, Forecasts for the devolved Welsh taxes, December 2024, page 38.

<sup>200</sup> Office for Budget Responsibility, Forecasts for the devolved Welsh taxes, December 2024, page 40.

<sup>201</sup> Finance Committee, RoP, 8 January 2025, paragraph 92.

**149.** However, the OBR added that “We do assume in the forecast that some of that is a temporary strength”, and “That’s why the strength in the forecast is mainly in the short term and then it tails off over the medium term”.<sup>202</sup>

**150.** The Welsh Government’s Tax Policy Report states that

*“For 2025-26 and subsequent years, the LTT forecasts, as detailed in the Welsh Taxes Outlook published on 10 December, includes additional forecast revenues as a result of additional resources being invested in the Welsh Revenue Authority activity to identify and rectify where tax returns are submitted which seek to under report transactions and to then recover the resulting tax liability.”<sup>203</sup>*

**151.** When asked how the OBR had changed their methodology to take this into account, they explained that they had a “well-established methodology for assessing the likely revenue” from these types of measures, adding that:

*“We look at historical evidence on the yield that an individual staff member generates undertaking that kind of activity ... We use that as the baseline for assessing how much yield additional staff are likely to deliver. We adjust that for various factors, such as the time it will take a new staff member to get up to the productivity of an existing staff member ... So, you tend to have a diminishing returns-type profile for those kinds of measures.”<sup>204</sup>*

**152.** The IFS suggested that the Welsh Government’s plans for LTT in the Draft Budget to further increase the taxes charged on the purchase of second homes “is actually a step in the wrong direction”, adding that:

*“It further exacerbates the damaging bias against the private rental sector in our tax system, and by reducing the supply of rental properties, will increase the cost of housing for those unable to afford to save for a deposit to buy a home themselves, because rents will be higher. And given the role the rental sector plays in the mobility of particularly young people,*

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<sup>202</sup> [Finance Committee, RoP, 8 January 2025, paragraph 93](#)

<sup>203</sup> [Welsh Government, Tax policy report, December 2024, page 25](#)

<sup>204</sup> [Finance Committee, RoP, 8 January 2025, paragraph 99](#)

*it will also make it harder for people to move for educational or job opportunities.”<sup>205</sup>*

**153.** In responding to these points, the Cabinet Secretary defended the position taken, stating that:

*“... my first reaction is that it’s a rather curious point to make in a budget where we’re not doing what the Institute for Fiscal Studies complains about, because we’re not increasing land transaction tax for 80 per cent of transactions in Wales. So, I’m a bit puzzled, really, as to why they would make that point in a year when we’re not doing what they complain about.”<sup>206</sup>*

**154.** Adding that:

*“I’m not sure that I completely share their analysis, because it seems to me there are so many factors that play into people’s decisions as to whether or not to move home, acquire another property, all of those things, and I’m not sure that LTT is always the most decisive thing in people’s minds, really. So, it plays a part, but I think you can overstate the part that it plays.”<sup>207</sup>*

## **Landfill Disposals Tax**

**155.** The lower rate of landfill disposals tax diverges from UK rates for the first time and sees significant increases. The standard rate increases from £103.70 to £126.15 per tonne,<sup>208</sup> in line with the increase in England, which reflects actual rather than estimated RPI rates during 2022 to 2024.<sup>209</sup> The Wales only rate for unauthorised disposals rises to £189.25 per tonne, to remain 150 per cent of the standard rate.<sup>210</sup> The lower rate increases, from £3.30 to £6.30 per tonne (the rate in England will be £4.05).<sup>211</sup>

**156.** The OBR noted LDT receipts in the first half of 2024-25 are up by £1.3 million (8 per cent) on the same period last year, driven by an increase in the amount of standard-rated waste sent to landfill. However LDT receipts remain historically low. Consequently, the OBR has revised 2024-25 forecast receipts up by £3 million,

<sup>205</sup> [Finance Committee, RoP, 8 January 2025, paragraph 261](#)

<sup>206</sup> [Finance Committee, RoP, 23 January 2025, paragraph 80](#)

<sup>207</sup> [Finance Committee, RoP, 23 January 2025, paragraph 81](#)

<sup>208</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 14](#)

<sup>209</sup> [HMRC, Landfill Tax: Increase in rates, 30 October 2024](#)

<sup>210</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 12](#)

<sup>211</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 14](#)

which reflects the stronger-than-expected outturn data in the first half of the year, the effect of which it expects to persist across the forecast.<sup>212</sup>

**157.** Also, reflected is the policy change to increase the standard and lower rates of LDT which increase the forecast by an average of £3 million a year from 2025-26 onwards. The report states that at the time of the UK Budget, before the Welsh Government had announced to match the rate in England, the OBR had assumed some English waste would cross the border into Wales.<sup>213</sup>

**158.** The OBR confirmed that these changes will “not lead to any changes in cross-border flows” and that “any impact is actually likely to be very small”.<sup>214</sup>

## Other Fiscal Levers

### Capital Spending

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**159.** Overall capital increases by £675 million in the Draft Budget compared to the revised baseline, or £528 million compared the Final Budget for 2024-25, restated in September 2024. General capital increases by £575 million on the baseline, or by £596 million compared to the Final Budget for 2024-25, restated in September 2024.<sup>215</sup>

**160.** Financial Transactions Capital allocated in the Draft Budget is £99 million with all allocations from 2024-25 having been removed from the baseline. Allocations in the Final Budget for 2024-25, restated, were £167 million.<sup>216</sup>

**161.** A lack of capital investment over recent years was noted by a number of respondents to the Committee’s consultation. The NHS Confederation stated that “further investment, including capital funding, is required to support public bodies to reach the Net Zero target by 2030, set by the Welsh Government”.<sup>217</sup> It added in its oral evidence that “some of the hospital estate is in a really dire situation”.<sup>218</sup>

**162.** This was also reflected in comments made by participants as part of the Committee’s summary engagement work, with stakeholders noting that ageing infrastructure in hospitals means they are not fit for purpose and that capital

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<sup>212</sup> [Office for Budget Responsibility, Forecasts for the devolved Welsh taxes, December 2024, page 48](#)

<sup>213</sup> [Office for Budget Responsibility, Forecasts for the devolved Welsh taxes, December 2024, page 48](#)

<sup>214</sup> [Finance Committee, RoP, 8 January 2025, paragraph 114](#)

<sup>215</sup> [Welsh Government, Tables supporting spending plans, December 2024](#)

<sup>216</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 14](#)

<sup>217</sup> [Finance Committee, Consultation Response: NHS Confederation](#)

<sup>218</sup> [Finance Committee, RoP, 15 January 2025, paragraph 257](#)

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investment is needed to develop smaller, state of the art hospitals.<sup>219</sup> The importance of building homes in the right places, close to schools, transport, shops and green spaces was raised as an essential element of effective planning, not only to reduce costs of building new infrastructure but also to reduce the carbon footprint and to drive up economic growth.<sup>220</sup>

**163.** The Cabinet Secretary told the Committee that the additional capital allocations in the Draft Budget “was aligned with creating the conditions that will allow the Welsh economy to grow alongside the UK economy” and also that they have “tried to use the capital in this budget” to “crowd in private investment”.<sup>221</sup>

**164.** In terms of whether the Welsh Government’s approach to capital in the Draft Budget will achieve this, the IFS noted that:

*“... I think that is possible. I would certainly hope that increased public sector investment helps boost productivity, through better public services or better infrastructure in future, which should encourage more private sector investment, or at least boost private sector productivity as well.”<sup>222</sup>*

**165.** However, the IFS added a note of caution that:

*“in the short term sometimes it can actually crowd out private sector investment, if there are shortages of skilled workers or appropriate equipment needed for that investment or if the public sector borrowing absorbs available savings, leading to higher interest rates”.<sup>223</sup>*

**166.** In its evidence, the WLGa welcomed the additional capital funding in the Draft Budget as a “positive step, certainly” especially as “for a number of years ... local authorities are struggling with capital”.<sup>224</sup>

**167.** The Cabinet Secretary also acknowledged that “we have been starved of capital in our public services” but that “We’ve got a significant uplift in capital in this budget”.<sup>225</sup>

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<sup>219</sup> [Finance Committee, Summary Engagement Report: Welsh Government Draft Budget 2025-26, July 2024, paragraph 17](#)

<sup>220</sup> [Finance Committee, Summary Engagement Report: Welsh Government Draft Budget 2025-26, July 2024, paragraph 18](#)

<sup>221</sup> [Finance Committee, RoP, 12 December 2024, paragraph 17](#)

<sup>222</sup> [Finance Committee, RoP, 8 January 2025, paragraph 186](#)

<sup>223</sup> [Finance Committee, RoP, 8 January 2025, paragraph 186](#)

<sup>224</sup> [Finance Committee, RoP, 15 January 2025, paragraph 47](#)

<sup>225</sup> [Finance Committee, RoP, 23 January 2025, paragraph 113](#)

**168.** The Cabinet Secretary also confirmed that, when utilising private capital, the Welsh Government would use the cheapest form of capital first “and if that isn’t sufficient—and it certainly hasn’t been sufficient—we move on to the next form of capital that is the next cheapest”, adding that “If I could cover all our capital needs without needing to go to the most expensive part of the market, I would”.<sup>226</sup>

### **Borrowing and Use of Reserves**

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**169.** The Draft Budget outlines that the Wales Reserve will be held as a contingency, with no funds drawn down for 2025-26.<sup>227</sup> Given the Draft Budget allocated over £25 billion, the funding held in reserves is comparatively small. There is only £99.7 million unallocated fiscal resource and general capital of £47.9 million and financial transactions capital is overallocated by £13.8 million.<sup>228</sup>

**170.** The Welsh Government intends to use the maximum £150 million borrowing available, taking the borrowing balance up to £617 million, this would include borrowing plans of £150 million in 2024-25.<sup>229</sup>

**171.** Borrowing at the maximum would lead to reaching the current £1 billion borrowing limit in three to four years subsequently. This was confirmed by the Cabinet Secretary who told Members that “if we continue to borrow at the current rate, of £150 million a year, and there’s no change in capital borrowing, we will hit our ceiling now sometime in the next Senedd term”.<sup>230</sup>

**172.** The Cabinet Secretary also confirmed that he is “very keen to make sure that we go into next year with the Wales reserve full, because I’ve got no other contingency” adding that:

*“There are lots of moving parts to manage here, but one of them is having a very modest sum of money that I hope to be able to deploy in the final budget, to meet some of the calls that will have come through from Senedd scrutiny.”<sup>231</sup>*

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<sup>226</sup> Finance Committee, RoP, 23 January 2025, paragraph 125

<sup>227</sup> Welsh Government, Tables supporting spending plans, December 2024

<sup>228</sup> Welsh Government, Tables supporting spending plans, December 2024

<sup>229</sup> Welsh Government, Tables supporting spending plans, December 2024

<sup>230</sup> Finance Committee, RoP, 12 December 2024, paragraph 64

<sup>231</sup> Finance Committee, RoP, 25 January 2025, paragraph 143

## Committee View

**173.** The Committee notes the decisions taken by the Welsh Government in this Draft Budget relating to devolved taxation. We also continue to welcome the views expressed on taxation and spend in the Committee's engagement and stakeholder events and notes that the Welsh Government's approach to taxation broadly aligns with the views expressed.

**174.** The Committee notes with interest the work that the OBR is undertaking regarding the long term fiscal risks of climate change on the UK over the next 50 years and welcome that this work is informing the Welsh Government's approach to long-term budgeting. In addition to how these factors are informing the Welsh Spending Review (considered further under Chapter 2), the Committee is interested to understand how the Welsh Government is embedding such work into its decision-making processes more generally, particularly in relation to the viability of its long-term budgetary and investment plans.

**Recommendation 14.** The Committee recommends that the Cabinet Secretary provides a narrative around how the impacts of key long term financial risks such as climate change, demographic and health trends are being addressed in the short, medium and long term, to enable Senedd committees to consider this approach before the Draft Budget for 2026-27 is published.

**175.** The Committee welcomes the OBR's open approach to discussing methodologies used in producing forecasts and the assumptions made, reasons for these decisions and the risks which could impact on accuracy. The Committee also welcomes improvements made to the OBR's Welsh Tax Outlook, particularly in terms of showing differences between the UK and Welsh taxbases and relative growth between Wales and the UK as a whole. We also note that the Welsh Tax Outlook document will be further reviewed this year and are supportive of any improvements that will provide greater clarity on the impact of devolved taxation on the Welsh Government's funding position.

