

Scrutiny of the Welsh Government Draft Budget 2024-25

February 2024



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About the Committee

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

Current Committee membership:



Committee Chair:
Peredur Owen Griffiths MS
Plaid Cymru



Peter Fox MS
Welsh Conservatives



Mike Hedges MS
Welsh Labour



Rhianon Passmore MS
Welsh Labour

The following Members attended as substitutes during this inquiry:



Huw Irranca Davies MS
Welsh Labour



Laura Anna Jones MS
Welsh Conservatives

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Chair's Foreword

As a Committee, we are under no illusion that this is a difficult budget to be making.

The key challenges of global economic uncertainties and a real terms erosion of funding caused by inflationary pressures has had a significant influence on the spending decisions made by the Welsh Government.

The Committee is not blind to these factors, however, they should not mask the choices that have been made or absolve the Welsh Government from being held to account over the decisions taken.

Unfortunately, we found weaknesses in several key areas of the Draft Budget which casts doubt on whether it is fulfilling the Minister for Finance and Local Government's main objectives.

The Welsh Government states that this Draft Budget protects the services which matter most to the people of Wales. This is laudable but we received powerful evidence from those on the frontline who challenged this claim.

In particular, we found that the scale of the pressures facing public services to be so significant that some core public services, especially those delivered by local authorities, are facing serious shortfalls and will struggle to operate with the resources provided.

The Welsh Government also claims that the Draft Budget will deliver the greatest benefit to households which are hardest hit. However, we heard evidence that the opposite is more likely given that the Welsh Government's budgetary decisions will have a disproportionate impact on the most vulnerable in society.

In short; support for those dealing with the impacts of the costs of living crisis has flatlined when the need for such services has never been greater.

The Welsh Government also talks of taking steps within the Draft Budget to prevent the worst impact on services.

Again, we found little evidence to support this, and saw an absence of strategic thinking within the Draft Budget around the funding of long-term preventative measures. Several contributors told us that there was an emerging trend in shifting funding away from prevention in order to fund the Welsh Government's stated aim of protecting frontline services as much as possible. A development we saw as highly concerning to the sustainability of public services.

Throughout our scrutiny work, we also found that the Welsh Government could be clearer in explaining the impact of decisions to reprioritise funding, specifically the scale of the cuts proposed; the services that will no longer be available; and the projects that cannot go ahead. As a Committee, it is our job to understand these details and this was harder than it should have been.

We are not convinced that the Welsh Government has a clear strategy in place to set out expectations relating to the additional funding it has allocated. This is particularly concerning in the context of financial constraint, where the Welsh Government can ill afford to give money to services without setting clear expectations regarding its use and how it is monitoring outcomes against financial expenditure.

This report is a culmination of work which began with the Committee's pre-budget engagement sessions in June 2023. During this time we have heard powerful evidence and are thankful to everyone who took time to talk to us and express their views. These have guided our consideration of the Welsh Government's proposals and been instrumental in framing our conclusions and recommendations.

It is now up to the Minister to take these views into account so that the benefits of this budget can be maximised.



Peredur Owen Griffiths MS
Chair of the Finance Committee

Conclusions and Recommendations

Recommendation 1. The Committee recommends that the Minister publishes ministerial evidence papers at the same time as the Draft Budget in order to provide clarity on the criteria and priorities behind ministerial decisions, with the aim of enabling stakeholders to engage in the scrutiny process more effectively and at an earlier stage..... Page 24

Recommendation 2. The Committee recommends that, if the Draft Budget is delayed again in future years:

- the Minister and officials continue to attend a pre-scrutiny session with the Finance Committee; and
- the Minister works with the Finance Committee to identify approaches that can enhance scrutiny opportunities, including providing documentation relating to the Draft Budget, at an earlier stage.

.....Page 24

Recommendation 3. The Committee recommends that the Treasury takes devolved budgetary processes into account when setting dates for future fiscal events at Westminster, and announces the dates of such events further in advance, to enable the Welsh Government to plan and publish its Draft Budget earlier in the year. Page 24

Recommendation 4. The Committee recommends that the Minister publishes information about how and why different indices are used by the Welsh Government to measure the impact of inflation on its spending position alongside budgets and supplementary budgets, if the Welsh Government is making in-year allocations due to inflationary pressures, to ensure clarity on changes to real terms funding it faces.....Page 38

Recommendation 5. The Committee recommends that the Minister provides information about the impact of inflation on the Welsh Government’s budget at regular intervals during the year, in addition to the information already provided at the final budget and supplementary budget stage, to enable the Senedd to scrutinise any decisions taken by Welsh Ministers to mitigate such pressures.Page 38

Recommendation 6. The Committee recommends that the Welsh Government brings forward its supplementary budget when making significant in-year changes in future outside of the usual supplementary budget timescales, to

enhance transparency and to ensure that the Senedd has a final say on such spending decisions.....Page 38

Recommendation 7. The Committee recommends that the Minister calls for maximum flexibility within the Fiscal Framework to remove the annual Wales Reserve drawdown limits and increasing the size of both borrowing limits and the Wales Reserve, at least in line with inflation, given that the real terms value of these limits have been eroded in recent years.....Page 38

Recommendation 8. The Committee recommends that the Minister explores publishing information at regular intervals throughout the year to provide an overview of how the Welsh Government is progressing against its spending profiles, to understand the real time impact of in-year changes on departmental budgets.....Page 38

Recommendation 9. The Committee recommends that the Minister provides further information about where funding is being re-prioritised in the Draft Budget, including:

- details of all the non-devolved areas which the Welsh Government believes the UK Government should be funding; and
- an explanation of why demand is less in certain areas and the budgetary impact of this.....Page 54

Recommendation 10. The Committee recommends that the Welsh Government provides a further analysis of the impact of its budget on areas that may be considered preventative in nature.....Page 54

Recommendation 11. The Committee recommends that the Minister provides information on how the prevention pilot will be applied across the Welsh Government's budget, and works alongside key stakeholders, to provide meaningful data to identify the trend in prevention across years.....Page 54

Recommendation 12. The Committee recommends that the Minister includes information in Strategic Integrated Impact Assessments from now on to explain how the Welsh Government considers the five ways of working within the Well-being of Future Generations (Wales) Act 2015 when making budgetary decisions.....Page 54

Recommendation 13. The Committee recommends that the Minister provides details of the review it will undertake of both its Budget Improvement Plan and Strategic Integrated Impact Assessment, including the membership of the

Budget Improvement and Impact Advisory Group, the terms of reference of the review, details of any consultations undertaken and related timescales..... Page 54

Recommendation 14. The Committee recommends that the Minister publishes the remaining two gender budget pilots and works in collaboration with the Wales Women’s Budget Group / Women’s Equality Network to mainstream gender budgeting across the Welsh Government. Page 54

Recommendation 15. The Committee recommends that the Minister:

- commits to monitoring trends in the size of block grant adjustments over time; and
- uses such data to consider whether changes to the process for making reconciliations through block grant adjustments could be made, to enable quicker access by the Welsh Government to any increases in its funding.....Page 71

Recommendation 16. The Committee recommends that the Minister works with the Office for Budget Responsibility and the Welsh Revenue Authority to ensure that its processes for collecting and sharing public non-compliance data relating to Landfill Disposals Tax is fit for purpose and provides assurances that problems in this area will not persist..... Page 71

Recommendation 17. The Committee recommends that the Minister provides an update by the summer recess on discussions held with the Scottish Government, Scottish Fiscal Commission, the Office for Budget Responsibility and HMRC regarding data and analytical developments relating to taxation across the UK, and provides an assessment of whether there is scope for the Welsh Government’s current taxation powers to be enhanced in light of any discussions held..... Page 72

Recommendation 18. The Committee recommends that the Minister provides information on the capital plans that the Welsh Government will deliver in 2024-25 in its final budget documentation, including details of projects that have been reprioritised, scaled back or reprofile across a number of years in light of budgetary constraints in this area..... Page 72

Recommendation 19. The Committee recommends that the Minister maximises capital investments by working with local authorities to develop an enabling environment that would allow local government to use their prudential borrowing powers to boost capacity within their capital budgets..... Page 72

Recommendation 20. The Committee recommends that the Minister provides an update on whether the Treasury has agreed to the Welsh Government’s request to switch funding from capital to revenue, and provides information to explain the budgetary impact should this request be declined, including details of individual projects, policies and initiatives that would be affected. Page 72

Recommendation 21. The Committee recommends that the Minister includes decisions and documentation relating to general and financial transactions capital allocations as part of the Draft Budget documentation in future years to ensure there is an opportunity to scrutinise plans as part of the Draft Budget scrutiny process..... Page 72

Recommendation 22. The Committee recommends that the Minister provides further information to explain how the Draft Budget protects core frontline services funded and delivered by local authorities, particularly in terms of social care and education.....Page 93

Recommendation 23. The Committee recommends that the Minister:

- publishes information on the outcomes it expects to be delivered by NHS organisations with the additional funding allocated for 2024-25 and future years, so they can be scrutinised alongside funding allocations;
- conducts an assessment of the outcomes for NHS Wales, to ensure that they are quantifiable and can be monitored effectively; and
- publishes each year the allocations to Local Health Boards, together with any other documentation issued by the Welsh Government such as operational planning guidance, at the same time as it is shared with the sector.....Page 93

Recommendation 24. The Committee recommends that the Minister provides further information on the outputs the Welsh Government expects frontline social care and educational services to deliver for the funding provided, and how it will monitor the impacts of its funding decisions on services more widely.Page 94

Recommendation 25. The Committee recommends that the Minister provides further information about the funding provided in 2023-24, including the in-year allocations, to address COVID-19 pressures on NHS services and how these have been determined, as well as confirm the support provided for that purpose in the Draft Budget.....Page 94

Recommendation 26. The Committee recommends that the Minister reviews Continuing Healthcare, to include consideration of:

- the eligibility criteria and how they are being interpreted and applied to ensure care is appropriately assessed as health or social care; and
- how services are being provided and the related costs to assess whether they continue to provide value for money for the sectors involved.

.....Page 94

Recommendation 27. The Committee recommends that the Minister provides assurances that measures will be taken to ensure the most vulnerable in society are protected should charges for services be increased, as is currently being considered by the Welsh Government.Page 94

Recommendation 28. The Committee recommends that the Minister explains why reductions have been made to the Social Care Workforce Grant, given the significant financial pressures facing social care and its staff, including the Welsh Government’s assessment of the impact of this decision.....Page 94

Recommendation 29. The Committee recommends that the Minister conducts an assessment of the recruitment and retention challenges faced by NHS Wales and the social care sector and publishes its findings.Page 94

Recommendation 30. The Committee recommends that the Minister conducts a review to understand the impact that the Welsh Government’s funding decisions relating to NHS Wales has on social care pressures, given both are inextricably linked.....Page 94

Recommendation 31. The Committee recommends that the Minister provides further information on the in-year funding for 2023-24 and the additional funding for 2024-25 for Transport for Wales, including how the resources will be used and the assumptions used to derive the allocations, such as passenger numbers and whether similar additional allocations will need to be provided on an on-going basis.....Page 94

Recommendation 32. The Committee recommends that the Minister:

- provides a timetable for the implementation of the Welsh Benefits Charter; and
- publishes an action plan to ensure that a consistent package of grants and financial aid schemes are provided, in line with the Charter’s aims.....Page 114

Recommendation 33. In relation to the Discretionary Assistance Fund, the Committee recommends that the Minister:

- publishes information on the number of submitted and successful applications, including a breakdown by gender; and
- reviews the process of making the payments to ensure gender equality.

.....Page 114

Recommendation 34. The Committee recommends that the Minister:

- reviews the eligibility thresholds of the Welsh Government Learning Grant; and
- considers increasing the value of the Grant.Page 114

Recommendation 35. The Committee recommends that the Minister reviews the eligibility threshold for receiving free school meals in secondary schools, with a view to it being extended to children whose parents receive Universal Credit.