**176.** In addition, the Committee would like to see the OBR improving the analysis and information in its outlook that shows relative growth and performance of the Welsh taxbase and tax incomes compared to the UK in their Welsh tax outputs. These developments will provide the Committee with a greater understanding of how tax income and block grant adjustments may change in coming years.

**177.** The Committee welcomes the additional analysis that the OBR plans to undertake on the impact that freezing income tax thresholds on the proportion of income tax raised in Wales compared to the UK will have. We are particularly

interested in the impact of this on forecasts, as the decision to reverse this policy in 2029 approaches.

**Recommendation 15.** The Committee recommends that the Office for Budget Responsibility, as part of the redesign of their Wales Taxes Outlook publication, prioritises improving its analysis of the relative growth and performance of the Welsh taxbase and tax incomes compared to the UK in their Welsh tax outputs.

**Recommendation 16.** The Committee recommends that the Office for Budget Responsibility provides an update on its work to understand the impact that freezing income tax thresholds will have on the proportion of income tax raised in Wales, ahead of the 2026-27 budget round.

**178.** The Committee notes with concern evidence regarding the impact of the loss of key labour force survey data by the Office for National Statistics (ONS), especially given it forms the basis of many of the economic determinants in its forecasts. The Committee supports the approach taken to use other administrative data while the ONS is reassessing how to maintain this and other survey-based outputs due to falling response rates across the board for their surveys. However, the Committee shares the OBR's concerns around the risks of relying on administrative data and supports their approach to monitoring the reliability of using these data sources.

**179.** The Committee wrote to the ONS<sup>232</sup> following the pre-budget session on 25 September 2024,<sup>233</sup> to raise concerns regarding the suspension of regional GDP statistics and was grateful for the response from the Chief Statistician<sup>234</sup> and particularly the commitment to keep the Committee updated on progress in this area.

**Recommendation 17.** The Committee recommends that the Cabinet Secretary provides an update on the outcome of discussions it has had with the Office for National Statistics and the Office for Budget Responsibility on steps taken to mitigate the loss of key data and its impact on Welsh forecasts.

**180.** The Committee welcomes the additional capital funding provided in the Draft Budget and notes that this will go some way to address the concerns

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<sup>232</sup> [Letter from the Chair of the Finance Committee to the National Statistician and Permanent Secretary, 4 October 2024](#)

<sup>233</sup> [Finance Committee, RoP, 25 September 2024, paragraph 74](#)

<sup>234</sup> [Letter from the National Statistician and Permanent Secretary to the Chair of the Finance Committee, 21 October 2024](#)

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expressed by respondents to the consultation and in our engagement workshops about the dire need for investment in critical infrastructure within public services.

**181.** We also note the Cabinet Secretary's description of the Welsh Government's approach to allocations of capital in this year's budget whereby projects would need to drive efficiencies in revenue to receive funding. We further note the Welsh Government's aims to use capital to "crowd in" private investment, as well as its approach to utilising the cheapest forms of capital first when using private capital to meet any additional funding needs. However, we also share the concerns of the IFS who stated that the Welsh Government's aims in boosting investment can have the opposite effect and "crowd out" private sector engagement in the short term.

**182.** Although we welcome the Cabinet Secretary's openness in discussing these issues, the Committee believes that further information about the aims and objectives of the Welsh Government's capital plans is required, and particularly whether any assessments have been carried out as a basis for the approach taken.

**Recommendation 18.** The Committee recommends that the Cabinet Secretary provides details of any assessments it has made of the likely impact of its plans to increase capital investment significantly in 2025-26 and how this may impact on capacity for private sector investment in Wales, both positively and negatively.

**183.** The Committee welcomes the information provided in the Draft Budget relating to Financial Transactions Capital. We have previously undertaken a specific piece of work on this area<sup>235</sup> and are grateful to the constructive manner in which the Welsh Government has engaged with our work on this issue, and welcome the additional transparency provided.

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<sup>235</sup> Finance Committee, Financial Transactions Capital, November 2024.

## 4. Narrative and Strategic Approach

### Budget Narrative

**184.** The Draft Budget narrative states that this is a spending budget “following a sustained period of challenging financial settlements for Wales”.<sup>236</sup> In his statement to Plenary on 10 December 2024, the Cabinet Secretary added that:

*“... this draft budget really is a budget for a brighter tomorrow, providing public services and Welsh citizens with investments in their future that have been denied to them for far too long.”<sup>237</sup>*

**185.** During discussions with the Committee the Cabinet Secretary provided further detail on the principles which underpin his decision in prioritising funding in the Draft Budget and that this includes:

- ensuring funding allocation reflect the priorities of the Welsh Government;<sup>238</sup>
- considering the Well-being of Future Generations (Wales) Act 2015 in the decision making process and the importance of preventative spend;<sup>239</sup>
- aligning the budget with ambitions for growth and creating the conditions to grow the Welsh economy;<sup>240</sup> and
- ensuring investments made “do the most good in the lives of those people who have the least”.<sup>241</sup>

**186.** The Draft Budget narrative also confirms the Welsh Government’s plan to prioritise public services and invest in four key priority areas:

- ‘Iechyd da’ - A Healthier Wales;
- Jobs and Green Growth;
- Opportunity for every family; and

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<sup>236</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 5](#)

<sup>237</sup> [Plenary, RoP, 10 December 2024, paragraph 164](#)

<sup>238</sup> [Finance Committee, RoP, 12 December 2024, paragraph 11](#)

<sup>239</sup> [Finance Committee, RoP, 12 December 2024, paragraph 12](#)

<sup>240</sup> [Finance Committee, RoP, 12 December 2024, paragraph 13](#)

<sup>241</sup> [Finance Committee, RoP, 12 December 2024, paragraph 14](#)

- Connecting Communities.<sup>242</sup>

**187.** The narrative also states that:

*“Throughout this process, we have been guided by the principles embedded in the Wellbeing of Future Generations Act and the First Minister’s priorities.”<sup>243</sup>*

**188.** When asked whether some areas had been deprioritised in the Draft Budget, the Cabinet Secretary explained:

*“There’s very little in this budget where people have had to deprioritise in the sense that we used that term last year.”<sup>244</sup>*

## Preventative Spend

**189.** The Cabinet Secretary told the Committee that “almost everything the Welsh Government does” could be considered preventative, and that the Welsh Government is keen to “move money in a preventative direction”. He also referred to previous work conducted between the Welsh Government and the Commissioner on agreeing a set of definitions about what is meant by preventative spend, adding that:

*“I would find it very useful at some point to have a chance to have a longer discussion with the committee about whether that typology is still the best one, is it the most useful one, does it need to be revisited and updated and how can we then apply that lens again to next year’s budget ...”<sup>245</sup>*

**190.** However, the WCVA told us that prevention is not mentioned in this year’s Draft Budget as many times as it has in previous budget narratives. They added that this might suggest the Draft Budget is more about “addressing the challenges right now” and does not reflect “a future generations-informed approach to long-term solutions and prevention”. They concluded:

*“... there isn’t central guidance to invest in prevention and because there is such little detail in the budget—the voluntary sector is not covered in it, really—we can just hope that, say, local authorities, regional partnership boards and others will be*

<sup>242</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 5](#)

<sup>243</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 3](#)

<sup>244</sup> [Finance Committee, RoP, 12 December 2024, paragraph 53](#)

<sup>245</sup> [Finance Committee, RoP, 12 December 2024, paragraph 71](#)

*spending some of the money they get on prevention, but there is no direction to do so.”<sup>246</sup>*

**191.** The Bevan Foundation also reflected on how crisis provisions will always take priority over prevention as this “literally is what saves lives” but that more could be done through preventative spend to “prevent ill health, to prevent evictions, to prevent destitution amongst some groups”.<sup>247</sup>

**192.** A representative from the Welsh NHS Confederation also told us the Welsh Government should remain focused on the “Future Generations Commissioner for Wales’s principles for ways of working in that long-term event”. They also reflected that “there’s very much a focus on firefighting” within the Draft Budget but there was a need to change the narrative for a “much bigger focus on prevention”.<sup>248</sup>

**193.** We heard a number of examples where the preventative spend might be beneficial, such as:

*“... to continue to invest in those community services, the preventative services, the early intervention services, the things that keep people out of those high-cost services and also improve outcomes for individuals as well.”<sup>249</sup>*

**194.** A common theme amongst stakeholders during our engagement events was the general imbalance between funding front-line services and preventative services. They suggested this has led to short-term, reactive spending decisions by the Welsh Government, at the expense of longer-term, strategic budgeting.<sup>250</sup> One individual said:

*“Health especially, I’d like to see Welsh Government building communities to ensure prevention approaches within those communities. For example in my area, we run sessions like tai chi and groups to improve mental health.” **Older person**<sup>251</sup>*

**195.** The Welsh NHS Confederation explained that local authorities needed ring-fenced allocations for “social care to meet the needs of their population and to support system-wide sustainability”. They went on to say the funding should “have

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<sup>246</sup> Finance Committee, RoP, 8 January 2025, paragraph 276

<sup>247</sup> Finance Committee, RoP, 15 January 2025, paragraph 353

<sup>248</sup> Finance Committee, RoP, 15 January 2025, paragraph 192

<sup>249</sup> Finance Committee, RoP, 15 January 2025, paragraph 119

<sup>250</sup> Finance Committee, Summary Engagement Report: Welsh Government Draft Budget 2025-26, July 2024, paragraph 12

<sup>251</sup> Finance Committee, Summary Engagement Report: Welsh Government Draft Budget 2025-26, July 2024, paragraph 35

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clearly defined target outcomes imposed by Welsh Government to ensure spending drives the change we need to see”.<sup>252</sup>

**196.** The Cabinet Secretary noted he was:

*“... not surprised to hear the NHS Confederation say that, because that is a closer reflection of the way in which funding in the health field is currently constructed.”<sup>253</sup>*

**197.** The WLGA also suggested that budgets for preventative funding should be ring-fenced because:

*“... when budgets are squeezed and the funding that we’re receiving is not keeping pace with those increasing costs, inevitably it is those discretionary services that get the most challenge and are likely to suffer the most reduction.”<sup>254</sup>*

**198.** The Commissioner’s consultation response suggest that the Welsh Government could maximise “the impact of budget by taking a longer-term approach” which would also “complement a more preventative approach”.<sup>255</sup>

**199.** We asked the Cabinet Secretary for his views on the Commissioner’s proposals of ring-fencing or earmarking funding for preventative measures to which he responded that some of the health budget is already ring-fenced. However, he noted that ring-fencing allocations for local government would be “counterintuitive to the policy thrust that we’ve developed with local government in recent years”.<sup>256</sup>

**200.** Following the publication of the Draft Budget, the Commissioner provided additional written evidence to the Committee.<sup>257</sup>

## Assessing Impact

**201.** The Draft Budget is accompanied by an SIIA which aims to “identify key trends, strategic and cumulative impacts of decisions made in the Draft Budget”. The SIIA states that it:

<sup>252</sup> Finance Committee, Consultation Response: Welsh NHS Confederation

<sup>253</sup> Finance Committee, RoP, 23 January 2025, paragraph 96

<sup>254</sup> Finance Committee, RoP, 15 January 2025, paragraph 196

<sup>255</sup> Finance Committee, Consultation Response: Future Generations Commissioner for Wales

<sup>256</sup> Finance Committee, RoP, 23 January 2025, paragraph 52

<sup>257</sup> Letter from the Future Generations Commissioner to the Chair of the Finance Committee, 23 January 2025

*“... ensures strategic budgetary decisions reduce disproportionate effects on any one specific group or geographic area and reduce inequalities across our society. It also helps to identify opportunities to maximise positive impacts from our investment decisions. A robust SIIA ensures every pound invested delivers the greatest positive impact.”<sup>258</sup>*

**202.** Women’s Equality Network (WEN) Wales and Wales Women’s Budget Group (WWBG) noted that whilst the SIIA’s were more robust, and had a stronger gender perspective, “they can only be as good as the information that’s fed into them, and sometimes that could be better”.<sup>259</sup>

**203.** The Bevan Foundation told the Committee there were low levels of engagement with the budget process, including the SIIA, amongst stakeholders. They reflected that this might be as a result of a “vicious cycle” where individuals don’t feel that engagement makes a difference and therefore don’t engage. To break the cycle, the representative suggested the Welsh Government could:

*“... look at how that budget process and how the impact assessments could be made more relevant to everyday concerns.”<sup>260</sup>*

**204.** They concluded:

*“... there’s an element of budget engagement that is often, as I said, dry and technical, but I think making it less dry and technical is something that the Welsh Government could do.”<sup>261</sup>*

**205.** A representative from the WCVA explained that whilst the SIIA have improved, they are still “quite unhelpful” for the voluntary sector as a standalone document and that they would prefer:

*“... portfolio-level guidance on what the spending is going to be at the same time as the budget, so that we can scrutinise that, and that’s going to be immensely more helpful to us than the strategic integrated impact assessment ...”<sup>262</sup>*

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<sup>258</sup> [Welsh Government Draft Budget 2025-26: Annex A: Strategic Integrated Impact Assessment, December 2024](#)

<sup>259</sup> [Finance Committee, RoP, 8 January 2025, paragraph 366](#)

<sup>260</sup> [Finance Committee, RoP, 15 January 2025, paragraph 371](#)

<sup>261</sup> [Finance Committee, RoP, 15 January 2025, paragraph 371](#)

<sup>262</sup> [Finance Committee, RoP, 8 January 2025, paragraph 363](#)

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**206.** The IFS noted that whilst the Welsh Government provide a detailed spending plan and separate SIIA document, it wasn't clear how they prioritised revenue spending:

*"... there is a bit of a link between the budget spending allocations and the big picture of what the Welsh Government's trying to achieve, but it's a bit tenuous."*<sup>263</sup>

**207.** In his consultation response, the Commissioner says the SIIA process "could, and should, have picked up" on "a range of negative impacts across the four dimensions of well-being" as a result of the Draft Budget, adding that:

*"... meaningful use of the five ways of working would ensure better collaboration across those sectors expected to be worst impacted. My office is now working with the Budget Improvement Team in the Treasury to better embed the Future Generations Act into the budget improvement process and supporting the review of the Strategic Integrated Impact Assessment."*<sup>264</sup>

## Gender Budgeting

**208.** In our report on the Draft Budget 2024-25 the Committee recommended that the Welsh Government publishes the remaining two gender budget pilots and works in collaboration with WEN Wales and WWBG to mainstream gender budgeting.<sup>265</sup> However, these have not been published to date.<sup>266</sup>

**209.** WEN Wales and WWBG told us it was difficult to set out the next steps for gender budgeting without the results of the pilots because:

*"... evaluating them, is really the key to ensuring that gender budgeting can be rolled out further. So, without them, it's going to be very difficult to do an awful lot. We would very much like to see, though, some gender budget questions within portfolio-level equality assessments."*<sup>267</sup>

**210.** The Cabinet Secretary's official indicated that findings from the evaluations will be published "over the next few months". They went on to say that the pilots

<sup>263</sup> Finance Committee, RoP, 8 January 2025, paragraph 195

<sup>264</sup> Finance Committee, Consultation Response: Future Generations Commissioner for Wales

<sup>265</sup> Finance Committee, Scrutiny of the Welsh Government Draft Budget 2024-25, February 2024, page 54

<sup>266</sup> Finance Committee, RoP, 8 January 2025, paragraph 370

<sup>267</sup> Finance Committee, RoP, 8 January 2025, paragraph 370

have helped “influence some of our budget setting” and provided “useful findings in terms of capacity and resources”. They reflected:

*“... I think they’ve already pointed to things like ensuring that gender budgeting is considered from the outset of policy development, and also ensuring that, when a policy is being revised, or seeking new funding, the evaluation and learning can be built in again right from the start.”<sup>268</sup>*

## Tackling Poverty

**211.** The Draft Budget narrative states:

*“Funding through the Social Justice MEG [main expenditure group] alongside other budgets across the Welsh Government contribute to tackling poverty, equality and improving the wellbeing of everyone in Wales.”<sup>269</sup>*

**212.** The Cabinet Secretary added that:

*“... this budget provides the greatest impact upon the 20 per cent of the population who have the least.”<sup>270</sup>*

**213.** However the Bevan Foundation disagreed with this assertion and told the Committee that the distributional analysis of devolved public spending in Wales<sup>271</sup>, published alongside the Draft Budget:

*“... does not show that the most resources go to the poorest 20 per cent; it shows that the most resources go to the second poorest 20 per cent. Given that the population who are in poverty are mainly in the poorest 20 per cent and part of the next fifth, then the resources are not solely focused on people in poverty.”<sup>272</sup>*

**214.** During our engagement work with stakeholders, participants told us that the impact of the cost of living is affecting most people in society. Issues raised included more reliance on public services, the need for longer term measures and investment in the budget to address the structural inequalities; middle earners

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<sup>268</sup> Finance Committee, RoP, 23 January 2025, paragraph 160

<sup>269</sup> Welsh Government, Draft Budget 2025-26, December 2024, page 26

<sup>270</sup> Finance Committee, RoP, 12 December 2024, paragraph 14

<sup>271</sup> Welsh Government, Distributional analysis of devolved public spending in Wales, December 2024

<sup>272</sup> Finance Committee, RoP, 15 January 2025, paragraph 327

being squeezed; and housing association residents facing difficulties in accessing funding quickly in an emergency.<sup>273</sup>

**215.** This was also reflected in the evidence provided by the Bevan Foundation who told the Committee that:

*“... about half the Welsh population really don’t have much money to spare. They just about get by, by being very careful, by having to watch every penny they spend. But a substantial minority do not have enough even for the basics, and they are people who are in what we would call deep poverty, and they are people who are forced to choose between eating and heating.”<sup>274</sup>*

**216.** They went on to say that as a result of duration of the crisis, a growing number of people are building up debt. They concluded:

*“... far from the cost-of-living crisis being over, as you might think if you look at the media, we actually think it’s getting more entrenched into the conditions that people face. And for some groups of people—so, for families, people in social rented housing, disabled people—the challenges are even greater.”<sup>275</sup>*

**217.** When asked if the Welsh Government have sufficiently prioritised funding to tackle or alleviate some of the cost of living pressures, the representative from the Bevan Foundation noted that “there have been some good interventions and we absolutely welcome that, but there is more that could be done”.<sup>276</sup>

### **Expert Group on the Cost of Living Crisis**

**218.** The Bevan Foundation reflected on the Wales Expert Group on the Cost of Living Crisis, which hasn’t met in over a year.<sup>277</sup> They noted that whilst the group was a useful tool to engage with and make recommendations, the Welsh Government took “very little in those recommendations” forward.<sup>278</sup> When asked what types of recommendations were made by the Group we were told there was a mix of “low-cost, high-impact interventions”, including:

<sup>273</sup> Finance Committee, Summary Engagement Report: Welsh Government Draft Budget 2025-26, July 2024, pages 10-11

<sup>274</sup> Finance Committee, RoP, 15 January 2025, paragraph 299

<sup>275</sup> Finance Committee, RoP, 15 January 2025, paragraph 299

<sup>276</sup> Finance Committee, RoP, 15 January 2025, paragraph 304

<sup>277</sup> Finance Committee, RoP, 15 January 2025, paragraph 314

<sup>278</sup> Finance Committee, RoP, 15 January 2025, paragraph 316

*“... extending the availability of free school meals for secondary school pupils to everyone who received universal credit, not universal, and, for example, helping low-income families with the cost of bus travel.”<sup>279</sup>*

**219.** The Cabinet Secretary agreed the Expert Group had been useful. However, he would need to discuss with the wider Welsh Government if a standing committee on the cost of living and poverty should be established to discuss future budgetary plans as he was:

*“... reluctant to commit to permanent additions to the advisory structure of the Welsh Government in the final year of the Welsh Government ...”<sup>280</sup>*

## **Tackling Child Poverty**

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**220.** The Child Poverty Strategy for Wales (the Strategy) sets the Welsh Government’s “objectives for contributing towards the eradication of child poverty.”<sup>281</sup>

**221.** The Royal College of Paediatricians and Child Health (RCPCH) said “the Strategy needs to be backed up by measurable national targets” and that “without a fully funded and joined-up delivery plan with clear milestones, timelines and targets, the strategy is unlikely to deliver on its objectives”.<sup>282</sup>

**222.** The Bevan Foundation told Members that the Strategy could do more regarding supporting childcare parents of nought to four year olds through the roll out of baby bundles or baby grants and enhancing the value of Healthy Start vouchers. Whilst accepting these would all come at a cost, they didn’t “think the costs are huge in proportion to the gains that would be made”.<sup>283</sup>

**223.** They went on to highlight the need to introduce “help for families with a nought to four-year-old” as:

*“... half of children who are in poverty have a sibling who is aged nought to four, and not many of the Welsh Government’s interventions, for understandable reasons, actually reach nought to four-year-olds in terms of supporting families, and yet*

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<sup>279</sup> [Finance Committee, RoP, 15 January 2025, paragraph 320](#)

<sup>280</sup> [Finance Committee, RoP, 23 January 2025, paragraph 156](#)

<sup>281</sup> [Welsh Government, Child Poverty Strategy for Wales 2024, July 2024](#)

<sup>282</sup> [Finance Committee, Consultation Response: Royal College of Paediatricians and Child Health](#)

<sup>283</sup> [Finance Committee, RoP, 15 January 2025, paragraph 378](#)

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*it's a time when incomes fall because mothers are often not working because they're on maternity leave, and where costs can be really quite high, the cost of having a new baby.*<sup>284</sup>

**224.** Whilst acknowledging that the introduction of a baby bundle might not be the only solution, the Bevan Foundation noted it was “very disappointing that, after such positive reports from the evaluation” that baby bundles aren’t universal.<sup>285</sup>

**225.** The Cabinet Secretary told us the “scope of baby bundles has had to be drawn in”. He explained:

*“It was originally meant to be for every child; it’s now going to be focused on children born in Flying Start areas. There is some work being done to make sure that the content of the baby bundles matches the needs of those communities in the best way possible, and, then, the baby bundle scheme will go ahead, albeit on that reduced geography.”*<sup>286</sup>

**226.** The Cabinet Secretary confirmed that this approach would allow for expansion in the future when circumstances allow.<sup>287</sup>

## Childcare

**227.** In its Draft Budget 2025-26, the Welsh Government states it is investing an additional £20 million to support its “flagship Childcare Offer”, which it notes will “help ensure the sustainability of the sector, support the workforce and improve the settings and parental choice”.<sup>288</sup>

**228.** However, the Cabinet Secretary told us that the £20 million won’t “completely” address the two major pressures in childcare, those being, raising the hourly rate for providers and the roll out of Phase 3 of the Flying Start programme.<sup>289</sup>

**229.** The Cabinet Secretary explained:

*“... childcare has not been deprioritised—it’s getting £20 million more than it would have done without the budget—but if you*

<sup>284</sup> [Finance Committee, RoP, 15 January 2025, paragraph 307](#)

<sup>285</sup> [Finance Committee, RoP, 15 January 2025, paragraph 308](#)

<sup>286</sup> [Finance Committee, RoP, 23 January 2025, paragraph 154](#)

<sup>287</sup> [Finance Committee, RoP, 23 January 2025, paragraph 154](#)

<sup>288</sup> [Welsh Government, Draft Budget 2025-26, December 2024, pages 20-21](#)

<sup>289</sup> [Finance Committee, RoP, 12 December 2024, paragraph 53](#)

*ask me for an example of where, had we had even more money to disperse, I might have gone to provide extra, I think that's one example of where more money could have been used to do even more next year.”<sup>290</sup>*

**230.** Stakeholders told us the Draft Budget was a “regrettable missed opportunity to address the fundamental issues with childcare in Wales”<sup>291</sup> and that despite welcome investments:

*“... it's against cuts in the previous two years, and it feels a little bit like an exercise in smoke and mirrors insofar as we're perhaps not getting the investment into childcare this year that we would expect ...”<sup>292</sup>*

**231.** WEN Wales and WWBG told us:

*“This is the money budget, right, and we feel that perhaps we have learnt lessons—this has learnt lessons—but we're not looking at structural issues within childcare, and we're not doing much more than mitigating the cuts that have come in the last year or two.”<sup>293</sup>*

**232.** They went on to say that whilst they assume some of the additional £20 million will support the uplift in the hourly rate for service providers, the uplift won't be to a level that “providers say that they need to be at in order to be able to provide sustainable childcare.” They added:

*“... we really welcome £20 million—it's not to be sniffed at—but we are concerned that it's not looking at structural issues that we see around the provision of childcare.”<sup>294</sup>*

**233.** A number of stakeholders also shared their concerns regarding the roll out of Phase 3 of the Flying Start programme. With WEN Wales and WWBG raising concerns that the funding of the roll out is not mentioned within the Draft Budget, before going on to say:

*“We feel that a focus on Flying Start would be incredibly important—it's a flagship, wonderful scheme, but it's very limited*

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<sup>290</sup> Finance Committee, RoP, 12 December 2024, paragraph 53.