..... Page 114

Recommendation 36. The Committee recommends that the Minister should review the childcare model:

- to assess its effectiveness and to ensure it enables the full time employment of parents; and
- to ensure it provides adequate support for women to access further and higher education.....Page 114

Recommendation 37. The Committee recommends that the Minister provides information on the impact that an increase in childcare take-up may have on other areas of the budget, and the actions the Minister will take to mitigate those risks..... Page 114

Recommendation 38. The Committee recommends that the Minister reviews the rollout of the Warm Homes programme to ensure it reaches those in need as soon as possible..... Page 114

Recommendation 39. The Committee recommends that the Minister reviews the allocations provided for the supply and development of affordable housing included within the Draft Budget..... Page 114

Conclusion 1. The Committee will continue to work with the Minister and other stakeholders to review the Budget Process Protocol and to ensure that the Senedd’s budgetary processes reflect custom and practice developed during the Sixth Senedd to date..... Page 23

Conclusion 2. The Committee will consult Senedd Committees involved in budget scrutiny ahead of the 2025-26 budget round to gain a better understanding of the evidence provided by the Welsh Government in support of the Draft Budget, and to explore ways to maximise budgetary scrutiny throughout the year..... Page 24

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1. Introduction

Welsh Government Draft Budget 2024-25

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 2024-25, updating indicative plans outlined as part of the 2022-23 and 2023-24 budgets.
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 2024-25 ('the Draft Budget') was laid before the Senedd on Tuesday 19 December 2023, along with the following supporting documents:
 - Draft Budget narrative;¹
 - Chief economist's report;²
 - Distributional analysis of devolved spending;³
 - Tax policy report;⁴
 - The Office for Budget Responsibility's forecasts for devolved Welsh taxes;⁵
 - Welsh Rates of Income Tax ready reckoner.⁶

¹ Welsh Government, Draft Budget 2024-25, December 2023

² Welsh Government, Chief economists report

³ Welsh Government, Distributional analysis of devolved spending

⁴ Welsh Government, Tax policy report

⁵ Office for Budget Responsibility, Forecasts for devolved Welsh taxes

⁶ Welsh Government, Welsh rates of Income Tax ready reckoner

4. Other outputs include, a budget improvement plan,⁷ budget expenditure lines,⁸ tables supporting spending plans,⁹ a Draft Budget leaflet¹⁰ and detailed proposals (in the format of the budget motion).¹¹

5. The Finance Committee (the Committee) is responsible for considering the Draft Budget from a strategic, overarching perspective, in accordance with Standing Order 19.¹² 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.

Budget Process Protocol

6. The Budget Process Protocol (the Protocol) is required under Standing Order 20.1A¹³ 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 2017¹⁴. 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 five years (including this year), uncertainties relating to the Welsh Government's funding position has meant a delay to the publication of the Draft Budget with both the outline and detailed proposals published at the same time. As the following infographic demonstrates, this had led to a constrained scrutiny process within the annual budget cycle:

⁷ Welsh Government, Budget Improvement Plan

⁸ Welsh Government, Budget expenditure lines

⁹ Welsh Government, Tables supporting spending plans

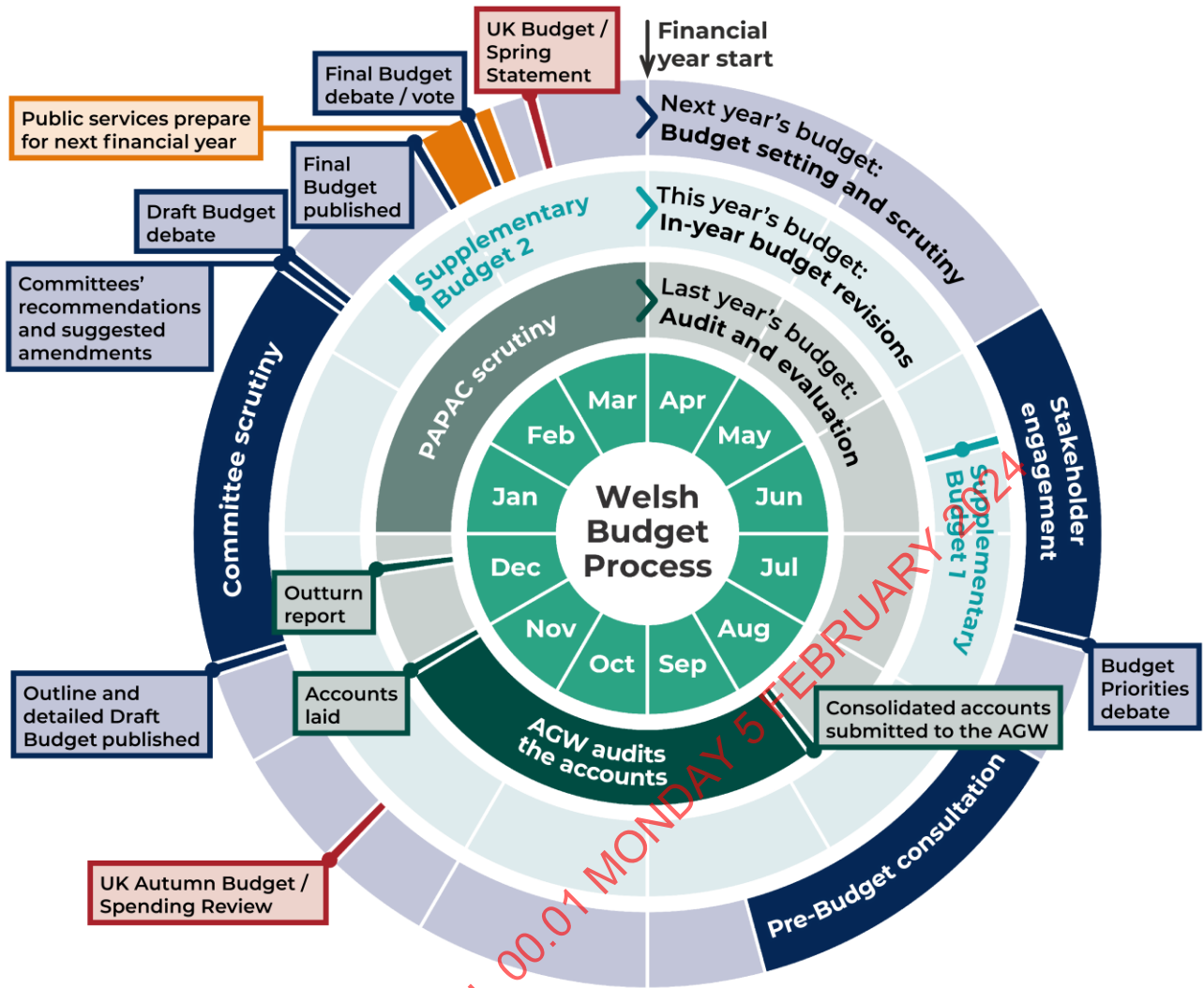
¹⁰ Welsh Government, Draft Budget leaflet

¹¹ Welsh Government, Draft Budget Proposals 2024-25

¹² Standing Orders of the Welsh Parliament

¹³ Standing Orders of the Welsh Parliament

¹⁴ Budget Process Protocol



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 Committee¹⁵ in light of experiences in the Sixth Senedd to date. These proposals are currently subject to discussions between the Committee and the Minister for Finance and Local Government (the Minister).

¹⁵ Letter from the Business Committee to the Chair of the Finance Committee, 2 August 2023

Public Engagement

9. Prior to the publication of the Draft Budget, the Committee conducted a series of engagement activities in June 2023 to inform its scrutiny of the Welsh Government's funding proposals. These included:

- an external stakeholder event at Wrexham Glyndŵr University, on 15 June 2023;
- an online workshop with members of the Welsh Youth Parliament on 29 June 2023; and
- focus groups with organisations and individuals facilitated by the Senedd's Citizens Engagement Team, held throughout June 2023.

10. The views expressed during these sessions were summarised in a Summary Engagement Report, published in July 2023.¹⁶

Budget Priorities Debate

11. The Committee's annual budget priorities debate was held on Wednesday 12 July 2023 and was informed by the Committee's engagement work, as detailed above.¹⁷ The debate provided a formal opportunity for Members, and particularly Senedd Committee Chairs, to influence the Welsh Government's spending priorities prior to the formulation of the Draft Budget later in the autumn.

12. During the debate, the Chair of the Finance Committee outlined five priority areas which had been identified from the engagement sessions:

- innovative approaches are needed to tackle the root causes of poverty and inequality;
- collaborative approaches are needed to meet the financial challenges facing the public sector;
- more targeted financial support is needed for those studying and working in the education sector to maximise the opportunities available;
- local authorities need growing levels of financial support in the face of mounting pressures;

¹⁶ Finance Committee, Engagement Report, July 2023

¹⁷ Plenary, RoP, 12 July 2023

- ensuring that the Welsh Government focuses on investment that turns Wales's potential for green energy into a reality.

Pre-Budget Scrutiny

13. The Committee held a pre-budget session with the Minister on 13 September 2023.¹⁸ A private technical session was also held during the same meeting with the Welsh Government's Chief Economist.¹⁹ The purpose of this session was to gain an insight into the economic and fiscal context informing the Welsh Government's budget formulating process.

14. A further session was also held with the Minister on 15 November 2023,²⁰ in light of the oral statement made in Plenary on an update on the Welsh Government's 2023-24 Financial Position.²¹

Consultation

15. The Committee issued a pre-budget consultation on the Draft Budget from 22 September to 30 November 2023²² on behalf of all Senedd Committees. A total of 52 responses were received. The consultation focused on the following areas:

- the impact of the Welsh Government's 2023-2024 Budget, including funding related to the recovery of the pandemic;
- the effectiveness of the Welsh Government's business support policies, given the economic outlook for 2024-25;
- ways in which the Welsh Government could/should support the economy and business following the pandemic, Brexit and inflationary and other economic pressures;
- whether organisations are financially prepared for the 2024-25 financial year;
- whether the Welsh Government should take action to help households cope with inflation and cost of living issues;

¹⁸ Finance Committee, RoP, 13 September 2023

¹⁹ Finance Committee, Agenda, 13 September 2023

²⁰ Finance Committee, RoP, 15 November 2023

²¹ Welsh Government, Oral Statement: Update on 2023-24 Financial Position, 17 October 2023

²² Finance Committee, Welsh Government Draft Budget 2024-25: Consultation

- whether the Draft Budget addresses the needs of people living in urban, post-industrial and rural communities and supports economies within those communities;
- whether the Welsh Government's plans to build a greener economy are clear and sufficiently ambitious;
- the effective use by the Welsh Government of the financial mechanisms available to it around borrowing and taxation.²³

Timetable

16. On 22 June 2023,²⁴ the Minister for Rural Affairs and North Wales, and Trefnydd, wrote to the Business Committee setting out a timetable for publication of the Draft Budget, in accordance with the timescales set out under Standing Order 20. The letter proposed that the outline and detailed draft proposals would be:

- laid before the Senedd by 12 December 2023; and
- debated on 6 February 2024, with the Annual Budget laid on 27 February 2024 and debated on 5 March 2024.²⁵

17. The Committee expressed disappointment at this timetable in light of the “the practical difficulties that shortened timescales pose to Committees in fulfilling their scrutiny functions, as well as the pressures it puts on stakeholders who wish to submit evidence and engage with our work, particularly when three weeks of that period falls over Christmas recess”.²⁶

18. However, due to the UK Government Autumn Statement taking place later than anticipated, on 22 November 2023, the Minister confirmed that “it is no longer possible for us to publish a Draft Budget within the timetable indicated previously”.²⁷ This involved delaying the publication of the Draft Budget until Tuesday 19 December 2023, with the remaining dates of the timetable left unchanged.