<sup>291</sup> Finance Committee, Consultation Response: Wales Women's Budget Group and Women's Equality Network (WEN).

<sup>292</sup> Finance Committee, RoP, 8 January 2025, paragraph 282.

<sup>293</sup> Finance Committee, RoP, 8 January 2025, paragraph 282.

<sup>294</sup> Finance Committee, RoP, 8 January 2025, paragraph 306.



*in its accessibility. And, again, I think we would like to see more medium to long-term thinking throughout.*<sup>295</sup>

**234.** National Children’s charities acknowledged that:

*“We welcome the recent expansion of Flying Start but want to see an enhanced childcare offer for all 0-4 year-olds across Wales, ensuring all children living in poverty are able to access high quality childcare regardless of their parents work status.”*<sup>296</sup>

**235.** When asked if Phase 3 of the Flying Start programme would be funded in next year’s budget the Cabinet Secretary explained that he is committed that the roll out will be funded in the Final Budget. However, he went on to say they are still looking at how much it would cost for local authorities to implement Phase 3. He concluded:

*“The Cabinet Secretary concerned has found the money for the hourly rate uplift, because there were two cost pressures in relation to childcare—the hourly rate and phase 3. My ambition is to assist with phase 3 funding in the final budget.”*<sup>297</sup>

**236.** When asked how the Draft Budget could better support childcare, a representative from WEN Wales and WWBG suggested the Welsh Government should fund a review of fundamental underlying structural difficulties and find solutions to them. Whilst accepting such a review would come at a cost, they anticipated these costs would be “modest”.<sup>298</sup>

**237.** Some of the changes to the system suggested by WEN Wales and WWBG include:

- a single application mechanism for childcare provision, which could be implemented with “relatively modest funding”;
- additional funding to uplift the hourly rate of childcare providers from £5 to £7.50; and
- capital funding or ring-fencing of it for premises.<sup>299</sup>

<sup>295</sup> Finance Committee, RoP, 8 January 2025, paragraph 306

<sup>296</sup> Finance Committee, Consultation Response: National Children's charities

<sup>297</sup> Finance Committee, RoP, 23 January 2025, paragraph 152

<sup>298</sup> Finance Committee, RoP, 8 January 2025, paragraph 345

<sup>299</sup> Finance Committee, RoP, 8 January 2025, paragraph 347

**238.** WEN Wales and WWBG suggested that “targeted interventions could make for a sustainable long-term provision of childcare” which in turn could address:

*“... the Cabinet Secretary for Finance’s concerns around the workforce in the next 20 years. He’s spoken about needing more people to come back into work. We’re going to find it very difficult to do that without the provision of childcare, and if we try to do that at the exclusion of women, that will be detrimental to our entire society.”<sup>300</sup>*

**239.** They concluded a focus on childcare:

*“... would be the right thing to do, for there to be more money, recognising the cuts in recent years, but also for that money to be spent in a strategic way that allows for us to develop a smarter, better, more accessible, more effective overarching system.”<sup>301</sup>*

## **Winter Fuel Payments**

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**240.** On 9 September 2024, the Chancellor of the Exchequer announced that households in England and Wales would no longer be entitled to the Winter Fuel Payment unless they receive Pension Credit or certain means-tested benefits.<sup>302</sup>

**241.** Age Cymru shared their concerns about this change:

*“We understand that the decision to means test Winter Fuel Payments was one made by UK Government, however, we want to see more focus on financial support in the Welsh Government budget for those older people missing out on the Winter Fuel Payment and cannot afford to do so.”<sup>303</sup>*

**242.** They added around 18 per cent of older people are in relative income poverty and that they:

*“... are worried that they’ll not be able to budget and are already doing everything they can to save money, with some people*

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<sup>300</sup> Finance Committee, RoP, 8 January 2025, paragraph 348

<sup>301</sup> Finance Committee, RoP, 8 January 2025, paragraph 379

<sup>302</sup> House of Commons Research Briefing, Changes to Winter Fuel Payment eligibility rules, September 2024

<sup>303</sup> Finance Committee, Consultation Response: Age Cymru

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*telling us that they are choosing between eating and heating.”<sup>304</sup>*

**243.** When asked what support the Welsh Government would provide for those who have lost these payments as a result of the changes to the entitlement criteria, the Cabinet Secretary confirmed the Fuel Bank Foundation would be available to those who qualify for it.<sup>305</sup>

**244.** However, the Bevan Foundation had concerns about how effective the Fuel Bank Foundation would be at reaching groups of older people:

*“... from what we can tell, it’s delivered through crisis organisations, and older people are very unlikely—well, they are less likely, not unlikely—they are less likely to use those crisis organisations ...”<sup>306</sup>*

**245.** The Bevan Foundation told the Committee that there are two groups which have been hit hardest by the loss of the winter fuel payments: those who don’t claim pension credit despite being eligible to and those who are just above the pension credit threshold. They also noted:

*“... that pensioners tend to live in much less energy efficient homes than the rest of the population and are more likely not to have central heating and to be off the gas grid as well. So, we’ve got a really toxic mix going on there.”<sup>307</sup>*

**246.** Written evidence from Oxfam Cymru also highlighted the need for additional support with regards to fuel poverty:

*“Fuel poverty remains a pressing issue; during this period, nearly 6,000 individuals received help with fuel vouchers, reflecting an ongoing crisis in household energy affordability.”<sup>308</sup>*

**247.** National Energy Action Cymru noted that an estimated 98 per cent of all lower income households now live in fuel poverty. They went on to say:

*“Of the three key drivers of fuel poverty, it is energy efficiency that sits most squarely within the Welsh Government’s control*

<sup>304</sup> Finance Committee, Consultation Response: Age Cymru

<sup>305</sup> Finance Committee, RoP, 12 December 2024, paragraph 142

<sup>306</sup> Finance Committee, RoP, 15 January 2025, paragraph 340

<sup>307</sup> Finance Committee, RoP, 15 January 2025, paragraph 339

<sup>308</sup> Finance Committee, Consultation Response: Oxfam Cymru

*and is a primary focus of its flagship programme to tackle fuel poverty: the Warm Homes Programme.”<sup>309</sup>*

**248.** The Bevan Foundation explained that whilst the Warm Homes Programme is “better designed than the previous iterations” not enough funding is allocated to it and as such, there is not “enough to improve the insulation in the number of homes on the scale that’s needed”.<sup>310</sup>

**249.** The Cabinet Secretary highlighted that, as a result of the single advice fund, more pensioners are now claiming pension credit and as a result:

*“... they won’t just get the winter fuel allowance as a result, because pension credit is a passport benefit and it opens the door to other parts of the system to get help. So, there will be more people getting that help for that reason ...”<sup>311</sup>*

**250.** A representative from Citizens Advice Cymru (CAC) highlighted that they have received concerns from individuals regarding the thresholds to receive winter fuel payment which in turn has resulted in CAC directing an additional 2,500 to 3,000 pensioners to apply for the pension credit. They went on to say that even with the single advice fund and Discretionary Assistance Fund (DAF), when you combine the impact of the loss of the winter fuel combined with other cost of living pressures, the support available isn’t keeping up with the level of demand.<sup>312</sup>

## Committee View

**251.** The Committee notes the principles that underpin the funding decisions outlined in the Draft Budget, and their aim of supporting people’s health, boosting the economy and helping those who need it the most. These are laudable and we welcome the Welsh Government’s emphasis on delivering a “brighter future” through this Draft Budget. However, the evidence we heard suggests that it is unclear whether the measures proposed match up to that rhetoric.

**252.** In particular, we heard from multiple stakeholders that there is an imbalance within the Draft Budget between funding front line services and longer-term preventative spending, which the Committee believes is at odds with the Cabinet Secretary’s assertion that the Welsh Government is moving money in

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<sup>309</sup> Finance Committee, Consultation Response: National Energy Action Cymru

<sup>310</sup> Finance Committee, RoP, 15 January 2025, paragraph 339

<sup>311</sup> Finance Committee, RoP, 12 December 2024, paragraph 143

<sup>312</sup> Finance Committee, RoP, 8 January 2025, paragraph 291

a more preventative direction. In fact, in our opinion, the narrative is more focused on firefighting issues which has led to short-term, reactive spending decisions by the Welsh Government, at the expense of longer-term, strategic budgeting.

**253.** In recent years we have made recommendations for the Welsh Government to provide evidence demonstrating how preventative spending is being prioritised and to quantify the impact of preventative initiatives in the budget.<sup>313</sup> We reiterate this view and also ask the Cabinet Secretary to work with the Commissioner to agree a set of definitions about what is meant by preventative spend and to provide an update to the Committee on those discussions.

**Recommendation 19.** The Committee recommends that the Cabinet Secretary explains how the Draft Budget is moving money to support preventative measures, broken down for each Main Expenditure Group, and that this is provided ahead of the Final Budget debate.

**Recommendation 20.** The Committee recommends that the Cabinet Secretary works with the Future Generations Commissioner to agree an updated definition of what is meant by preventative spend, for inclusion in the Draft Budget narrative for 2026-27 and that an update on these discussions is provided by the summer recess.

**254.** We heard from multiple stakeholders that, whilst the SIIA was robust in certain areas, it could be improved, particularly in making a clearer link between spending allocations and their respective impacts across portfolio areas. The Committee notes with concern the conclusions of the Commissioner that the assessment process should have picked up on a range of negative impacts across the four dimensions of well-being. The Committee made recommendations last year aimed at improving how the SIIA reflected the ways of working within the Future Generations and Well-being (Wales) Act 2015 and it is disappointing that issues persist.<sup>314</sup> Nonetheless we welcome that the Commissioner is now working with the Welsh Government to review its impact assessment work and we look forward to seeing this progress in this area ahead of the next budget round.

**255.** The Committee also notes evidence which suggests that engagement with stakeholders on this aspect of the budget process could be improved, and ask the Welsh Government to develop budgetary impact assessments that better explain outcomes to those organisations that reflect everyday concerns.

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<sup>313</sup> Finance Committee, Scrutiny of the Welsh Government Draft Budget 2024-25, February 2024, page 54

<sup>314</sup> Finance Committee, Scrutiny of the Welsh Government Draft Budget 2024-25, February 2024, page 54

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**Recommendation 21.** The Committee recommends that the Cabinet Secretary works with the Future Generations Commissioner to review its Strategic Integrated Impact Assessment to ensure it accurately reflects the ways of working outlined in the Well-being of Future Generations (Wales) Act 2015, and provides an update on those discussions ahead of the summer recess.

**Recommendation 22.** The Committee recommends that the Cabinet Secretary evaluates the documents it produces to assess the impact of the budget, to make it as straightforward as possible for stakeholders to identify how budgetary decisions align with the Welsh Government's aims.

**256.** The Committee has previously recommended that the Welsh Government publishes the remaining two gender budget pilots.<sup>315</sup> We are therefore deeply disappointed that these are still to be published but also welcome the commitment that they will be published over the coming months. However, we share the frustrations raised by stakeholders that it is difficult to set out the next steps for gender budgeting without having seen all the results. As a result, the Committee calls on the Welsh Government to work with stakeholders in determining how gender budgeting is further integrated to future budget cycles, as soon as the pilots are publicly available.

**Recommendation 23.** The Committee recommends that the Welsh Government publishes, as a matter of urgency, the results of the remaining gender budget pilots and works with stakeholders to reflect the results in future budget cycles.

**257.** The Committee notes the evidence received which clearly suggests that the cost of living crisis has not gone away and that it has sadly become entrenched in the daily lives of many across Wales. We do not believe that the Draft Budget prioritises action in this area sufficiently and are disappointed that the Welsh Government is pivoting away from providing acute cost of living support.

**258.** We note that the Draft Budget aims to have the greatest impact upon the 20 per cent of the population who have the least. However, we heard evidence which pointed that this was inaccurate, with most resources in the Draft Budget going to the second poorest 20 per cent instead. Whilst we note the positive interventions made by the Welsh Government to support those on low incomes (which are discussed in greater detail below), we agree with stakeholders that more could be done to ensure that funds are targeted at the most in need.

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<sup>315</sup> Finance Committee, Scrutiny of the Welsh Government Draft Budget 2024-25, February 2024, page 54

**259.** We also found it telling that the Expert Group on the Cost of Living Crisis hasn't met in over a year. Used appropriately, we are of the view that such a committee could support the Welsh Government in delivering its key principle in this area, and urge its establishment at the earliest opportunity.

**Recommendation 24.** The Committee recommends that the Cabinet Secretary establishes a Standing Committee on the Cost of Living and Poverty as a matter of urgency in order to ensure that support for those most in need is provided, and that an update on progress on this issue is provided by the summer recess.