²³ Consultation Letter from the Chair of the Finance Committee, 22 September 2023

²⁴ Letter from the Minister for Rural Affairs and North Wales and Trefnydd to the Business Committee, 22 June 2023

²⁵ Letter from the Minister for Rural Affairs and North Wales and Trefnydd to the Business Committee, 22 June 2023

²⁶ Letter from the Chair of the Finance Committee to the Minister for Finance and Local Government, 7 July 2023

²⁷ Letter from the Minister for Finance and Local Government to the Finance Committee, 12 September 2023

19. In light of this, the Committee wrote to the then Chief Secretary to the Treasury, the Rt Hon. John Glen MP, expressing disappointment that the budgetary processes of the Senedd were not taken into account by the Treasury when setting the date of the Autumn Statement, and asking for such issues to be taken into account as part of future budget discussions.²⁸

20. In his response, the Chief Secretary noted that “the Chancellor considers a wide range of factors when considering the timing of the Autumn Statement” and that he “has to balance these considerations against other factors when setting the time for a fiscal event, which does sometimes mean this is not as favourable as would be ideal for the Welsh Government or Senedd Finance Committee”.²⁹ However, the Chief Secretary recognised “the challenges this poses for the Senedd in scrutinising the Welsh Government”.³⁰

21. The practical impact of the constrained timetable was raised by the Wales Council for Voluntary Action (WCVA) in its response to the Committee’s consultation. Whilst recognising that “the short time frame between the Autumn Statement and the Welsh Government’s draft budget publication introduces limitations to what Welsh Treasury is able to produce alongside the budget”, the WCVA suggest that “more of the available information could be shared with the public”.³¹ It added that:

“We typically see individual ministers’ responses outlining the policy implications within their portfolios in the weeks following the budget publication. Publishing those responses at the same time as the draft budget should be explored. The responses could more clearly demonstrate the criteria and priorities behind the decisions. This, alongside timely publication, would enable stakeholders to engage in the scrutiny process more effectively.”³²

22. The Minister “recognise(d) the criticism”³³ that the Welsh Government had received for publishing the Draft Budget in recess, but added that:

“... what most people don’t appreciate is what sits behind that, that we only find out our budget in—. Well, it was 22 November

²⁸ Letter from the Chair of the Finance Committee to the Chief Secretary to the Treasury, 27 September 2023

²⁹ Letter from the Chief Secretary to the Treasury to the Finance Committee, 11 October 2023

³⁰ Letter from the Chief Secretary to the Treasury to the Finance Committee, 11 October 2023

³¹ Finance Committee, Consultation Response: Wales Council for Voluntary Action

³² Finance Committee, Consultation Response: Wales Council for Voluntary Action

³³ Finance Committee, RoP, 20 December 2023, paragraph 64

this year, and that gives us very little time, really, to be able to craft a budget of over £23 billion and do all of the work that is required to do that, and to assure ourselves that we've got things right, to publish the vast range of documentation that goes alongside the budget. We would absolutely love to be able to do it earlier, but three and a half weeks is, I think, the absolute bare minimum that we need to be able to craft a budget.”³⁴

Scrutinising the Draft Budget 2024-25

23. The Committee considered 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 centred 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?
- Budget process – Are they effective and accessible? Is there integration between corporate and service planning, and performance and financial management?

24. The Chair wrote to Senedd Committees on 14 November 2023³⁵ noting that the scrutiny of the Draft Budget is likely to centre on the cost of living crisis, rising energy costs and high inflation.

Committee View

25. The Committee notes that this is the fifth successive year that the two stage budget process provided for in the Budget Process Protocol³⁶ has not been used as a basis for the scrutiny of the Draft Budget. As we have previously and consistently stated; this is deeply unsatisfactory. Not only is it detrimental to the

³⁴ Finance Committee, RoP, 20 December 2023, paragraph 64

³⁵ Letter from Chair to Senedd Committee Chairs, 14 November 2023

³⁶ Budget Process Protocol

ability of all Senedd Committees to engage meaningfully with stakeholders on issues of fundamental importance, it is also a barrier to effective scrutiny, particularly in understanding the true impact of the Welsh Government's budgetary decisions on the people most affected by them.

26. Nonetheless, the Committee has taken steps to mitigate the challenges posed by a tight budget timetable, building on work it has undertaken since the beginning of this Senedd, which are intended to provide as many opportunities as possible for stakeholders to inform the Senedd's consideration of the Draft Budget. This includes undertaking engagement work early in the financial year; holding a Plenary debate on the Welsh Government's budget priorities before the summer recess; conducting pre-budget evidence sessions with the Minister early in the autumn; and issuing a pre-budget public consultation.

27. These exercises have greatly informed the Committee's scrutiny of the Draft Budget 2024-25, and many of the themes and priorities identified as early as last June still ring true and have directly influenced a number of recommendations made in this report. We are therefore extremely grateful to those who have taken the time to engage with us, either by attending an event, a focus group or by submitting a written response. As a Committee, we believe that the views expressed are essential in bringing issues 'on the ground' to our attention. This, in turn, greatly enhances our ability to hold the Welsh Government's decisions to account and to make meaningful recommendations.

28. The Committee's pre-budget work is an intrinsic part of the Welsh budget process, and we are grateful to the Minister for her support and openness in considering changes to the Budget Process Protocol to reflect these arrangements. We also welcome calls from the Business Committee to explore updating the Senedd's budget procedures in light of the experiences of the Sixth Senedd to date, and we look forward to continuing such discussions with the Minister, with the aim of ensuring that our financial procedures reflect current custom and practice.

29. Despite these positive developments, they are no substitute for detailed scrutiny and this remains difficult as a result of the short number of working weeks provided to scrutinise the Draft Budget. Providing a little over four working weeks to scrutinise a budget of over £23 billion produces huge practical and strategic challenges. The Committee acknowledges that the Welsh Government's ability to publish the Draft Budget sooner is highly dependent on the date of the UK Government's autumn statement, and that its lateness in 2023 posed particular challenges for the preparation of the budget and associated documents.

30. The Committee believes that the Treasury could do more to ensure that the date of its autumn statement takes devolved budgetary processes to account, and we have written³⁷ to the Chief Secretary to the Treasury to express those views. However, we also believe that the Welsh Government should investigate taking further steps to explore providing information on budgetary decisions sooner, in order for Committees to maximise the opportunities available to scrutinise and improve outcomes.

31. The announcement made by the Welsh Government of its decision to reduce non-domestic rates relief for businesses (considered in further detail in Chapter 4) is a case in point, as the constrained timetable makes it virtually impossible for committees to meaningfully engage with those most likely to be affected.

32. The Committee also notes evidence received from the WCVA which suggests that publishing individual ministerial responses at the same time as the Draft Budget should be explored, and agree that this approach has merits. Following last year's report, we consulted Senedd Committees on their experiences of scrutinising the Draft Budget.³⁸ The Committee welcomes discussions on these issues and would like to continue with this approach for the 2025-26 budget round, particularly given the potential for shortened timescales again next year. The aim of this would be to explore budget scrutiny opportunities for committees, both within and outside the Draft Budget scrutiny window, without infringing on the autonomy of individual committees to decide on priority areas of focus. This remains an area of interest for the Committee as we aim to improve the way information on budgetary matters is shared between the Welsh Government and Senedd at the time of the Draft Budget's publication.

33. The Committee notes that there may be even more uncertainty regarding the Welsh Government's next Draft Budget for 2025-26, given that there are no provisional figures from the UK Government for funding for 2025-26 and the UK General Election is currently expected in the second half of 2024. The Committee considers that it is crucial to ensure that arrangements are put in place to maximise the opportunities for stakeholders to feed into the budget setting process, and calls on the Minister to provide assurances that the Welsh Government will engage with Senedd Committees at the pre-budget stage.

Conclusion 1. The Committee will continue to work with the Minister and other stakeholders to review the Budget Process Protocol and to ensure that the

³⁷ Letter from the Chair of the Finance Committee to the Chief Secretary to the Treasury, 27 September 2023

³⁸ Letter from the Chair of the Finance Committee to Committee Chairs, 8 March 2023

Senedd's budgetary processes reflect custom and practice developed during the Sixth Senedd to date.

Conclusion 2. The Committee will consult Senedd Committees involved in budget scrutiny ahead of the 2025-26 budget round to gain a better understanding of the evidence provided by the Welsh Government in support of the Draft Budget, and to explore ways to maximise budgetary scrutiny throughout the year.

Recommendation 1. The Committee recommends that the Minister publishes ministerial evidence papers at the same time as the Draft Budget in order to provide clarity on the criteria and priorities behind ministerial decisions, with the aim of enabling stakeholders to engage in the scrutiny process more effectively and at an earlier stage.

Recommendation 2. The Committee recommends that, if the Draft Budget is delayed again in future years:

- the Minister and officials continue to attend a pre-scrutiny session with the Finance Committee; and
- the Minister works with the Finance Committee to identify approaches that can enhance scrutiny opportunities, including providing documentation relating to the Draft Budget, at an earlier stage.

Recommendation 3. The Committee recommends that the Treasury takes devolved budgetary processes into account when setting dates for future fiscal events at Westminster, and announces the dates of such events further in advance, to enable the Welsh Government to plan and publish its Draft Budget earlier in the year.

2. Overview and Economic Context

34. The current economic context has exacerbated the challenges faced by the Welsh Government in preparing its Draft Budget for 2024-25. The key factors include:

- Very slow growth for UK economic and public spending, with real gross domestic product (GDP) expected to increase by only 0.7 per cent in 2024 and 1.5 per cent on average between 2025 and 2028.
- Inflation is expected³⁹ to continue to fall to around 3 per cent by the end of 2024, but still above the Bank of England's 2 per cent target. The GDP deflator estimate for 2024-25, which measures the rate of domestic inflation within the economy, is 1.7 per cent.⁴⁰
- Stubborn rates of inflation have also significantly reduced the purchasing power of 2024-25 spending plans compared to when originally set, and interest rates are expected to fall at a slower rate than inflation.
- Despite real terms wage growth expected in 2024-25,⁴¹ real household disposable income is expected to fall, a key factor being that boosts to savings income are outweighed by rises in interest payments.⁴²

35. The economic outlook is also subject to "substantial" uncertainty due to external and international factors.⁴³

36. In giving evidence to the Committee, the Future Generations Commissioner ('the Commissioner') stated that "we all recognise ... the incredibly difficult financial situation and difficult decisions that are facing Welsh Government",⁴⁴ adding that "This is not an easy budget to be making".⁴⁵

37. A number of respondents to the Committee's consultation also commented on the difficulties posed by the current economic context. The Welsh Local Government Association (WLGA) stated that "the outlook is extremely bleak and

³⁹ Office for Budget Responsibility. [Inflation – CPI Inflation](#), last updated 19 April 2023

⁴⁰ HM Treasury, [National statistics: GDP deflators at market prices, and money GDP, November 2023 \(Autumn Statement\)](#), 23 November 2023

⁴¹ Office for Budget Responsibility. [Economic and Fiscal Outlook, 22 November 2023, page 155](#)

⁴² Office for Budget Responsibility. [Economic and Fiscal Outlook, 22 November 2023, page 48](#)

⁴³ Finance Committee, RoP, 10 January 2024, paragraph 43

⁴⁴ Finance Committee, RoP, 18 January 2024, paragraph 13

⁴⁵ Finance Committee, RoP, 18 January 2024, paragraph 13

the options for many local services will be unpalatable”.⁴⁶ The WCVA also told us that it is in “no doubt that the outlook remains tough for ourselves and many organisations in the voluntary sector”.⁴⁷

38. Similar views were expressed from respondents in the private sector, with the Wales Retail Consortium emphasising that the “outlook remains uncertain given the pressures on household disposable incomes and supply chain and statutory cost pressures affecting retailers”.⁴⁸

39. These comments also echo views expressed during the Committee’s engagement sessions in June 2023, where respondents felt that budgets were being squeezed due to the main cost pressures of high inflation and high energy prices.⁴⁹

Draft Budget Overview

40. Compared to funding outlined in the Final Budget 2023-24, the Welsh Government’s Draft Budget 2024-25 allocates an additional 3 per cent funding across all Departmental Expenditure Limits (DEL). However, the Welsh Government claims these additional funds have been offset by inflationary pressures (which is explored further in this Chapter).

41. Compared to previous indicative plans for 2024-25, the bulk of these increases fall within the Health and Social Services DEL and amount to £678 million. Transport for Wales, which received additional in-year funding for 2023-24, has received an additional £11 million allocation compared to original indicative figures.

42. There is a small increase, £25 million, in the Finance and Local Government DEL, but all other departments see reductions from revisions to the indicative allocations and other changes compared to previous provisional figures for 2024-25. Changes in allocated revenue and capital compared to the Final Budget 2023-24 is set out by department in the following infographics:⁵⁰

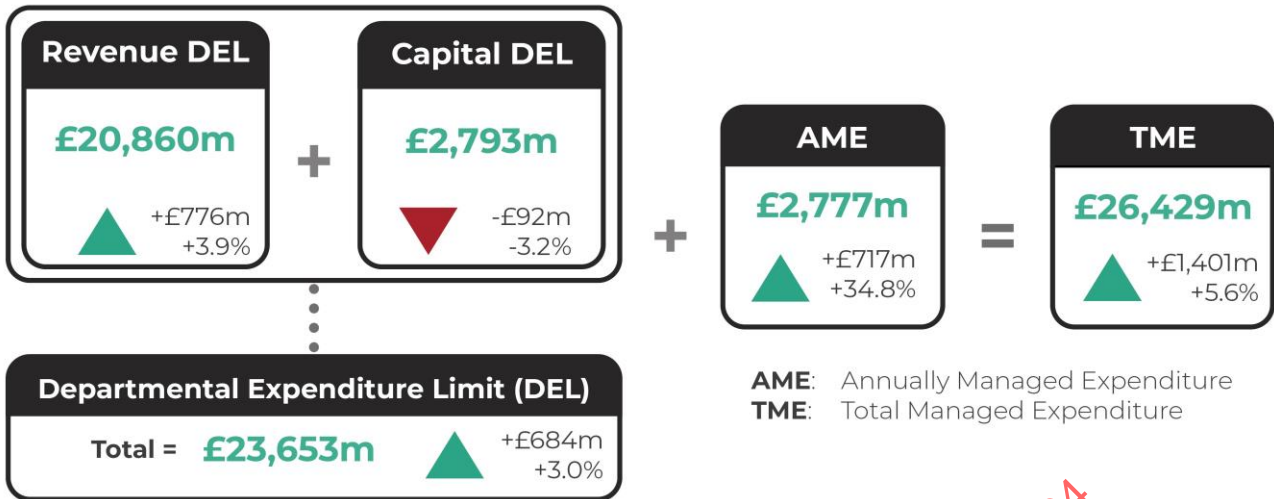
⁴⁶ Finance Committee, Consultation Response: Welsh Local Government Association.

⁴⁷ Finance Committee, Consultation Response: Wales Council for Voluntary Action

⁴⁸ Finance Committee, Consultation Response: Wales Retail Consortium

⁴⁹ Finance Committee, Engagement Report, July 2023

⁵⁰ Source: Welsh Government Draft budget 2024-25, Budget expenditure lines and Senedd Research calculations



	Total revenue and capital allocation	Change 2023-24 Final Budget (restated) to 2024-25 Draft Budget	
Health and Social Services	£11,690m	£929m 8.6%	▲
Finance and Local Government*	£5,092m	£33m -0.6%	▼
Climate Change	£2,848m	£84m -2.9%	▼
Education and the Welsh Language**	£2,586m	£56m -2.1%	▼
Economy	£541m	£4m -0.8%	▼
Rural Affairs	£420m	£29m -6.4%	▼
Central Services and Administration	£333m	£27m -7.4%	▼
Social Justice	£142m	£12m -7.6%	▼

*Excludes around £1.1 billion non-domestic rates income.

**Includes allocation of £514 million of non-fiscal revenue due to student loans.

Autumn Statement 2023

43. The majority of the Welsh Government's funding is received directly through the block grant from the UK Government. The Chancellor of the Exchequer issued the autumn statement on 22 November 2023, which included an additional £305 million in funding consequentials.⁵¹ This includes an additional £133 million in resource budget in 2023-24, and £167 million in resource and £5.8 million in capital in 2024-25.⁵²

44. The UK Government's announcement also included:

- £1 billion to fund the electrification of the North Wales Main Line;
- £160 million for two investment zones in north-east and south-east Wales;
- £5 million for Monmouthshire transport links;
- £500,000 for the Hay Festival; and
- £111 million in levelling up funding.⁵³

45. The Minister confirmed that the Welsh Government received an additional £167 million in resource funding following the autumn statement "and most of that related to the business rates decisions that were taken across the border".⁵⁴

46. In terms of other funding consequentials, the Minister confirmed that "there's been no funding provided to the Welsh Government in respect of the UK Government's spend thus far on HS2", adding that:

"we've already lost ... £260 million in consequentials that should rightfully have come to Wales, and there's no indication at the moment that the UK Government has any intention of providing that, although we continue, of course, to make the case."⁵⁵

⁵¹ Office of the Secretary of State for Wales. Press release: Chancellor backs business and rewards workers to get Wales growing, 22 November 2023.

⁵² Welsh Government. Written Statement: Welsh Government response to the UK Autumn Statement 2023, 22 November 2023.

⁵³ Office of the Secretary of State for Wales. Press release: Chancellor backs business and rewards workers to get Wales growing, 22 November 2023.

⁵⁴ Finance Committee, RoP, 20 December 2023, paragraph 35

⁵⁵ Finance Committee, RoP, 20 December 2023, paragraph 23

47. The Minister also mentioned that the Welsh Government is “experiencing a loss in replacement of EU structural and rural funds worth around £1.1 billion” adding that “there’s just no way on earth we can fill that gap in its entirety”.⁵⁶

48. According to Wales Fiscal Analysis (WFA), taking into account consequential from the spring budget 2023 and autumn statement 2023 plus £61 million net positive changes to devolved tax forecasts and block grant adjustments/reconciliations, the Welsh Government would have an additional £368 million of funding to allocate in 2024-25.⁵⁷

49. In terms of discussions about funding between the UK and Welsh governments prior to the autumn statement, the Minister expressed concern about the current arrangements:

“What’s always frustrating ... is the level of information that is shared ahead of these events. I had my usual call with the Chief Secretary to the Treasury on the morning of the autumn statement, but those calls are very perfunctory; you are just told your overall increases to the budget, or decreases to the budget. You can ask a series of questions—as I always do—trying to probe what else is in the budget that would have an impact for Wales, what are their tax choices that will have impacts for us, but the information is never forthcoming. So, lots of the announcements we really just see alongside everybody else.”⁵⁸

50. The Minister also alluded to practical difficulties which have been caused by a lack of engagement from the UK Government during the year, and the impact it has had on the Welsh Government’s ability to manage its funds:

“Our budget could increase significantly at the end of the year, and then we’re faced with choices as to how to deploy money very quickly ... we could have taken difficult decisions up to that point that we might not needed to have done in the event. Or you can see our budget decrease significantly at the end of the year as well. Again, that’s very difficult for us to manage.”⁵⁹

⁵⁶ Finance Committee, RoP, 20 December 2023, paragraph 184

⁵⁷ Wales Fiscal Analysis, Welsh Budget Outlook 2023 Presentation, 14 December 2023

⁵⁸ Finance Committee, RoP, 20 December 2023, paragraph 65

⁵⁹ Finance Committee, RoP, 20 December 2023, paragraph 66

51. The Minister added that:

“What we want to see is for the UK Government to put arrangements in place where we can manage those things over financial years, so if, late in the year, we find ourselves with an additional £50 million, for the sake of argument, then we should be allowed, as a matter of course, to take that into the next financial year, outside of the constraints of the Wales reserve. Those are just simple things that the UK Government could do to help us manage our budget more effectively and spend public money more effectively.”⁶⁰

52. The Minister highlighted that these issues could be addressed relatively quickly, without a wholesale review of the Fiscal Framework:

“... UK Government could do this almost instantly if it was inclined to do so, and that’s one of the frustrating things, because what we’re asking for, in terms of the borrowing powers and for the Wales reserve to be indexed, for example, these things aren’t big deals for Treasury at all; they’ve already agreed them through the review of the Scottish fiscal framework for Scotland, and there is nothing different here as to why those things shouldn’t be appropriate for us here in Wales ... This is something that the UK Government could do today if it wanted to, and it would be a great help to us and no odds at all to the UK Government. So, we continue to make that case.”⁶¹

53. When asked whether a change in government at an UK level would make a difference, the Minister told the Committee that:

“I’m definitely confident we would have a different kind of conversation with a different coloured Government in Westminster, because I know that there would be a different approach to devolution. One of the challenges that we get, I think, is a Treasury that is hostile to devolution, and doesn’t look for ways in which it can support the Welsh Government to make the best use of money.”⁶²

⁶⁰ Finance Committee, RoP, 20 December 2023, paragraph 66

⁶¹ Finance Committee, RoP, 18 January 2024, paragraph 437

⁶² Finance Committee, RoP, 20 December 2023, paragraph 68

Impact of Inflation

54. The Welsh Government claims that its funding settlement for 2024-25 is worth up to £1.3 billion less in real terms than expected at the time of the 2021 Spending Review.⁶³ The Minister's official explained that this calculation is based on consumer price index inflation (CPI) at 2021-22 prices.⁶⁴

55. When asked why the Welsh Government had used CPI inflation rather than the GDP deflator when making this calculation, the Minister's official acknowledged that "the GDP deflator is generally the right index to use" but added that "there are a couple of things in this period, particularly the impact of the pandemic that had some particular impact on the GDP deflator".⁶⁵ He explained that:

*"... the £1.3 billion uses the consumer price index. If we were using the GDP deflator it would be more like ... £700 million, so it's kind of in that range. We think £1.3 billion is a more accurate reflection than £700 million in terms of the loss of spending power."*⁶⁶

56. A further note explaining the difference between the two indices and how they are used to calculate the impact of inflation by the Welsh Government was provided at the Committee's request.⁶⁷

57. In contrast, WFA calculated that the inflationary impact amounted to a funding shortfall of around £800 million, using the GDP deflator, or £1.5 billion using CPI.

58. WFA explained how the "slight difference"⁶⁸ in its inflationary figures were reached:

"... Using the GDP deflator measure of inflation ... that hit to the overall budget is about £800 million, we think. Using the CPI measure of inflation, it's about £1.5 billion. Again, not to confuse things too much, that's a slightly different figure from the Welsh Government's figure of £1.3 billion that they use for CPI inflation."