**260.** The Committee welcomes the introduction of a Baby Bundle scheme which provides a simple way of supporting families of young children during a period of increased financial pressure. However, we are disappointed that this won't be a Wales-wide initiative. Whilst we note the reasons why they may only be introduced initially in Flying Start areas, we believe that further clarification is required to explain how the scheme will be rolled out in the long term.

**Recommendation 25.** We recommend that the Cabinet Secretary provides details of where and when the Welsh Government's Baby Bundle scheme will be rolled out, and if they are not provided universally across Wales, to explain the reasons for this, and for such information to be provided ahead of the Final Budget debate.

**261.** The Committee welcomes the additional £20 million that is being invested in childcare. However, we also note that this investment follows years of funding cuts in this area and, as such, we are not convinced that the levels of funding provided in the Draft Budget are sufficient to deliver sustainable support for childcare.

**262.** We welcome that the further roll out of the Flying Start programme will help bring families and young children out of poverty. However, the Committee is concerned that the Draft Budget doesn't confirm that funding is available for the roll out of Phase 3 of the programme. We welcome that the Cabinet Secretary plans to outline funding for the roll out in the Final Budget but we believe that further clarity is required on this issue to provide families with a clear understanding regarding the roll out of Phase 3, with a clear indication of associated timeframes.

**Recommendation 26.** The Committee recommends that the Cabinet Secretary:

- confirms the costs associated with the roll out of Phase 3 of Flying Start;
- issues an update on the proposed full roll out of the Flying Start programme, including the associated timeframes; and

- for these to be provided ahead of the Final Budget debate.

**263.** The Committee notes the changes to the eligibility criteria for those who are entitled to receive Winter Fuel Payments and we welcome the mechanisms of support provided by the Welsh Government to those who have lost these payments. Whilst we note the Cabinet Secretary's statement outlining how those affected can access support<sup>316</sup>, we share the concerns raised by a number of stakeholders that older people may not be aware that such support is available. As such, the Committee believes that the Welsh Government should do more to signpost those individuals to the support which is available to them.

**Recommendation 27.** The Committee recommends that the Cabinet Secretary works with support and charitable organisations, including those bodies representing older people, to ensure that those who are eligible to receive financial support in lieu of the Winter Fuel Payments are able to do so.

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<sup>316</sup> [Welsh Government, Written Statement by the Cabinet Secretary for Social Justice, Trefnydd and Chief Whip: Tackling Poverty, 27 January 2025](#)

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## 5. Budget Priorities

**264.** While noting it spends more per person on local government, health, social care and education than in England,<sup>317</sup> the Welsh Government acknowledges it continues to face pressures<sup>318</sup> and the overall financial climate “remains challenging”.<sup>319</sup> It noted:

*“... many services are fragile and unable to withstand any further shocks. Too many services are too close to the brink.”<sup>320</sup>*

### NHS Wales

**265.** In terms of resource funding, the Welsh Government is allocating a further £435 million for health and social care in the Draft Budget, which is in addition to the extra funding it provided for NHS frontline services in 2024-25.<sup>321</sup>

**266.** The Welsh Government said:

*“Taken together, our investment over the last two years in health and social care is £880m or 8%, most of this supports workforce pay.”<sup>322</sup>*

**267.** The Draft Budget is aligned with the First Minister’s four priorities, which includes “Iechyd Da – A Healthier Wales”,<sup>323</sup> and states:

*“The Draft Budget reflects our priority to continue to reduce the longest NHS waiting times, including for mental health, and improve access to social care and services for women’s health.”<sup>324</sup>*

**268.** Whilst it agreed with the Welsh Government’s budget priorities, the Welsh NHS Confederation reflected on the financial settlement for 2025-26 and the increase in demand for healthcare services. It said:

*“... there’s a huge challenge out there, a huge amount to be delivered, and the financial settlement is very tight if you factor*

<sup>317</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 3](#)

<sup>318</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 19](#)

<sup>319</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 4](#)

<sup>320</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 3](#)

<sup>321</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 19](#)

<sup>322</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 19](#)

<sup>323</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 19](#)

<sup>324</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 19](#)

*in the huge increase in demand for health and social care services that we're seeing across Wales, as well as inflationary pressures. The demand leads to you needing more money, you need more people, you need more equipment.*"<sup>325</sup>

**269.** In terms of whether the Draft Budget provides sufficient funding for the NHS to address capacity issues such as waiting lists, the Cabinet Secretary told the Committee:

*"I am satisfied that there's adequate funding there [in the Draft Budget 2025-26] to allow the Cabinet Secretary for health to make inroads into those waiting lists and waiting times, and for him to be able to pursue the other priorities he's identified."*<sup>326</sup>

**270.** However, the Cabinet Secretary added in a later evidence session:

*"My job is to allocate the resources and then it's Cabinet colleagues' responsibility to decide how to match those resources against the calls that they face for them."*<sup>327</sup>

**271.** On this point, the Welsh NHS Confederation said:

*"Inroads will be made, I'd agree with that, but we need this on a sustainable basis; it isn't just a one-off. I think the Cabinet Secretary, Ministers and politicians in all parties agree that that challenge is huge. The amount of activity and treatment being carried out by the NHS is going up and up, but the funding isn't."*<sup>328</sup>

## **NHS Productivity and Outcomes**

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**272.** In a press release regarding the 2023-24 Accounts for Local Health Boards (LHBs), the Auditor General for Wales said:

*"The growing cumulative deficit for the NHS in Wales demonstrates that despite record levels of investment and higher than ever levels of savings, the statutory framework put*

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<sup>325</sup> Finance Committee, RoP, 15 January 2025, paragraph 150

<sup>326</sup> Finance Committee, RoP, 12 December 2024, paragraph 130

<sup>327</sup> Finance Committee, RoP, 23 January 2025, paragraph 121

<sup>328</sup> Finance Committee, RoP, 15 January 2025, paragraph 274

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*in place by the Welsh Government to drive financial sustainability in the NHS is not working.*<sup>329</sup>

**273.** He added:

*“Whilst there remains an urgent need for NHS bodies to continue to drive out cost inefficiencies in the way they work, this alone is unlikely to return the NHS to financial balance. More fundamental challenges now need to be grasped around the shape and infrastructure of the NHS, the level of funding it needs, its workforce challenges and how the demand for its services can be better managed. These are issues that should exercise the minds of politicians, government officials and NHS bodies and their partners in equal measure.”*<sup>330</sup>

**274.** In relation to productivity in the Welsh public sector, the IFS told the Committee:

*“... I’m not sure I detect the necessary sense of the urgency, really, to tackle the issues around public sector performance and productivity in Welsh public services that I would like to see.”*<sup>331</sup>

**275.** In terms of the Welsh NHS, it added:

*“NHS productivity is still well down on pre-COVID levels. I’m being a bit controversial here, but I think, to me at least, it’s clear that the Welsh NHS is performing worse on several key metrics than England, for example, which, of course, already is performing pretty poorly.”*<sup>332</sup>

**276.** It also said:

*“... I think in Wales, sometimes, we haven’t had, if you like, that really radical honesty that I think perhaps we’re starting to see a little bit of in Scotland, under significant pressure in terms of the amount of scrutiny that Scottish Government’s now facing on public services. But I think that the budget isn’t where we’d*

<sup>329</sup> [Audit Wales press release: All Health Boards breach break even duty amid deepening financial pressures – 29 August 2024](#)

<sup>330</sup> [Audit Wales press release: All Health Boards breach break even duty amid deepening financial pressures – 29 August 2024](#)

<sup>331</sup> [Finance Committee, RoP, 8 January 2025, paragraph 200](#)

<sup>332</sup> [Finance Committee, RoP, 8 January 2025, paragraph 200](#)

*want to see then all the detail on how you're going to transform services and how you're measuring performance. But I would like to see, I think, more of a focus, more of a sense of urgency on the necessity of reforming and improving productivity in public services and then improving outcomes delivered for people in Wales.*"<sup>333</sup>

**277.** In responding to some of the comments on productivity within NHS Wales, the Welsh NHS Confederation said:

*"... it is something we're definitely focusing on, and apologies if people are getting the impression for some reason that the NHS isn't focusing on that; it's critical. Demand is going up, money is staying the same; you've got to be focused on productivity at all levels."*<sup>334</sup>

**278.** The Welsh NHS Confederation also referred to the Ministerial Advisory Group NHS Performance and Productivity that is due to report in March 2025, which would prioritise "extra areas" to strengthen over the "medium to short and long term".<sup>335</sup>

**279.** In referring to the significant increase of capital funding in the Draft Budget for 2025-26, and how this could be utilised to drive productivity, the Cabinet Secretary said:

*"... it's over £3 billion for the first time—and in all those budget preparation meetings that lie behind the draft budget, my conversations with my colleagues were, 'If you can show me that you can use capital in a way that makes your revenue more efficient, that will increase the chances that I will be able to provide that money to you.' So, that's been a theme of this budget and its preparation."*<sup>336</sup>

## Digital Infrastructure

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**280.** In reflecting on the main barriers to achieving increased productivity in the NHS, the Welsh NHS Confederation referred to a lack of investment in digital infrastructure. It said:

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<sup>333</sup> Finance Committee, RoP, 8 January 2025, paragraph 201

<sup>334</sup> Finance Committee, RoP, 15 January 2025, paragraph 240

<sup>335</sup> Finance Committee, RoP, 15 January 2025, paragraph 247

<sup>336</sup> Finance Committee, RoP, 23 January 2025, paragraph 107

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*“... that sort of digital infrastructure, and the most commonly talked about is the patient record and sharing information about a patient between primary care and secondary care, between different organisations, between health and social care. We do need that longer term plan.”<sup>337</sup>*

**281.** Of the £614 million allocated for general capital funding to the Health and Social Care MEG for 2025-26, £40 million will be used for the Digital Priorities Investment Fund.<sup>338</sup>

**282.** The Cabinet Secretary told the Committee:

*“On the capital side, I probably am satisfied that the amount of capital available to the health service next year is probably at the top end of what the system can absorb. Because as everybody here... will know, it’s not just a matter of the money, it’s whether you’re geared up to be able to use the money. On the capital side, I definitely think that.”<sup>339</sup>*

**283.** The Cabinet Secretary also referred to the emergence of Artificial Intelligence in creating “major productivity shifts in modern economies”. He said:

*“... digital infrastructure is a gateway to the ability to use artificial intelligence in a way that drives productivity, and that’s a point that the Cabinet Secretary for health is, I know, very alert to in the spending decisions that he will make.”<sup>340</sup>*

## Social Care

**284.** As well as providing funding through the Revenue Support Grant (RSG) for local government, the Welsh Government says it supports social care via a series of funds and grants, including more than £140 million of directed funding, which will be maintained in 2025-26.<sup>341</sup>

**285.** In its response to the Committee’s consultation, the WLGA sets out £559 million of local authority pressures for 2025-26, of which social care accounts for £223 million.<sup>342</sup> It told the Committee:

<sup>337</sup> [Finance Committee, RoP, 15 January 2025, paragraph 250](#)

<sup>338</sup> [Welsh Government, Infrastructure Finance Plan 2025 – 2026, December 2024](#)

<sup>339</sup> [Finance Committee, RoP, 12 December 2024, paragraph 130](#)

<sup>340</sup> [Finance Committee, RoP, 23 January 2025, paragraph 114](#)

<sup>341</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 21](#)

<sup>342</sup> [Finance Committee, Consultation Response: WLGA](#)

*"We are seeing continued growth and complexity both in children and adult social care support needed, and that is an extreme budget pressure."*<sup>343</sup>

**286.** In relation to the allocation of funding for social services in the Draft Budget, Association of Directors of Social Services (ADSS) Cymru said:

*"... there is a significant gap between the funding that has been made available and the funding that's required."*<sup>344</sup>

**287.** In reference to the Vale of Glamorgan Council, ADSS Cymru added:

*"I'm really fortunate—I work for a council that is putting way more than 3.4 per cent into the social services budget, but that is coming at a cost to other council services. But it still doesn't deal with the overall financial challenge. And I think I probably have reached the stage where I believe that the funding for social care is fundamentally broken and that that needs to be resolved either by the Welsh Government or by the UK Government, because I don't think we can continue in the way that we are at the moment."*<sup>345</sup>

**288.** In relation to medium and long-term planning and the prospect of local authorities managing with less favourable funding settlements in the future, the WLGAsaid:

*"... one of the areas, in particular, we've been focusing on is about how do we avoid some of the demand in the future, social care in particular. So, there's a lot more support now about how we keep people in their own homes and putting more and more investment in new technology, new adaptations et cetera to support people. It's cheaper to support people in their own homes, but it's also a better outcome and the overwhelming majority of people are saying they want to be supported in their own home."*<sup>346</sup>

**289.** As to the extent that local authorities will be able to protect social care services in 2025-26 and future years, the WLGAsaid:

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<sup>343</sup> Finance Committee, RoP, 15 January 2025, paragraph 17

<sup>344</sup> Finance Committee, RoP, 15 January 2025, paragraph 153

<sup>345</sup> Finance Committee, RoP, 15 January 2025, paragraph 179

<sup>346</sup> Finance Committee, RoP, 15 January 2025, paragraph 98

*“... we take a differentiated approach where we might look at transformation of services, we might look at rationalising services, we might look at fees and charges. There’s always a whole range of things that we can do, and social care is one where we actually do that, and I think that that is playing out for most local authorities.”<sup>347</sup>*

**290.** The Cabinet Secretary commended local authorities on aligning resources with core responsibilities, such as social care and education. He told the Committee:

*“... in very tough times, you will see, across Wales, that local authorities have prioritised their social care responsibilities and their education responsibilities, and that they have moved their money to match those things.”<sup>348</sup>*

**291.** On the possibility of allocating additional funding for social care in the Welsh Government’s Final Budget, he went on to say:

*“I can’t make any promises today, but social care is one of the cases that does come through very strongly in the evidence committees have heard.”<sup>349</sup>*

## **NHS and Social Care Workforce**

**292.** The Welsh Government said that the resource funding allocated in the Draft Budget, will amongst other things:

*“... support a 2025-26 pay award for the [NHS] workforce, building on the additional funding provided in 2024-25.”<sup>350</sup>*

**293.** In its consultation response, the Welsh NHS Confederation identified ‘workforce’ as one of its eight priorities for support in the 2025-26 Draft Budget.<sup>351</sup> It noted that “a sustainable workforce is essential for a sustainable NHS”.<sup>352</sup>

**294.** In referring to the need for a fully funded NHS workforce plan, the Welsh NHS Confederation said:

<sup>347</sup> Finance Committee, RoP, 15 January 2025, paragraph 109

<sup>348</sup> Finance Committee, RoP, 23 January 2025, paragraph 133

<sup>349</sup> Finance Committee, RoP, 23 January 2025, paragraph 134

<sup>350</sup> Welsh Government, Draft Budget 2025-26, December 2024, page 20

<sup>351</sup> Finance Committee, Consultation Response: Welsh NHS Confederation

<sup>352</sup> Finance Committee, Consultation Response: Welsh NHS Confederation

*“There are things that we need to invest in now, if we’re going to have a sustainable and effective service in the future. A really good example is that we’ve called multiple times for there to be a fully funded, costed NHS workforce plan, which we still don’t have in Wales, but that is critical if you look at the time lag to train clinical professionals.”<sup>353</sup>*

**295.** It also noted:

*“We also know that, in areas where waiting lists are most challenged, things like ophthalmic services or orthopaedic services, the age profile of the registered health professional is... mid 50s plus, who are likely to retire.”<sup>354</sup>*

**296.** The Draft Budget for 2025-26 allocated “more than £20m” towards the education and training budget for the NHS workforce, which included support for the expansion of the North Wales Medical School and additional postgraduate medical and dental training places.<sup>355</sup>

**297.** However, the Welsh NHS Confederation noted the Welsh Government’s investment in this area for 2024-25 was held at the same level as 2023-24, which was around £20 million lower than recommended in the Health Education and Improvement Wales (HEIW) Education and Training Plan 2024-25.<sup>356</sup>

**298.** It added:

*“Investment in education and training is key to supporting recruitment into NHS Wales, improving retention and developing new workforce roles to support service transformation”<sup>357</sup>*

**299.** In its joint consultation response, ADSS Cymru and the WLGA flagged responses to the Social Care Wales’s workforce survey 2024, which indicated the fragility of the workforce, with ongoing recruitment and retention challenges.<sup>358</sup> They also noted:

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<sup>353</sup> [Finance Committee, RoP, 15 January 2025, paragraph 203](#)

<sup>354</sup> [Finance Committee, RoP, 15 January 2025, paragraph 203](#)

<sup>355</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 20](#)

<sup>356</sup> [Finance Committee, Consultation Response: Welsh NHS Confederation](#)

<sup>357</sup> [Finance Committee, Consultation Response: Welsh NHS Confederation](#)

<sup>358</sup> [Finance Committee, Joint Consultation Response: ADSS Cymru and WLGA](#)

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*“Workforce stability is also a major concern, with fears that continued underfunding will exacerbate staff shortages and demoralisation.”<sup>359</sup>*

**300.** ADSS Cymru told the Committee the impact of the recruitment challenges was “quite different” for social care and social workers.<sup>360</sup>

**301.** In reference to social care workers in the Vale of Glamorgan Council, the ADSS said:

*“For the care workforce, the new staff are almost all—I think the actual figure is 99 per cent in my region—coming from overseas. And that is a concern, particularly given some of the changes in the visa requirements and so on. So, we are likely to see a problem re-emerge in terms of sufficient availability.”<sup>361</sup>*

**302.** In relation to social workers, it added:

*“I think that the main challenge we’ve experienced has been within children’s social work, where there are significant challenges in terms of being able to work, given that increased demand ... and I guess some of the societal changes that have happened over the last dozen years. That has made that job far less desirable, if I’m quite honest.”<sup>362</sup>*

## Local Government

**303.** In the Provisional Local Government Settlement for 2025-26, local authorities will receive £6.1 billion from the Welsh Government RSC and non-domestic rates (NDR). This increases core revenue funding for local government by £253 million, or 4.3 percent on a like-for-like basis compared to 2024-25.<sup>363</sup> The Welsh Government says this increase reflects the “additional pressures being experienced by local authorities”.<sup>364</sup>

**304.** The Welsh Government also says its funding decisions:

*“... recognise our critically important policy and delivery agenda in social care including steps towards the removal of profit from*

<sup>359</sup> [Finance Committee, Joint Consultation Response: ADSS Cymru and WLGA](#)

<sup>360</sup> [Finance Committee, RoP, 15 January 2025, paragraph 220](#)

<sup>361</sup> [Finance Committee, RoP, 15 January 2025, paragraph 220](#)

<sup>362</sup> [Finance Committee, RoP, 15 January 2025, paragraph 221](#)

<sup>363</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 26](#)

<sup>364</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 21](#)

*children's care, continuing the real living wage, improving access to social care and maintaining the care cap at £100 per week alongside supporting the 'whole system' approach to care closer to home.*"<sup>365</sup>

**305.** The WLGA's evidence outlines that social care accounts for £223 million of pressures in 2025-26, schools for £120 million, and other local authority services for £224 million.<sup>366</sup> Demand related pressures account for £242 million of total pressures in 2025-26, with inflationary pressures accounting for just over £320 million of the total.<sup>367</sup>

**306.** In commenting on the financial pressures faced by local authorities, the Society of Welsh Treasurers said:

*"In general, pressures impacting on local authorities are immense. We're talking about figures of more than 7 per cent increases in our costs across all services, and with social services being such a key part of local authority budgets, the pressure that we're seeing there obviously has a huge impact on the council, but then, more generally, that has a wider impact on other services as we look to be able to fund the pressures that we are seeing across our social services. I think social services and schools are probably the two biggest areas of challenge for us."*<sup>368</sup>

**307.** In its response to the 2025-26 Local Government Settlement, the WLGA welcomed the Welsh Government's commitment to supporting local government and its engagement with the sector. However, while recognising the pressures on the public purse, it said:

*"... this settlement will be a difficult pill for many authorities to swallow. The demand on services such as social care, education, and housing are ever-increasing. Without the funding necessary to address those demands and rising costs, the ability of our essential local services to fulfil statutory duties, and support residents' needs will be severely impeded."*<sup>369</sup>

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<sup>365</sup> [Letter from the Cabinet Secretary for Housing and Local Government to Leaders of County and County Borough Councils in Wales, 11 December 2024](#)

<sup>366</sup> [Finance Committee, Consultation Response: WLGA](#)

<sup>367</sup> [Finance Committee, Consultation Response: WLGA](#)

<sup>368</sup> [Finance Committee, RoP, 15 January 2025, paragraph 155](#)

<sup>369</sup> [WLGA press release: WLGA responds to the 2025-26 local government settlement, 11 December 2024](#)

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## Financial Resilience

**308.** In her letter to local authorities, the Cabinet Secretary for Housing and Local Government said that this year's increase in funding was aimed at responding, in particular, to pay and pressures in front-line services.<sup>370</sup>

**309.** While council leaders from Wrexham<sup>371</sup> and Flintshire<sup>372</sup> have expressed concerns on needing to issue a Section 114 report<sup>373</sup> and the threat of 'bankruptcy', the WLGA said:

*"I don't think that is on the cards for the coming 12 months."*<sup>374</sup>

**310.** On this issue, WFA told the Committee:

*"... in this current year, the talk about things like council bankruptcies and so on, that is off the agenda in terms of the current fiscal year and the following fiscal year. I think in future, we don't know; it depends on how tight the budget is. But in the current year and in 2025-26, certainly the pressure is far less than it could have been six months ago."*<sup>375</sup>

**311.** However, the WLGA shared WFA's concerns for the sustainability of local authority finances and services in future years. It went on to say:

*"The real truth of it is that any local authority could be a year or two away from a section 114 notice in the event that we don't control spending. I mentioned earlier about social care, and I don't think there's a local authority that's not overspending on social care because of the pressures. The difficulty is that some local authorities have had to cut non-statutory services significantly over the last decade, and if there isn't a lot more of those services left to cut, then that's where we get into the real difficulty, where statutory services could start to fail."*<sup>376</sup>

**312.** In her letter to local authorities, the Cabinet Secretary for Housing and Local Government said:

<sup>370</sup> [Letter from the Cabinet Secretary for Housing and Local Government to Leaders of County and County Borough Councils in Wales, 11 December 2024](#)

<sup>371</sup> [Local Government and Housing Committee, RoP, 8 January 2025, paragraph 17](#)

<sup>372</sup> [BBC News article: Council cuts and bankruptcy fears despite cash boost, 11 December 2024](#)

<sup>373</sup> [Local Government Finance Act 1988 \(Ch.41\)](#)

<sup>374</sup> [Finance Committee, RoP, 15 January 2025, paragraph 75](#)

<sup>375</sup> [Finance Committee, RoP, 8 January 2025, paragraph 212](#)

<sup>376</sup> [Finance Committee, RoP, 15 January 2025, paragraph 75](#)

*“While this is a significantly better settlement than was envisaged at the beginning of this year, I recognise that there will again be difficult local decisions to be made.”<sup>377</sup>*

**313.** She added:

*“Given the range of increases the government is open to considering providing additional floor funding at final budget.”<sup>378</sup>*

**314.** In responding to whether the use of a funding floor would be beneficial to local authorities, the WLGA said:

*“I think, in terms of the impact on those councils at the bottom of the distribution formula, a separately funded floor, funded from outside the settlement, I think would be a way of avoiding unwanted consequences in some of those councils.”<sup>379</sup>*

**315.** The Cabinet Secretary suggested that changes were possible in the Final Budget relating to this point, stating that:

*“But a funding floor that will assist those local authorities that are furthest away from the 4.3 per cent average is where my current explorations are concentrating.”<sup>380</sup>*

**316.** On local authorities achieving financial sustainability over the medium-term, Audit Wales reported in December 2024:

*“... many councils require a step-change in approach to move beyond setting an annually balanced budget to achieving value for money and financial sustainability over the medium-term.”<sup>381</sup>*

**317.** When asked about financial sustainability, the WLGA referred to the difficulties caused by one-year financial settlements in relation to medium and long-term planning for local authorities. It said:

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<sup>377</sup> [Letter from the Cabinet Secretary for Housing and Local Government to Leaders of County and County Borough Councils in Wales, 11 December 2024](#)

<sup>378</sup> [Letter from the Cabinet Secretary for Housing and Local Government to Leaders of County and County Borough Councils in Wales, 11 December 2024](#)

<sup>379</sup> [Finance Committee, RoP, 15 January 2025, paragraph 28](#)

<sup>380</sup> [Finance Committee, RoP, 23 January 2025, paragraph 137](#)

<sup>381</sup> [Audit Wales report: Financial sustainability of local government, December 2024](#)

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*“The difficulty is that, because we only get one-year financial settlements, we don’t know what’s facing us. So, for us to genuinely understand and plan ahead, we really do need to have a minimum three-year funding settlement.”<sup>382</sup>*