⁶³ [Welsh Government. Written Statement: Welsh Government response to the UK Autumn Statement 2023. 22 November 2023](#)

⁶⁴ Finance Committee, RoP, 20 December 2023, paragraph 42

⁶⁵ Finance Committee, RoP, 20 December 2023, paragraph 31

⁶⁶ Finance Committee, RoP, 20 December 2023, paragraph 29

⁶⁷ [Additional information from the Minister for Finance and Local Government: GDP deflator./ Consumer price index. 12 January 2024](#)

⁶⁸ Finance Committee, RoP, 10 January 2024, paragraph 111

And the reason for that is that we've put it in current prices. So, our figure reflects the amount of ... additional funding ... that the Welsh Government would require next year to offset the hit from higher inflation, whereas the Welsh Government's figure of £1.3 billion was in the context of 2021-22 prices, so, the unexpected inflationary hit from 2021 in that base year.”⁶⁹

59. WFA concluded that “it’s probably in the range between £800 million and £1.5 billion” and that “both [measures] are valid, depending on what exactly you’re looking at”.⁷⁰ It added that:

“We were looking at it from the perspective of how much additional funding the Welsh Government would need to get back to the real-terms value of the budget they were expecting, back three years ago, when it set its budget.”⁷¹

60. The Institute for Fiscal Studies (IFS) agreed that “across the public sector as a whole inflation faced probably does lie somewhere between the GDP deflator and CPI inflation”,⁷² adding:

“... that’s because energy costs and food costs, much of which is imported, make up and contribute to the CPI, but aren’t in the GDP deflator because it’s only domestic inflation, where they make up a smaller share of the Government’s budget than households’ budgets, but not a zero share. Also, earnings growth lies between those two things, and that’s an important part of the public sector’s inflationary costs. So, I think those two factors—some energy costs, but less than households’, and wage costs lying between the two—mean that across the public sector as a whole, the appropriate figure for inflation would, probably, lie between them, hence the hit between that £800 million and £1.5 billion level.”⁷³

61. The IFS also provided further information about the Welsh Government’s net financial position, once inflation and additional funding from the UK Government had been taken into account:

⁶⁹ Finance Committee, RoP, 10 January 2024, paragraph 111

⁷⁰ Finance Committee, RoP, 10 January 2024, paragraph 113

⁷¹ Finance Committee, RoP, 10 January 2024, paragraph 113

⁷² Finance Committee, RoP, 10 January 2024, paragraphs 131 - 133

⁷³ Finance Committee, RoP, 10 January 2024, paragraphs 131 - 133

“... if there had been no top-up to the Welsh Government’s budget, the hit according to the GDP deflator would be about £1.6 billion, but, because there’s been that extra £800 million or so of funding, that has been reduced down to £800 million; it’d be about £2.3 billion on the CPI inflation, but the extra funding reduced it down to about £1.5 billion.”⁷⁴

62. When asked about the impact that falling inflation would have on the Welsh Government’s funding position, both the IFS and WFA issued words of caution, with WFA stating that:

“... one of the biggest drivers of costs for the public sector is public sector pay, and I imagine that public sector workers will be expecting pay raises probably exceeding the lower levels of inflation that we’ve seen, given that they’ve been taking the hit in terms of real-terms pay cuts. In terms of average earnings next year, I think, off the top of my head, it’s about 3 per cent, so you’d expect that increase, at least, for public sector workers next year. And going forward beyond that, I suppose the context is very tight public sector departmental spending totals being carried forward, which will create very difficult budget decisions having to be made beyond 2024-25, unless there are significant changes in the departmental spending plans.”⁷⁵

63. The IFS added that “It will still be a difficult year, despite inflation coming down, because of minimum wage and that lagged impact of inflation”.⁷⁶

64. In responding to the points raised by the IFS and WFA, the Minister stated that:

“It is good to see that we haven’t had a great deal of challenge in terms of the work that we’ve done to demonstrate that £1.3 billion figure.”⁷⁷

65. The Minister also provided practical examples of how inflation was informing the Welsh Government’s budgetary considerations:

“... through the budget process, we ask local government, health and others to provide us with significant information that sets

⁷⁴ Finance Committee, RoP, 10 January 2024, paragraph 128

⁷⁵ Finance Committee, RoP, 10 January 2024, paragraph 146

⁷⁶ Finance Committee, RoP, 10 January 2024, paragraph 147

⁷⁷ Finance Committee, RoP, 18 January 2024, paragraph 463

out the impact they believe that inflation will have on the pressures and on the budgets. For example, WLGA identified a number of areas impacted by inflation, but pay was the most significant of those ...

Other areas outside of pay that are, again, very significant within the NHS in terms of inflation relate to prescribing and medicines ... So, inflation is definitely having a big impact on those areas.”⁷⁸

Welsh Government In-Year Savings Exercise 2023-24

66. Prior to the publication of the Draft Budget, the Minister announced significant in-year reallocations within 2023-24 on 17 October 2023,⁷⁹ outside of the usual supplementary budget procedures. The statement confirmed the allocation of an additional £425 million to the NHS and £125 million to rail services.⁸⁰

67. The Minister stated that these changes were required “to address the impact of our budget being worth around £900 million less than when it was set in 2021”, adding that economic and fiscal pressures “caused by the triple impact of inflation, the impact of more than a decade of austerity on public services, and the ongoing consequences of Brexit” had placed the Welsh Government’s budget “under unprecedented pressure”.⁸¹

68. The Minister explained why such action was required within the financial year and outside the usual supplementary budget procedures:

“... the efforts that we made over the summer to make the statement that we did in October were to address the fact that our budget was worth £900 million less than at the time it was originally set. So, we needed to undertake some action to reprioritise across Government”.⁸²

69. When asked if there was scope to bring forward a supplementary budget in October, the Minister stated that:

⁷⁸ Finance Committee, RoP, 18 January 2024, paragraphs 515-516

⁷⁹ [Welsh Government, Oral Statement: Update on 2023-24 Financial Position, 17 October 2023](#)

⁸⁰ [Welsh Government, Oral Statement: Update on 2023-24 Financial Position, 17 October 2023](#)

⁸¹ [Plenary, RoP, 17 October 2023, paragraph 123](#)

⁸² Finance Committee, RoP, 20 December 2023, paragraph 9

“I think two supplementary budgets a year is probably plenty. I think that that does afford a level of scrutiny that would be appropriate as well.”⁸³

70. However, WFA told the Committee that “there wasn’t a £900 million hole in the budget needing to be filled”⁸⁴ and questioned the timing of the Welsh Government’s statement:

“A lot of the inflationary hit was already known when the 2023-24 budget was set, especially the first supplementary budget during the summer. It seemed like almost only a month afterwards you had the statement saying that they were looking for in-year budget mitigations.”⁸⁵

71. WFA added that bringing forward such changes through the usual supplementary budgetary process would have been preferable:

“... in terms of transparency around the process, I think perhaps having a detailed breakdown in a supplementary budget would have been a better way of providing the detail on the cuts being made in-year, rather than the very high-level document that was published in October ... It perhaps wasn’t particularly useful.”⁸⁶

Committee View

72. The Committee fully recognises the incredibly difficult economic climate and its impact on households, public services and businesses across Wales, and notes the strength of feeling expressed by stakeholders who are facing stark financial choices in the year ahead. We also acknowledge that this has been one of the toughest budgetary rounds since devolution, and note the difficult decisions that the Minister has had to make in light of a deeply challenging fiscal context.

73. The Committee also recognises the significant impact of inflation and pay settlements, which have not been compensated by equivalent increases in funding. This has led to further constraints on the Welsh Government’s spending position resulting in very little room for manoeuvre for the Minister in terms of the budgetary decisions that can be made. The Committee also notes with concern the continued shortfall resulting from a reduction in EU funding that is likely to

⁸³ Finance Committee, RoP, 15 November 2023, paragraph 41

⁸⁴ Finance Committee, RoP, 10 January 2024, paragraph 143

⁸⁵ Finance Committee, RoP, 10 January 2024, paragraph 143

⁸⁶ Finance Committee, RoP, 10 January 2024, paragraph 143

come to an end in 2025, and notes that areas which were previously funded by such funds have had to be cut as a result of the current fiscal context.

74. Whilst the Committee agrees with the Minister that inflation has led to significant real term reductions in the value of the Welsh Government's budget, compared to when funding was originally announced in the 2021 Spending Review, the different indices used to assess this impact has led to some uncertainty regarding the actual funding shortfall being faced. The Committee recognises that measuring inflationary shocks is notoriously difficult, complex and dependent on a number of factors. However, the Committee believes that the Welsh Government could do more to provide greater clarity in terms of explaining the metrics it uses to accurately measure inflation and the impact this has on its spending power. We are grateful to the Minister for providing a note explaining how the GDP deflator and the CPI is used to calculate inflationary impact. However, we believe that this information should be published alongside future budgets to explain how the Welsh Government measures inflation on an on-going basis, for clarity and transparency.

75. In addition, the Committee has previously recommended that the Welsh Government publishes additional information to explain the impact of inflationary pressures and interest rate increases on the Welsh Government's planned projects, targets and expected outcomes.⁸⁷ Whilst the Minister has provided information about the general impact of inflation during recent budget and supplementary budget rounds,⁸⁸ the Committee calls on such information to be provided at more regular intervals to enable the Senedd to see the impact of inflation in 'real time' so that any decisions taken by the Welsh Government to mitigate such pressures can be held to account.

76. The Committee understands that the impact of inflation on the Welsh Government's budget was the primary reason why the Minister published in-year changes to the Welsh Government's budget in October 2023. The Committee recognises the reasons for such an exercise and welcomes the Minister's willingness to be transparent in her decision-making, including attending Committee to discuss these matters with Members. However, the Committee notes that many of these inflationary pressures were known and discussed during the previous budget round⁸⁹ and believes that they would have been better

⁸⁷ Finance Committee, Scrutiny of Welsh Government First Supplementary Budget 2023-24, July 2023, Recommendation 6

⁸⁸ Welsh Government, Response to recommendations from the Finance Committee report: Scrutiny of Welsh Government First Supplementary Budget 2023-24, August 2023

⁸⁹ Finance Committee, Scrutiny of the Welsh Government Draft Budget 2023-24, February 2023, paragraph 36

addressed either through the First Supplementary Budget for 2023-24, or an additional, supplementary budget. We believe that this approach could set an unfortunate precedent and weaken the Senedd's role in considering key budget decisions.

77. The Committee is particularly concerned by the lack of a formal procedural role for the Senedd in such processes, as well as the lack of opportunities for Members to consider and vote on such proposals in detail. The Committee has previously recommended that the Welsh Government brings forward its second supplementary budget so that funding can be allocated to areas as a matter of urgency, given exceptional inflationary pressures.⁹⁰

78. It is therefore disappointing that the Minister did not consider such an approach as part of the Welsh Government's recent exercise, despite accepting our recommendation in July 2022.⁹¹ We therefore call again on the Welsh Government to explore adopting a more transparent approach, which includes giving the Senedd the final say on such decisions, when making significant in-year changes to its budget.

79. The Committee discusses the Welsh Government's decision to reprioritise funding in response to the latest forecast for demand in certain areas, such as childcare, in Chapter 3 of this report. However, in order to improve transparency, the Committee would like to monitor these issues as they emerge to understand the impact of these in-year changes in greater detail. We therefore call on the Minister to explore publishing information at regular intervals to provide an overview of how the Welsh Government is progressing against its spending profiles. This would greatly enhance the Senedd's ability to scrutinise the Welsh Government's spending decisions and to hold them to account.

80. The Committee notes that the Welsh Government continues to face difficulties in engaging with the UK Government on fiscal matters and is deeply concerned by both the Treasury's reluctance to engage with the Welsh Government prior to the autumn statement and its seeming lack of interest in updating fiscal rules, despite repeated requests. This is particularly frustrating given that the improvements needed to boost the Welsh Government's funding position could be achieved through relatively simple changes, such as providing enhanced flexibilities for the Welsh Government in terms of how it handles funds from one year to the next. The Committee shares the Minister's view that these

⁹⁰ Finance Committee, Scrutiny of Welsh Government First Supplementary Budget 2022-23, July 2022, Recommendation 2

⁹¹ Welsh Government, Response to recommendations from the Finance Committee report: Scrutiny of Welsh Government First Supplementary Budget 2022-23, August 2022

changes could be made outside of any future review of the Fiscal Framework and are needed as a matter of urgency given the real terms value of these limits have been eroded by inflation.

81. These issues are not new and the Committee hopes to explore them in greater detail as part of its inquiry into fiscal intergovernmental relations, launched in December 2023.⁹² In the meantime, the Committee stands firm with the Minister in calling for the Fiscal Framework to be updated to enable greater flexibility and provide the Welsh Government with enhanced fiscal discretion. This is particularly important during a time of stubbornly high inflation which has effectively curtailed the Welsh Government's spending power.

Recommendation 4. The Committee recommends that the Minister publishes information about how and why different indices are used by the Welsh Government to measure the impact of inflation on its spending position alongside budgets and supplementary budgets, if the Welsh Government is making in-year allocations due to inflationary pressures, to ensure clarity on changes to real terms funding it faces.

Recommendation 5. The Committee recommends that the Minister provides information about the impact of inflation on the Welsh Government's budget at regular intervals during the year, in addition to the information already provided at the final budget and supplementary budget stage, to enable the Senedd to scrutinise any decisions taken by Welsh Ministers to mitigate such pressures.

Recommendation 6. The Committee recommends that the Welsh Government brings forward its supplementary budget when making significant in-year changes in future outside of the usual supplementary budget timescales, to enhance transparency and to ensure that the Senedd has a final say on such spending decisions.

Recommendation 7. The Committee recommends that the Minister calls for maximum flexibility within the Fiscal Framework to remove the annual Wales Reserve drawdown limits and increasing the size of both borrowing limits and the Wales Reserve, at least in line with inflation, given that the real terms value of these limits have been eroded in recent years.

Recommendation 8. The Committee recommends that the Minister explores publishing information at regular intervals throughout the year to provide an overview of how the Welsh Government is progressing against its spending

⁹² Finance Committee, Fiscal Intergovernmental Relations

profiles, to understand the real time impact of in-year changes on departmental budgets.

EMBARGOED UNTIL 00.01 MONDAY 5 FEBRUARY 2024

3. Budget Narrative and Presentation

Prioritisation and Pressures

82. In the foreword to the Draft Budget narrative, the Minister states that:

“In making this Draft Budget, we have had to take incredibly difficult decisions – the starkest and most painful since devolution. This has not been a typical year, where we have had an abundance of positive choices to make about where we can target increased and additional investment.”⁹³

83. In terms of how decisions relating to the budget were reached, the Minister told the Committee that the Welsh Government had “core principles ... that guided our work”, explaining that:

“... those priorities were about protecting core front-line public services as far as possible ... and then delivering the greatest benefit to households that are hardest hit by the cost-of-living crisis, prioritising jobs wherever possible, and then working in partnership with other public sector bodies to face the financial storm together and refocusing spending away from non-devolved areas.”⁹⁴

84. The budget narrative goes on to state that the Welsh Government has “radically reshaped” its budget to prioritise frontline NHS services and to “protect the core local government settlement, which in turn funds schools, social services, social care and other vital everyday services we rely on”.⁹⁵

85. The Minister also outlined that the Draft Budget “addresses the fact that the budget is worth £1.3 billion less as a result of inflation” and that, as a result:

“There have been changes across every single department, so every Minister has looked to make changes to their existing plans so that we could reshape the budget towards those front-line core public services.”⁹⁶

⁹³ Welsh Government. Draft Budget 2024-25. December 2023. page 2

⁹⁴ Finance Committee, RoP, 20 December 2023, paragraph 16

⁹⁵ Welsh Government. Draft Budget 2024-25. December 2023. page 4

⁹⁶ Finance Committee, RoP, 20 December 2023, paragraph 12

86. However, in terms of funding decisions, the Minister explained that “the room for manoeuvre is relatively small” and that “there are so many statutory commitments that we have, there are things that are legally binding that we have to deliver as well”.⁹⁷ The Minister also emphasised that the changes made to the Draft Budget “reflect only around 5 per cent of the overall budget”.⁹⁸

87. In order to make investments in priority areas, the Welsh Government states:

“... we have taken the decision to refocus some spending away from non-devolved areas, which the UK Government should be funding – these are areas where we have previously stepped in to make up the shortfall.”⁹⁹

88. However, WFA pointed out that the only non-devolved area specifically identified in the budget narrative was Police Community Support Officers (PCSOs) and that it wasn’t obvious “anywhere else in the budget where they’ve found cuts to non-devolved areas”.¹⁰⁰

89. In terms of the impact of refocusing priorities, WFA emphasised the need for detailed scrutiny of written Ministerial statements, by portfolio, as they are issued to better understand “where these cuts might come”.¹⁰¹ The Bevan Foundation also suggested that the language used in the budget narrative isn’t always clear, noting that:

“... reprioritised’, it’s a nice word, isn’t it? Nicer than ‘cut’.”¹⁰²

90. The IFS added that “the Welsh Government has done a pretty good job here in being upfront in the areas where it has made, if you like, difficult decisions certainly if we compare to documentation for UK Government budgets or Scottish Government budgets”.¹⁰³ But went on to say, in agreement with WFA, “there is a bit less on these areas where they’re saying that demand or take-up is less—well, why is that the case?”¹⁰⁴ and “there are some areas where a little bit more information could be provided”.¹⁰⁵

⁹⁷ Finance Committee, RoP, 18 January 2024, paragraph 464

⁹⁸ Finance Committee, RoP, 18 January 2024, paragraph 464

⁹⁹ [Welsh Government, Draft Budget 2024-25, December 2023, page 4](#)

¹⁰⁰ Finance Committee, RoP, 10 January 2024, paragraph 207

¹⁰¹ Finance Committee, RoP, 10 January 2024, paragraph 209

¹⁰² Finance Committee, RoP, 10 January 2024, paragraph 322

¹⁰³ Finance Committee, RoP, 10 January 2024, paragraph 209

¹⁰⁴ Finance Committee, RoP, 10 January 2024, paragraph 210

¹⁰⁵ Finance Committee, RoP, 10 January 2024, paragraph 211

Well-being of Future Generations (Wales) Act 2015

91. The Welsh Government says that throughout the budget process, it has “been guided by the principles embedded in the Well-being of Future Generations Act” (the WFG Act), going on to note:

“We have maintained our approach of understanding the integrated impacts of the choices we are taking and the need to act to prevent the worst impact to services. This means we are taking action in the short-term to protect them for the future. We maintain our commitment to respecting these principles as we progress and reflecting and adapting where necessary.”¹⁰⁶

92. In November 2023, the Commissioner published “Cymru Can”, described as “our new strategy for 2023 – 2030 and our long-term vision”.¹⁰⁷ In his written evidence to the Committee he stated that for this year his “overarching mission will focus on ensuring that the Well-being of Future Generations Act is being delivered to its full potential across all public bodies in Wales”.¹⁰⁸

93. The Commissioner told the Committee:

“The approach that I’ve taken this time is to look at how the five ways of working have been applied to the decision making ... what is the evidence of that taking place and what difference has that made?”¹⁰⁹

94. The Commissioner also drew attention to his use of the ‘maturity matrix’ which is a “self-assessment tool for public bodies so that they can assess where they are in terms of progress in delivering on the five ways of working”.¹¹⁰ He described the matrix as a “much more objective process” the Welsh Government and public bodies could apply to themselves to identify areas for improvement: “It looks at things like processes, people and culture and leadership”.¹¹¹

95. In terms of identifying the impact of the WFG Act on spending decisions within the Draft Budget, he stated:

¹⁰⁶ [Welsh Government Draft Budget 2024-25: December 2023, page 4](#)

¹⁰⁷ [Future Generations Commissioner for Wales, Cymru Can: Our Vision and Purpose](#)

¹⁰⁸ [Finance Committee, Consultation Response: Future Generations Commissioner for Wales](#)

¹⁰⁹ Finance Committee, RoP, 18 January 2024, paragraph 19

¹¹⁰ Finance Committee, RoP, 18 January 2024, paragraph 47

¹¹¹ Finance Committee, RoP, 18 January 2024, paragraph 47

“... what I was unable to see is the difference that taking account of the well-being of future generations Act made to the decisions themselves. So, the workings and the implications of the Act to the decisions that were taken, it was unclear to see from the documentation that we considered—and we looked at all the documentation available—what the implications were from considering the Act to the decisions that were eventually taken.”¹¹²

96. He also emphasised that:

“It’s important for openness and transparency that we see how decisions are being taken and that assessments about impacts are considered when budget decisions are taken. But Welsh Government also has a leadership role here for the rest of the public sector in their budget decision-making processes, and being able to show how Welsh Government is doing it would be very helpful, I think, for the public bodies to do the same.”¹¹³

97. The Commissioner’s official built on this, emphasising that similar comments had been made “repeatedly” over the years and that it was “a little bit like groundhog day” in re-stating the same findings to the Welsh Government again this year.¹¹⁴ He described a lack of progress in responding to the findings around:

“... the importance of meaningfully applying the five ways of working, the definition of prevention that you’ve heard us talk about often in this committee and the use of the budget improvement plan as an important document to articulate how the Government have considered the Act.”¹¹⁵

98. The Minister refuted these comments, saying “I think you can see all of the ways of working” in the way the WFG Act influences its work, going on to say “we see the benefit of the Act in action through the collaborative way of doing things. It does sharpen the mind around those preventative areas.”¹¹⁶

¹¹² Finance Committee, RoP, 18 January 2024, paragraph 15

¹¹³ Finance Committee, RoP, 18 January 2024, paragraph 16

¹¹⁴ Finance Committee, RoP, 18 January 2024, paragraph 25

¹¹⁵ Finance Committee, RoP, 18 January 2024, paragraph 25

¹¹⁶ Finance Committee, RoP, 18 January 2024, paragraph 529

Prevention

99. Prior to the publication of the Draft Budget, the First Minister told the Committee for the Scrutiny of the First Minister that there is a tension between “taking money out of things that people need today in order to be able to attend to the long run, and that judgment has to be made against every budget line”.¹¹⁷

100. When asked for his view on preventative spending within this Draft Budget, the Commissioner stated that “embedding prevention into the budget process has not yet materialised”,¹¹⁸ adding:

“The preventative spend is essential for future generations, and it’s essential for this agenda. We worked very closely with the Government to put together a definition of what we mean by ‘prevention’, and we want to see that applied and implemented into budget decisions. It’s one of the five ways of working, it’s absolutely at the heart of the well-being of future generations Act, and if we don’t address it, as I keep saying, we’ll be sewing up problems for the future.”¹¹⁹

101. The IFS shared this view, telling the Committee:

“... in many instances, actually, in order to provide funding for those core, front-line services, some of the services you might think as being more linked to preventative actions have been cut back ... it looks like there’s been a shift from the preventative spending to the acute end of the spending.”¹²⁰

102. The Commissioner agreed with the IFS¹²¹, adding that it was difficult to make a full assessment of the extent to which preventative spending has been reduced “because we’re unable to see what counts as preventative spend according to the definition around prevention”.¹²² The Commissioner recognised that the Welsh Government is piloting an approach to look at how preventative spend is considered within the budget, but for this reason “we know it’s not a comprehensive approach that they’re applying at the moment”.¹²³

¹¹⁷ Committee for the Scrutiny of the First Minister, RoP, 8 December 2023, paragraph 153

¹¹⁸ Finance Committee, Consultation Response: Future Generations Commissioner for Wales

¹¹⁹ Finance Committee, RoP, 18 January 2024, paragraph 42

¹²⁰ Finance Committee, RoP, 10 January 2024, paragraphs 174-175

¹²¹ Finance Committee, RoP, 18 January 2024, paragraph 40

¹²² Finance Committee, RoP, 18 January 2024, paragraph 38

¹²³ Finance Committee, RoP, 18 January 2024, paragraph 38

103. The Welsh NHS Confederation also shared concerns that moving funding away from areas that are preventative in nature, is likely to impact on people's health and will inevitably lead to increased pressure on the NHS. It highlighted obesity, and health complications associated with obesity, as well as the long-term effects of poor quality housing as particular areas of concern driving up demand on the NHS.