**318.** Adding that

*“It should be the hallmark of sensible governance to give us multi-year settlements, so that we can plan over a longer time period.”<sup>383</sup>*

**319.** The Cabinet Secretary acknowledged the financial stability provided by multi-year funding settlements and suggested that such a settlement could be offered to local authorities,<sup>384</sup> following the UK Spending Review which is due to conclude in June 2025.<sup>385</sup>

**320.** On other measures relating to the future financial stability of local authorities, the Cabinet Secretary referred to “capitalisation” and work being undertaken by the Cabinet Secretary for Housing and Local Government to:

*“... develop a protocol that would apply in circumstances of significant financial challenge. That isn’t about more money. That might be about giving local authorities some different ways of managing the money they have.”<sup>386</sup>*

## Education

**321.** In its consultation response, the WLGA said that local authorities had reported £92 million of in-year pressures added to schools’ budgets in 2024-25, with 30 per cent of the overspend relating to pay pressures.<sup>387</sup> In its evidence to Committee last year, the WLGA said:

*“Even the councils that have protected schools in recent years say that they cannot be given the same support in the future given the scale of funding gap.”<sup>388</sup>*

<sup>382</sup> Finance Committee, RoP, 15 January 2025, paragraph 78

<sup>383</sup> Finance Committee, RoP, 15 January 2025, paragraph 81

<sup>384</sup> Finance Committee, RoP, 23 January 2025, paragraph 145

<sup>385</sup> Finance Committee, RoP, 23 January 2025, paragraph 41

<sup>386</sup> Finance Committee, RoP, 23 January 2025, paragraph 146

<sup>387</sup> Finance Committee, Consultation Response: WLGA

<sup>388</sup> Finance Committee, Consultation Response: WLGA

**322.** The WLGA noted that schools face future pressures of £122 million in 2025-26, £111 million in 2026-27 and £112 million in 2027-28, with pay accounting for around 80 per cent of schools' pressure in each of these years.<sup>389</sup>

**323.** The WLGA also refers to the financial pressures faced by local authorities in relation to an increase in the number of learners with Additional Learning Needs (ALN) and the complexity of those needs, as well as ALN reform.<sup>390</sup> It noted that the Additional Learning Needs and Education Tribunal (Wales) Act 2018<sup>391</sup> is the main reason for the "escalation in costs".<sup>392</sup> On the increasing cost pressures of ALN, the WLGA said:

*"... one thing I'm concerned about is the increasing needs of ALN and not wanting to have schools losing teaching assistants particularly, who have been helping, especially in primary, with lots of the issues that have been exacerbated by the events of four, five years ago."*<sup>393</sup>

**324.** In referring to the financial pressures faced by schools and education, which included curriculum changes and additional learning needs reform, the Cabinet Secretary told the Committee:

*"... my sense of it comes much more from the information that Lynne Neagle will have provided to me as part of the budget-making process, and that's why we've been able to provide additional funding for that part of the Welsh Government's responsibilities, significantly in-year, as well as next year. The education MEG was the single biggest beneficiary of in-year additional funding ..."*<sup>394</sup>

**325.** On the increasing demand for ALN services, he noted:

*"... the growth in the number of young children identified as having additional learning needs is extraordinary, and actually quite hard for a lay person to understand."*<sup>395</sup>

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<sup>389</sup> [Finance Committee, Consultation Response: WLGA](#)

<sup>390</sup> [Finance Committee, Consultation Response: WLGA](#)

<sup>391</sup> [Additional Learning Needs and Education Tribunal \(Wales\) Act 2018, April 2024](#)

<sup>392</sup> [Finance Committee, Consultation Response: WLGA](#)

<sup>393</sup> [Finance Committee, RoP, 15 January 2025, paragraph 136](#)

<sup>394</sup> [Finance Committee, RoP, 23 January 2025, paragraph 148](#)

<sup>395</sup> [Finance Committee, RoP, 23 January 2025, paragraph 149](#)

## Transport

**326.** The Welsh Government has allocated additional funding of almost £70 million resource and £51 million capital to progress on “commitments to modernise our railway and deliver a better bus network, to fix our roads, and provide local choice on 20mph”.<sup>396</sup>

**327.** The Welsh Government is continuing to prioritise the Core Valleys Lines project “from a Victorian coal line to a modern Metro system”.<sup>397</sup> The total allocation to the rail capital budget (including non-Core Valleys Lines elements) is £181.6 million.

**328.** The Bevan Foundation noted spending on transport as an area “where the pattern is very regressive”, it said:

*“... if you look at spending on transport, for example, that favours the richest share of the population, and yet we know that one of the reasons why people on low incomes are unable to take advantage of opportunities is because of the costs and lack of availability of transport.”<sup>398</sup>*

**329.** In responding to this, the Cabinet Secretary stated that:

*“I do hear this argument from time to time that only posh people go on trains and other people go on buses, and that the Welsh Government’s emphasis on train expenditure is regressive. I don’t buy that completely.”<sup>399</sup>*

**330.** He added that the investment the Welsh Government will make in the core Valleys lines over a 10-year period is “transformative”, explaining that the Metro:

*“... is really going to transform the way in which opportunities for people in that part of Wales—economic opportunities—are generated.”<sup>400</sup>*

<sup>396</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 25](#)

<sup>397</sup> [Welsh Government, Draft Budget 2025-26, December 2024, page 25](#)

<sup>398</sup> [Finance Committee, RoP, 15 January 2025, paragraph 330](#)

<sup>399</sup> [Finance Committee, RoP, 23 January 2025, paragraph 165](#)

<sup>400</sup> [Finance Committee, RoP, 23 January 2025, paragraph 165](#)

**331.** The Cabinet Secretary also confirmed that:

*“Transport for Wales is expecting to see a 17 per cent increase in its farebox this year, and that’s pretty remarkable, given what’s happened in the post-pandemic era.”<sup>401</sup>*

## Committee View

**332.** Following the difficult financial situation faced by the Welsh Government at the Draft Budget stage last year, the Committee welcomes the additional funding available for 2025-26 but notes that the fiscal climate remains challenging. Although the Welsh Government said it is allocating an additional £1.5 billion in the Draft Budget for 2025-26 compared to 2024-25, the Committee is still concerned about the immediate, and long-term, protection this affords services, which the Draft Budget narrative itself acknowledges are “fragile” and “close to the brink”.

**333.** The Committee recognises the significant financial pressures faced by health, social care and the services provided by local government and that those sectors continue to face difficult decisions in terms of the services they provide. The Committee notes the increased demand for services across sectors which is leading to acute financial pressures in social care and local government in particular. We were particularly concerned to hear that funding for social care in Wales is “fundamentally broken”. This calls into question the resilience of these services and we call on the Cabinet Secretary to explain the steps being taken by the Welsh Government to address these concerns as a matter of urgency. This includes explaining what is being done to address these concerns and how the allocations in the Draft Budget reflect the increased demands for social care, especially given evidence received which suggests there is a gap between the funding provided and what’s required. The Committee also welcomes that the Cabinet Secretary was open to looking at providing additional funding for social care ahead of the Final Budget debate, and asks for the Committee to be kept updated on progress in this area.

**Recommendation 28.** The Committee recommends that the Cabinet Secretary explains how the allocations in the Draft Budget will address the increased demand for social care and outlines the actions the Welsh Government will take, as a matter of urgency, to address the social care funding model to ensure its future resilience and provides an update to the Committee by the Final Budget debate.

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<sup>401</sup> Finance Committee, RoP, 23 January 2025, paragraph 165



**Recommendation 29.** The Committee recommends that the Cabinet Secretary provides an update to the Committee on any additional funding the Welsh Government will provide to the social care sector and for associated purposes, ahead of the Final Budget debate.

**334.** Although the Committee welcomes the 4.3 per cent increase in the 2025-26 Provisional Local Government Settlement compared with 2024-25, the Committee notes the pressures that local services are under as well as the difficult funding outlook beyond 2025-26 and its likely impact on the financial sustainability of local government services in particular.

**335.** As we have noted in Chapter 2, the Committee welcomes a return to a regular programme of spending reviews at a UK level, as well as indications of a return to multi-year settlements in the near future. However, in the meantime, we call on the Cabinet Secretary to provide as much clarity as possible to local authorities on their funding position beyond 2025-26, once the UK Government Spending Review concludes in spring 2025.

**Recommendation 30.** Following the UK Government Spending Review, the Committee recommends the Cabinet Secretary provides local authorities with multi-year funding settlements, as a matter of urgency, to ensure greater financial stability and facilitate future planning.

**336.** The Committee is concerned to hear comments from some council leaders regarding possible ‘bankruptcies’ among local authorities in Wales but cautiously welcomes the evidence received from the WFA and the WLGA which indicates that such events in this fiscal year would be unlikely. However, with demand for services continuing to grow, particularly in social services and education, the Committee is concerned that the medium to long-term financial outlook for local authorities is not sustainable.

**337.** The Committee welcomes other initiatives mentioned by the Cabinet Secretary, including reference to “capitalisation” and the development of a “protocol” with the Cabinet Secretary for Housing and Local Government which aims to support local government with different ways of managing the money they have.

**338.** The Committee also notes that both the Cabinet Secretary for Housing and Local Government and the Cabinet Secretary for Finance and Welsh Language suggested that a funding floor could be included in the Final Budget to assist local authorities that have received the smallest percentage uplift through the Local Government Settlement. The Committee supports the use of a funding floor

for settlements in 2025-26 and calls on this approach to be implemented ahead of the Final Budget debate this year and for clear criteria to be set out for when such floors might be considered in future years.

**Recommendation 31.** The Committee recommends that the Cabinet Secretary considers a funding floor for local authorities in the Final Budget 2025-26 and provides the criteria used for deciding when, and at what level, to implement a funding floor.

**Recommendation 32.** The Committee recommends that the Cabinet Secretary provides further clarity on the protocol being developed between the Welsh Government and local authorities that would apply in circumstances of significant financial challenge, including timescales for implementation, by the Final Budget debate.

**339.** The Committee is encouraged to hear that the Welsh Government is providing clear guidance to LHBs on what they are expected to deliver for the funding allocated in 2025-26, and particularly that productivity is a key feature in the guidance for service delivery. We also note the assurances given by the Cabinet Secretary that there's adequate funding in the Draft Budget to allow the Cabinet Secretary for Health and Social Care to make inroads into waiting lists and waiting times.

**340.** However, the Committee is disappointed that once again, at the time of its consideration of the Draft Budget, the Welsh Government's allocations to LHBs and its NHS planning framework for the forthcoming year were not publicly available and open to scrutiny, despite having been issued to the sector. We were also disappointed that the Cabinet Secretary suggested the expectations on the outputs and deliverables for the funding allocations was not an area of his responsibility, despite these being raised as issues by the Committee in its previous budget scrutiny reports.

**341.** In particular, and in accordance with his responsibilities for budget monitoring and management across the Welsh Government, we would expect the Cabinet Secretary to challenge the expectations for delivery before agreeing funding for LHBs with the Cabinet Secretary for Health and Social Care.

**Recommendation 33.** The Committee recommends that the Welsh Government publishes the Local Health Board allocation letter for 2025-26 and NHS Wales Planning Framework for 2025-2028 before the Final Budget debate, and reiterates its recommendation that the Welsh Government should, as a matter of

course, make this information publicly available each year at the same time it is issued to the sector to facilitate scrutiny of the Draft Budget.

**342.** The Committee has previously reported its concerns with productivity levels in the NHS.<sup>402</sup> We note the comments from the Cabinet Secretary which confirms the NHS productivity is important to the Welsh Government and further note that the capital allocations in the Draft Budget will begin to make an inroad into this issue.

**343.** However, the Committee also notes comments from the IFS that suggests a lack of “urgency” and that “radical honesty” is needed when addressing the broader issues relating to productivity and performance in Welsh public services.

**344.** The Committee believes the Welsh Government could do more in this area, particularly in terms of assessing productivity across the public sector and in setting out improvements it expects in return for the capital funding provided. We note that the Cabinet Secretary told his Cabinet colleagues they would be more likely to receive additional capital funding if they could demonstrate it would make revenue more efficient, but the Committee does not believe that this link was made clear in the Draft Budget or the Infrastructure Finance Plan.

**Recommendation 34.** The Committee recommends that the Cabinet Secretary:

- explains how the Welsh Government is assessing productivity across the Welsh public sector;
- explains how the capital allocations are linked to making revenue more efficient; and
- outlines the improvements it expects from public services in 2025-26 in return for the capital funding provided, and that this information is provided ahead of the Final Budget debate.