104. The Commissioner agreed that a lack of investment in preventable diseases will “cause greater demands on the health service in the future”¹²⁴ and that “we have to understand how cuts to budgets today may impact on the long term.”¹²⁵ He went on to say:

“That is, in some ways, a perfect example of where we need to see the workings—so, what assessment was made of these budget lines, what the cuts are going to do to numbers of cases and impact on the health service in future, and what is the judgment or the balance that’s being made now of the benefit now to investing in our health service now compared to the potential burden on the health service, but also on the health of our future generations, more importantly. I think that those are really critical considerations. They’re of course difficult considerations and they’re political considerations, but that is the lens in which the well-being of future generations Act asks us to consider the budget, and what we need to see done on a comprehensive basis in future.”¹²⁶

105. The Minister told the Committee that:

“... prevention is always difficult when you’ve got a challenging settlement, but actually the fact that we have prioritised those core front-line public services is an act of prevention, if you like, in itself, because those services, many of them are preventative in terms of preventing harms from becoming even greater, and if we hadn’t supported the health service and local government in that way, you would have known about it in terms of the impact in future years as well.”¹²⁷

¹²⁴ Finance Committee, RoP, 18 January 2024, paragraph 40

¹²⁵ Finance Committee, RoP, 18 January 2024, paragraph 39

¹²⁶ Finance Committee, RoP, 18 January 2024, paragraph 40

¹²⁷ Finance Committee, RoP, 18 January 2024, paragraph 488

106. The Committee questioned the Minister on the impact of the budget on public bodies' ability to deliver their well-being objectives. In response the Minister said:

*"... the fact that we have prioritised those particular front-line services in itself will allow them to do the important work of delivering the Act, which should be at the heart of everything that they do. So, lots of the decisions that they take won't necessarily be funding related, they'll just be ways of working, they'll be ways in which they identify priorities, and so on. So, funding is part of it, but certainly not all of it."*¹²⁸

Assessing the Impact of the Budget

Strategic Integrated Impact Assessment

107. The budget narrative includes a Strategic Integrated Impact Assessment (SIIA), the purpose of which is to "identify key trends, strategic and cumulative impacts at portfolio level, across a range of areas including giving due consideration across the statutory requirements".¹²⁹

108. The Draft Budget notes, "a robust SIIA ensures every pound invested delivers the greatest positive impact".¹³⁰ It also outlines the considerations made as part of the SIIA process, including statutory requirements associated with five pieces of legislation, one of which is the WFG Act.¹³¹

109. In its SIIA, the Welsh Government also considers a range of macro evidence sources, including the Wellbeing of Wales Report¹³² and the five-year Future Trends report.¹³³

110. In his consultation response, the Commissioner says:

*"From previous years, we are still not seeing the assessed impact of budget decisions in the budget documents, like the Strategic Integrated Impact Assessment (SIIA)."*¹³⁴

¹²⁸ Finance Committee, RoP, 18 January 2024, paragraph 490

¹²⁹ [Welsh Government Draft Budget 2024-25: December 2023, page 30](#)

¹³⁰ [Welsh Government Draft Budget 2024-25: December 2023, page 30](#)

¹³¹ [The Well-being of Future Generations \(Wales\) Act 2015](#)

¹³² [Wellbeing of Wales Report: 2023](#)

¹³³ [Welsh Government: Future Trends Report: 2021](#)

¹³⁴ [Finance Committee, Consultation Response: Future Generations Commissioner for Wales](#)

111. He goes on to say he would like to see clearer links back to the well-being objectives and goals, as well as the current carbon budget.¹³⁵

112. The Commissioner says he will continue to review how the Welsh Government has applied the WFG Act through the budget setting process. He notes that scrutiny of the 2023-24 Draft Budget found the “Act is still not embedded into budget decision-making in the way he would expect it to be”.¹³⁶

113. His evidence to Committee builds on this, noting that:

“There is increased transparency within the narrative and the Strategic Integrated Impact Assessment (SIIA) this year around the impact of decisions. However, the documents lack analysis of the long-term impacts and detailed evidence of how the involvement of public bodies and other people affected by the budget has helped with assessing the potential impact.”¹³⁷

114. The Committee asked for further clarification on this issue, to which the Commissioner responded:

“... what I think needs to change is the SIIA document... because I think that is the place you would expect to see the workings, and that is the place that you would expect to see a more detailed understanding of the differences being made by the well-being of future generations Act. My reading of that document is it’s largely a list of explanation of the decisions that have been taken, rather than an analysis or an explanation of the analysis that was undertaken to decide whether one budget was sacrificed or cut at the expense of another one that was increased or kept.”¹³⁸

115. The Commissioner’s official also added that:

“There is little to no evidence that we’ve seen that Welsh Government have been able to articulate how the budget would impact on the public bodies’ ability to deliver on their well-being objectives and steps. It’s really important in the five ways of working that integration isn’t solely about one Minister to another, but, actually, from one public body to another. So, we now have a scenario where public bodies have now got to

¹³⁵ Finance Committee, Consultation Response: Future Generations Commissioner for Wales

¹³⁶ Finance Committee, Consultation Response: Future Generations Commissioner for Wales

¹³⁷ Finance Committee, written submission: Future Generations Commissioner for Wales

¹³⁸ Finance Committee, RoP, 18 January 2024, paragraph 34

*reassess how they're going to deliver their well-being objectives and steps in light of the draft budget, and, in some cases, that's going to dramatically have an impact. We can't see the evidence that Government have considered beyond the walls of Government into the well-being objectives and steps, which is, we would argue, a requirement under the ways of working.*¹³⁹

116. The Minister said that the Welsh Government would undertake a more detailed review of the SIIA in 2024 to “embed further the future generations Act”,¹⁴⁰ and that she was “absolutely” committed to working with the Commissioner on it.¹⁴¹ She also stated:

*“We have undertaken early engagement with [the Budget Improvement and Impact Advisory Group] BIAG and will be engaging with a range of stakeholders to take this forward with the intention of concluding this review alongside the 2025-26 Draft Budget and taking forward any reforms for the 2026-27 Budget.”*¹⁴²

117. The Commissioner told the Committee that he would like to use the review of the SIIA as an opportunity to work with the Minister and her officials “to give clear advice on what we would expect to see in that document in future years, and to dedicate resources from my team to work with her officials to get that right, so that we’re not in that situation next year”.¹⁴³

118. The Minister’s official stated that the Welsh Government “would very much want to talk both through the budget improvement and impact advisory group, but also directly to the future generations commissioner about how some of the stuff he’s talked about around the matrix can be reflected within that review ... so we’re definitely open to having that conversation”.¹⁴⁴

Budget Improvement Plan

119. The Budget Improvement Plan (BIP)¹⁴⁵ aims to “improve the budget process using the Well-being of Future Generations Act and the five ways of working to drive continuous improvement”.¹⁴⁶ The Welsh Government has committed to

¹³⁹ Finance Committee, RoP, 18 January 2024, paragraph 67

¹⁴⁰ Finance Committee, RoP, 18 January 2024, paragraph 489

¹⁴¹ Finance Committee, RoP, 18 January 2024, paragraph 494

¹⁴² [Welsh Government, Draft Budget 2024-25, Budget Improvement Plan, page 5](#)

¹⁴³ Finance Committee, RoP, 18 January 2024, paragraph 28

¹⁴⁴ Finance Committee, RoP, 18 January 2024, paragraph 498

¹⁴⁵ [Welsh Government, Draft Budget 2024-25, Budget Improvement Plan](#)

¹⁴⁶ [Welsh Government, Draft Budget 2024-25, Budget Improvement Plan, page 2](#)

publishing the plan annually, with the objective of improving transparency and demonstrating how the WFG Act has influenced budget decisions. The Welsh Government says it has worked in partnership with the Budget Improvement Impact Advisory Group (BIIAG), to support development of the BIP. BIIAG provides advice from an equalities and inclusion perspective to “ensure that budget and tax processes improve over the longer term to better align funding to outcomes”.¹⁴⁷ In its BIP, the Welsh Government says:

“As part of the work with BIIAG, a sub-group continues to look at embedding prevention into our processes, using biodiversity as an area to pilot ideas. Subject to the findings from this work, a whole budget approach to preventative activity will be explored, testing practicalities, and identifying the conditions needed to do this effectively across the whole organisation.”¹⁴⁸

120. The Commissioner says the BIP provides a “welcome indication that long-term and preventative thinking are still an evolving part of the budget development process”. However, he would “expect that by now, seven years in, they would be far more embedded in current budget setting”. He says the information suggests the Welsh Government makes reference to ‘long-term’ and ‘prevention’ but it does not do the same for the other three ways of working.¹⁴⁹

121. In its BIP, the Welsh Government outlines the planned activity between 2024 and 2026 in terms of assessing the impact of budget decisions. It will:

“Implement an improved impact analysis of the Annual Budget that effectively considers all the developments in previous years, in a way that more clearly demonstrates how the WFG Act underpins all these considerations. This will include addressing recommendations from a commissioned review.”¹⁵⁰

122. The Commissioner said he would “like to work” with the Welsh Government to review the BIP, saying:

“... we need to model good practice at the Welsh Government level in order to do that for the rest of the public sector, and I think these are specific ways in which we can move on from this cycle of saying the same things and getting to a place where we can see how the impact assessment, against the

¹⁴⁷ Budget Improvement and Impact Advisory Group: Terms of reference

¹⁴⁸ Welsh Government, Draft Budget 2024-25, Budget Improvement Plan, page 5

¹⁴⁹ Finance Committee, Written evidence: Future Generations Commissioner for Wales

¹⁵⁰ Welsh Government, Draft Budget 2024-25, Budget Improvement Plan, page 10

*well-being of future generations Act, is influencing those decisions.*¹⁵¹

Gender Budgeting

123. In response to a recommendation by the Committee last year¹⁵², the Welsh Government committed to providing an update on gender budgeting in the BIP for 2024-25. The plan states:

*“We have continued to evolve our work to embed a gender focused approach and are ensuring that Welsh Treasury are driving forward this important activity.”*¹⁵³

124. Going on to say:

*“We will also be engaging with the Welsh Women’s Budget Group and other stakeholders through the Budget Improvement Impact Advisory Group (BIIAG) to develop our approach to gender budgeting.”*¹⁵⁴

125. The Wales Women’s Budget Group (WWBG) and Women’s Equality Network Cymru (WEN) said that more information was needed on the progress and evaluation of the Welsh Government’s gender budgeting pilots, which were conducted in 2022-23. They said:

*“While we welcome the Welsh Government’s continued piloting of gender budgeting and the publication of the Personal Learning Accounts (PLA) pilot evaluation, attention must now be given to developing plans to mainstream gender budgeting across the Welsh Government to support better policy making and resource allocation.”*¹⁵⁵

126. The WWBG/WEN described gender budgeting as:

“... a really critical tool that could help us restructure spending decisions in a way that takes account of gender impacts and helps us eliminate inequitable outcomes. And it’s so important

¹⁵¹ Finance Committee, RoP, 18 January 2024, paragraph 29

¹⁵² Finance Committee, Scrutiny of the Welsh Government Draft Budget 2023-24, February 2023, Recommendation 15

¹⁵³ Welsh Government, Draft Budget 2024-25, Budget Improvement Plan, page 6

¹⁵⁴ Welsh Government, Draft Budget 2024-25, Budget Improvement Plan, page 11

¹⁵⁵ Finance Committee, consultation response: Wales Women’s Budget Group (WWBG) and Women’s Equality Network (WEN)

in this context, because equality concerns are all too often deprioritised in the context of budget cuts, but this is when they should be really essential.”¹⁵⁶

127. Whilst welcoming the “comprehensive” evaluation of the first pilot, the WWBG/WEN said:

“We’re still awaiting the evaluation of the other two pilots and, at the moment, we’re completely in the dark as to how this work is progressing. The thing we are concerned about at this moment, just to say, is this work becoming siloed because, really, it has to be mainstreamed, it has to be implemented across the whole budgeting process. And I think the Wales Women’s Budget Group in particular would be really delighted to work with Welsh Government officials to ensure that this piece of work is progressed.”¹⁵⁷

Committee View

128. The Committee recognises that the Welsh Government has had to reshape its budget to deliver priorities in accordance with its guiding principles. We also note the positive comments from witnesses that the information published alongside the Draft Budget is helpful, particularly when comparing to documents produced by governments elsewhere in the UK. However, we believe that more information could be provided in relation to certain areas of the Draft Budget to explain the impact of the decisions taken. In particular, the Draft Budget narrative makes it difficult to understand where funding has been reduced in real terms and the impact this has on services and on the Welsh Government’s ability to meet its stated objectives. The Welsh Government uses terms such as “protecting” budgets where funding has been maintained in nominal terms but, when considering the impact of inflation, it equates to a cut in real terms. We note the comments made that using language such as ‘reprioritised’ is too vague and contributes to the difficulties we, as well as stakeholders, have in understanding the areas which will feel the impact of the decisions made in this budget the most. We feel it is necessary to repeat the views that were expressed by the Committee last year that “being able to identify the consequences of funding decisions is a fundamental purpose of the budget process”¹⁵⁸ and it is regrettable that, again, this is not evident.