**345.** The Committee notes comments from the Welsh NHS Confederation that a lack of investment in digital infrastructure is a major barrier to the NHS achieving greater productivity. Whilst we recognise that funding has been allocated in the Draft Budget for this purpose through the Digital Priorities Investment Fund, we call for further information about how the total was derived, the basis on which it will be allocated and how its use will be evaluated.

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<sup>402</sup> Finance Committee report: Scrutiny of the Welsh Government Draft Budget 2024-25 - February 2024

**Recommendation 35.** The Committee recommends that the Cabinet Secretary explains how the £40 million for the Digital Priorities Investment Fund within the Health and Social Care Main Expenditure Group was determined, how it will be allocated and how outcomes for this funding will be evaluated.

**346.** We have previously raised concerns about the recruitment and retention challenges faced by the NHS and social care sector.<sup>403</sup> While we note some improvements, we remain concerned that the overall picture still indicates a fragile workforce. We recommend that the Cabinet Secretary provides assurances that the funding allocated within the Draft Budget to address the recruitment and retention challenges in the NHS and social care sector is sufficient.

**347.** We note the role of education and training in supporting the recruitment and retention of staff in the NHS. While we welcome the allocation of more than £20 million towards the education and training budget for the NHS workforce in 2025-26, we call for assurances that the total funding being made available is in line with the HEIW Education and Training Plan for the year, given evidence by the Welsh NHS Confederation which indicated that it was lower than recommended.

**Recommendation 36.** The Committee recommends the Cabinet Secretary provides assurances that the funding allocated in the Draft Budget to alleviate workforce pressures in the NHS and Social Care workforce is sufficient to address the recruitment and retention challenges being faced.

**Recommendation 37.** The Committee recommends the Cabinet Secretary confirms whether the funding for the education and training of the NHS workforce reflects the Health Education and Improvement Education and Training Plan for 2025-26, with an explanation if this is not the case together with an assessment of the potential consequences.

**348.** The Committee notes the financial pressures faced by local authorities in relation to the provisions of education services, in particular the increasing cost pressure relating to Additional Learning Needs, which have seen an increase in demand and complexity. We also note the Cabinet Secretary's acknowledgement of the seriousness of this issue and that the growth in the number of young children identified as having additional learning needs is "extraordinary".

**349.** Whilst the Committee welcomes the additional funding outlined by the Cabinet Secretary for education in the Draft Budget, we would like further clarity

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<sup>403</sup> Finance Committee report: Scrutiny of the Welsh Government Draft Budget 2024-25 - February 2024

on the funding allocated to support Additional Learning Needs in particular, given current demand pressures.

**Recommendation 38.** The Committee recommends that the Cabinet Secretary outlines how funding is being prioritised to support Additional Learning Needs in the Draft Budget, and the outcomes it expects this funding to achieve, ahead of the Final Budget debate.

**350.** The Committee notes the funding allocated to public transport in the Draft Budget as well as the Cabinet Secretary's view that the investment into the Core Valleys Lines will be "transformative" over a ten year period. We also welcome that Transport for Wales is expecting to see a 17 per cent increase in its fare box this year.

**351.** The Committee has previously recommended that the Welsh Government provides further information on the funding provided to Transport for Wales, and details on the assumptions used to derive allocations, such as passenger numbers. We are interested to know whether these assumptions have changed in light of the increases in revenue from fares and ask the Cabinet Secretary for an update.

**Recommendation 39.** The Committee recommends that the Cabinet Secretary provides an update on the assumptions used to derive allocations to Transport for Wales in the Draft Budget ahead of the Final Budget debate.

## Annex 1: List of oral evidence sessions.

The following witnesses provided oral evidence to the committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed on the [Committee's website](#).

Date	Name and Organisation
12 December 2024	<p><b>Mark Drakeford MS, Cabinet Secretary for Finance and Welsh Language,</b> Welsh Government</p> <p><b>Andrew Jeffreys, Director Welsh Treasury,</b> Welsh Government</p> <p><b>Emma Watkins, Deputy Director, Budget and Government Business,</b> Welsh Government</p>
08 January 2025	<p><b>Richard Hughes, Chair,</b> <b>Office for Budget Responsibility (OBR)</b></p> <p><b>Professor David Miles, Budget Responsibility Committee Member,</b> Office for Budget Responsibility (OBR)</p> <p><b>Tom Josephs, Budget Responsibility Committee Member,</b> Office for Budget responsibility (OBR)</p> <p><b>David Phillips, Associate Director,</b> Institute for Fiscal Studies</p> <p><b>Dr Ed Poole, Senior Lecturer,</b> Wales Governance Centre (Wales Fiscal Analysis)</p> <p><b>Guto Ifan, Lecturer,</b> Wales Governance Centre (Wales Fiscal Analysis)</p> <p><b>Victoria Vasey, Director,</b> Women's Equality Network (WEN) Wales / Wales Women's Budget Group (WWBG)</p> <p><b>Simon Hatch, Director,</b> Citizens Advice Cymru</p> <p><b>Natalie Zhivkova, Policy and Insights Manager,</b> Wales Council for Voluntary Action (WCVA)</p>
15 January 2025	<p><b>Cllr Lis Burnett, Leader,</b> Vale of Glamorgan Council</p>

Date	Name and Organisation
	<p><b>Cllr Nia Jeffreys, Leader,</b> Gwynedd Council</p> <p><b>Cllr Anthony Hunt, Leader,</b> Torfaen County Borough Council</p> <p><b>Cllr Andrew Morgan, Leader,</b> Rhondda Cynon Taf Borough Council</p> <p><b>Darren Hughes, Director,</b> Welsh NHS Confederation</p> <p><b>Catherine Phillips, Executive Director of Finance,</b> Cardiff and Vale University Health Board and Chair of the Executive Directors of Finance Peer Group</p> <p><b>Lance Carver, Chair,</b> <b>Association of Directors of Social Services (ADSS) and</b> <b>Director of Social Services at Vale of Glamorgan Council</b></p> <p><b>Jane Thomas, Director of Corporate Services,</b> Powys County Council</p> <p><b>Victoria Winckler, Director,</b> Bevan Foundation</p>
23 January 2025	<p><b>Mark Drakeford MS, Cabinet Secretary for Finance and Welsh Language,</b> Welsh Government</p> <p><b>Andrew Jeffreys, Director Welsh Treasury,</b> Welsh Government</p> <p><b>Emma Watkins, Deputy Director, Budget and Government Business,</b> Welsh Government</p>

## Annex 2: List of written evidence

The following people and organisations provided written evidence to the Committee. All [Consultation responses](#) and additional written information can be viewed on the [Committee's website](#).

Reference	Organisation
<b>WGDB25-26(6) 1</b>	Institution of Civil Engineers (ICE)
<b>WGDB25-26(6) 2</b>	Brighter Futures
<b>WGDB25-26(6) 3</b>	Aberystwyth Town Council
<b>WGDB25-26(6) 4</b>	Music Venue Trust
<b>WGDB25-26(6) 5</b>	Whitehead Ross Education
<b>WGDB25-26(6) 6</b>	Taff Housing Association
<b>WGDB25-26(6) 7</b>	An Individual
<b>WGDB25-26(6) 8</b>	Make UK
<b>WGDB25-26(6) 9</b>	Welsh Retail Consortium (WRC)
<b>WGDB25-26(6) 10</b>	Llamau
<b>WGDB25-26(6) 11</b>	Propertymark
<b>WGDB25-26(6) 12</b>	Marie-Curie
<b>WGDB25-26(6) 13</b>	Wales Tourism Alliance
<b>WGDB25-26(6) 14</b>	The Confederation of Passenger Transport (CPT)
<b>WGDB25-26(6) 15</b>	Age Alliance Wales
<b>WGDB25-26(6) 16</b>	National Residential Landlords Association
<b>WGDB25-26(6) 17</b>	Home Builders Federation
<b>WGDB25-26(6) 18</b>	Federation of Small Businesses (FSB) Wales
<b>WGDB25-26(6) 19</b>	Royal College of Paediatricians and Child Health (RCPCH), Wales
<b>WGDB25-26(6) 20</b>	Y Coleg Cymraeg Cenedlaethol
<b>WGDB25-26(6) 21</b>	Chartered Institute of Housing Cymru (CIH Cymru)



<b>Reference</b>	<b>Organisation</b>
<b>WGDB25-26(6) 22</b>	TAC (Teledwyr Annibynnol Cymru)
<b>WGDB25-26(6) 23</b>	National Farmers Union (NFU) Cymru
<b>WGDB25-26(6) 24</b>	National Energy Action Cymru
<b>WGDB25-26(6) 25</b>	Sports Wales
<b>WGDB25-26(6) 26</b>	NYAS Cymru (National Youth Advocacy Service) Cymru
<b>WGDB25-26(6) 27</b>	Citizens Advice Cymru
<b>WGDB25-26(6) 28</b>	Farmers Union of Wales (FUW)
<b>WGDB25-26(6) 29</b>	Community Transport Association
<b>WGDB25-26(6) 30</b>	Care and Repair Cymru
<b>WGDB25-26(6) 31</b>	National Education Union (NEU) Cymru
<b>WGDB25-26(6) 32</b>	Care Forum Wales
<b>WGDB25-26(6) 33</b>	Wales Women's Budget Group and Women's Equality Network (WEN)
<b>WGDB25-26(6) 34</b>	Platform
<b>WGDB25-26(6) 35</b>	Older People's Commissioner for Wales
<b>WGDB25-26(6) 36</b>	Construction Industry Training Board, CITB Cymru
<b>WGDB25-26(6) 37</b>	Colleges Wales
<b>WGDB25-26(6) 38</b>	Rewilding Britain
<b>WGDB25-26(6) 39</b>	Oxfam Cymru
<b>WGDB25-26(6) 40</b>	Royal College of Psychiatrists
<b>WGDB25-26(6) 41</b>	Shelter Cymru
<b>WGDB25-26(6) 42</b>	Age Cymru
<b>WGDB25-26(6) 43</b>	Alzheimer's society
<b>WGDB25-26(6) 44</b>	Chairs of Universities Wales and Universities Wales
<b>WGDB25-26(6) 45</b>	RSPB Cymru
<b>WGDB25-26(6) 46</b>	Children's Commissioner for Wales
<b>WGDB25-26(6) 47</b>	Swansea University
<b>WGDB25-26(6) 48</b>	Children in Wales
<b>WGDB25-26(6) 49</b>	The Professional Association of Self-Caterers UK, Cymru
<b>WGDB25-26(6) 50</b>	University and College Union

<b>Reference</b>	<b>Organisation</b>
<b>WGDB25-26(6) 51</b>	Bevan Foundation
<b>WGDB25-26(6) 52</b>	The Wallich
<b>WGDB25-26(6) 53</b>	Wales Council for Voluntary Action (WCVA)
<b>WGDB25-26(6) 54</b>	Pobl Care & Support
<b>WGDB25-26(6) 55</b>	Learned Society of Wales
<b>WGDB25-26(6) 56</b>	Clinks
<b>WGDB25-26(6) 57</b>	Crisis
<b>WGDB25-26(6) 58</b>	Cwmpas
<b>WGDB25-26(6) 59</b>	Wales Environment Link
<b>WGDB25-26(6) 60</b>	Community Housing Cymru (CHC)
<b>WGDB25-26(6) 61</b>	Homecare Association
<b>WGDB25-26(6) 62</b>	Royal Town Planning Institute (RTPI)
<b>WGDB25-26(6) 63</b>	Cardiff Metropolitan University
<b>WGDB25-26(6) 64</b>	Nature Service Wales
<b>WGDB25-26(6) 65</b>	Future Generations Commissioner for Wales
<b>WGDB25-26(6) 66</b>	Stroke Association
<b>WGDB25-26(6) 67</b>	Ramblers UK
<b>WGDB25-26(6) 68</b>	TUC CYMRU
<b>WGDB25-26(6) 69</b>	Welsh NHS Confederation
<b>WGDB25-26(6) 70</b>	Cymorth Cymru
<b>WGDB25-26(6) 71</b>	Association of Directors of Social Services (ADSS) and Welsh Local Government Association (WGLA)
<b>WGDB25-26(6) 72</b>	Building Communities Trust (BCT)
<b>WGDB25-26(6) 73</b>	Welsh Local Government Association (WGLA)

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## Additional Information

<b>Title</b>	<b>Date</b>
Carers Trust Wales	17 December 2024
Flintshire County Council	18 December 2024
Tenovous Cancer Care	19 December 2024
Future Generations Commissioner for Wales	23 January 2025
Sparkle	29 January 2025