¹⁵⁶ Finance Committee, RoP, 10 January 2024, paragraph 261

¹⁵⁷ Finance Committee, RoP, 10 January 2024, paragraph 261

¹⁵⁸ Finance Committee: Scrutiny of the Welsh Government Draft Budget 2023-24, paragraph 162

129. There are also suggestions throughout the documentation that decisions have been made to “refocus some spending away from non-devolved areas” and, as a result of “demand-led cuts”.¹⁵⁹ However, the narrative does not outline which areas this relates to and the likely repercussions. We are particularly concerned about the lack of evidence to identify the root causes of the low take-up of some of these services, especially around childcare, which last year the Welsh Government said was a provision it was intending to expand (this is covered further in Chapter 6).

130. Several contributors believed that there was an emerging trend in shifting funding away from prevention in order to fund the Welsh Government’s stated aim of protecting frontline services as much as possible. The Committee considers this to be a worrying development and although we understand the logic behind the principles that are guiding the Minister, we are concerned about the adverse long-term impact that this approach will have on a range of public services that are not considered core or frontline. Again, the Committee want more information to understand how those decisions were made, what the trade-offs were, the risks the Welsh Government is accepting in the priorities it identifies and where there might be negative impacts, both in the short and long-term.

131. Witnesses suggested that areas in the Draft Budget that seek to address long-term structural problems, such as poverty and inequality, are experiencing the biggest cuts. The Committee also notes stakeholder concerns regarding the particular impact that cutting preventative expenditure will have on the NHS.

132. The Committee is not assured by the Minister’s comments that prioritising core front-line public services is an act of prevention. We feel that there is very little evidence in the documentation published alongside the Draft Budget which shows how these short-term decisions are balanced by strategic long-term objectives. The Committee therefore agrees with the Commissioner that prioritising preventative spend is essential as a long-term measure to support future generations. If the Welsh Government is not doing that, however, the impacts of those decisions should be identified. We are also concerned by the Commissioner’s remarks that there is a lack of evidence within the Draft Budget to show the impact that cutting preventative funding now will have on the sustainability of future services. The Committee believes that the Welsh Government should demonstrate how it assesses the impact of these decisions and this should be detailed in the Strategic Integrated Impact Assessment in the next budget round. The Committee recognises that the Welsh Government has done work in this area and is conducting a pilot to quantify how preventative

¹⁵⁹ Finance Committee, RoP, 10 January 2024, paragraph 208

spend is changing within its spending plans. However, the Committee would like to see further details regarding this pilot, particularly on the assessments carried out to justify this move away from preventative funding towards protecting frontline services. Furthermore, we request information as to how the pilot will be used to rollout the approach across the Welsh Government. We feel that this would be a step towards meaningfully embedding prevention, one of the five ways of working as defined in the WFG Act, into the budget process.

133. The Committee was encouraged by comments from the Commissioner that there is increased transparency within the narrative and the SIIA around the impact of decisions. However, the Committee also acknowledges comments made by the Commissioner's office that, even if the Welsh Government is considering the five ways of working alongside its decision making, it is not seeing the progress "around the importance of meaningfully applying the five ways of working". We also agree with the Commissioner that the Welsh Government should outline how its budget decisions impact on the ability of public bodies to deliver their well-being objectives. For this reason, we would urge the Welsh Government to demonstrate these details within the SIIA, giving due regard to the 'maturity matrix'.

134. The Committee notes that the Welsh Government is in the process of reviewing the SIIA, and welcomes both the Commissioner's offer to dedicate resource to work in collaboration with the Welsh Government on this issue, and the Minister's willingness to engage with the Commissioner. It is crucial that these documents are effective and the Committee believes that a collaborative approach to reviewing both the BIP and the SIIA would help ensure transparency around how the WFG Act is helping guide decisions.

135. The Committee welcomes the publication of the Personal Learning Accounts (PLA) gender budgeting pilot and is encouraged that it provides comprehensive evaluation and recommendations to learn from.

136. The Committee notes the Welsh Government's commitment in its BIP for 2024-25 to "embed a gender focussed approach" to its work, but believe that it cannot do this unless the findings of the two remaining pilots are accessible. We also share the frustration of stakeholders who are "in the dark" about their results.

137. We feel that these findings could be used, not only as a tool to progress the mainstreaming of gender budgeting across the Welsh Government, but also as a way of incorporating it into whole policy making. We therefore urge the Welsh Government to publish these results.

Recommendation 9. The Committee recommends that the Minister provides further information about where funding is being re-prioritised in the Draft Budget, including:

- details of all the non-devolved areas, which the Welsh Government believes the UK Government should be funding; and
- an explanation of why demand is less in certain areas and the budgetary impact of this.

Recommendation 10. The Committee recommends that the Welsh Government provides a further analysis of the impact of its budget on areas that may be considered preventative in nature.

Recommendation 11. The Committee recommends that the Minister provides information on how the prevention pilot will be applied across the Welsh Government's budget, and works alongside key stakeholders, to provide meaningful data to identify the trend in prevention across years.

Recommendation 12. The Committee recommends that the Minister includes information in Strategic Integrated Impact Assessments from now on to explain how the Welsh Government considers the five ways of working within the Well-being of Future Generations (Wales) Act 2015 when making budgetary decisions.

Recommendation 13. The Committee recommends that the Minister provides details of the review it will undertake of both its Budget Improvement Plan and Strategic Integrated Impact Assessment, including the membership of the Budget Improvement and Impact Advisory Group, the terms of reference of the review, details of any consultations undertaken and related timescales.

Recommendation 14. The Committee recommends that the Minister publishes the remaining two gender budget pilots and works in collaboration with the Wales Women's Budget Group / Women's Equality Network to mainstream gender budgeting across the Welsh Government.

4. Fiscal Levers

Devolved Taxation

138. There are three devolved Welsh taxes: Welsh rates of income tax (WRIT), land transaction tax (LTT) and landfill disposals tax (LDT). Two local taxes – council tax and non-domestic rates – also provide revenue to fund public services.

139. The Welsh Government published its Tax Policy Report alongside the Draft Budget which “presents progress with the tax policy agenda in Wales”.¹⁶⁰ This is its third report since the publication of the Tax Policy Work Plan 2021-26.¹⁶¹

140. Since the 2020-21 budget round, the OBR has provided independent Welsh tax revenue forecasts. Its latest Welsh taxes outlook was published alongside the Welsh Government’s Draft Budget and sets out the OBR’s forecast for WRIT, LTT and LDT.¹⁶²

Attitudes to Taxation

141. Attitudes to devolved taxation was considered during the Committee’s workshops with Welsh Youth Parliament (WYP) Members and focus groups conducted by the Senedd’s engagement team. Across both strands, views on using taxation or borrowing differed, with arguments made for and against.

142. A majority of those who took part in the Committee’s focus groups only wanted to see increased income tax for those who can afford it,¹⁶³ however, this view was not universal with one participant stating that “we live in a society now where we can’t avoid the conversation of increasing tax”.¹⁶⁴

143. Members of the WYP noted that higher taxes were considered to be instrumental in the delivery of high quality public services.¹⁶⁵ However, there was a strong feeling that, if the Welsh Government used its powers to increase tax, it would need to clearly show where the money will be spent so that the public see the benefits of such an approach.¹⁶⁶ WYP Members also acknowledged that raising taxes in the current financial climate was difficult as it could exacerbate

¹⁶⁰ [Welsh Government Welsh Tax Policy Report 2023, paragraph 8](#)

¹⁶¹ [Welsh Government Tax Policy Work Plan 2021-2026](#)

¹⁶² [Welsh Taxes Outlook: Office for Budget Responsibility forecasts for the devolved Welsh taxes, December 2023](#)

¹⁶³ [Finance Committee, Engagement Report, July 2023, Annex B, paragraph 7](#)

¹⁶⁴ [Finance Committee, Engagement Report, Annex B, paragraph 70](#)

¹⁶⁵ [Finance Committee, Engagement Report, July 2023, paragraph 40](#)

¹⁶⁶ [Finance Committee, Engagement Report, July 2023, paragraph 40](#)

the cost of living crisis. As a result, they felt that increases should be targeted at higher earners.¹⁶⁷

144. These views were reflected in submissions to the Committee consultation. The Welsh Retail Consortium told us that “Workers on low or modest earnings should continue to be protected from rises in Welsh income tax”.¹⁶⁸

145. In terms of general awareness, WYP Members knew that the Welsh Government has tax raising powers, but were not aware of the specific taxes.¹⁶⁹ The majority of focus group participants also had some awareness of how the budget was funded in terms of devolution, but not of the specific amounts and the specific taxes involved.¹⁷⁰

Devolved Tax Income and Forecasting

146. The OBR notes that, relative to March 2023, WRIT forecasts are up by an average of £231 million (7.5 per cent) for the period up to 2027-28.¹⁷¹ These changes largely reflect upward revisions to the OBR’s UK-wide forecast, primarily due to higher earnings combined with freezes in the personal tax threshold.

147. When asked to explain the reasons for its increased forecast, the OBR told the Committee that:

“... by far the biggest reason for the increase in the forecast is the increase in the UK-wide income tax forecast ... and that was primarily due to the fact that between March and the autumn we saw higher inflation than we had previously expected ... And combined with the freezes in the personal tax threshold, that has generated pretty significant fiscal drag, so pulling more people into higher rate tax bands or pulling more people into the tax system.”¹⁷²

148. The OBR confirmed that the national insurance contributions cuts announced by the UK Government in its autumn statement 2023 was also a contributing factor to its upward revisions:

¹⁶⁷ Finance Committee, Engagement Report, July 2023, paragraph 42

¹⁶⁸ Finance Committee, Consultation Response: Welsh Retail Consortium

¹⁶⁹ Finance Committee, Engagement Report, July 2023, paragraph 39

¹⁷⁰ Finance Committee, Engagement Report, July 2023, Annex B, paragraph 69

¹⁷¹ Welsh Taxes Outlook: Office for Budget Responsibility forecasts for the devolved Welsh taxes, December 2023, page 22

¹⁷² Finance Committee, RoP, 10 January 2024, paragraph 31

“... we have assumed that they lead to an increase in labour supply, and as a result of that increase in labour supply, with more people working or people working longer hours, that boosts income tax receipts, and a portion of that boost to income tax receipts increases the Welsh income tax forecast.”¹⁷³

149. Other factors which boosted the forecast include:

“... welfare reform measures that the UK Government announced, and also measures to support childcare, which we similarly assumed boosts labour supply and therefore increased income tax in the UK and in Wales.”¹⁷⁴

150. The IFS told the Committee that the freeze in personal allowance tax thresholds would “benefit the Welsh Government’s net tax position”.¹⁷⁵

151. WFA agreed, stating that the number of people paying the additional rate of income tax “will significantly increase”¹⁷⁶ as a result of freezing thresholds, adding that this also makes the Welsh Government’s tax powers “more useful” in that “If you did increase the higher rate and the additional rate, you’d raise slightly more revenues”.¹⁷⁷

152. In terms of whether improvements could be made to Welsh forecasts, the OBR confirmed that they wanted to make further progress in getting a better understanding of “the impact of the personal allowance, both increases and then freezes, on the Welsh tax take and the tax take for the other devolved administrations”.¹⁷⁸

153. However, WFA also felt that improvements to the forecast could be made, including concentrating on “changes from December to December, rather than March to December”.¹⁷⁹ It also asked for:

“... more detail on the forecast for comparable UK Government revenues and perhaps an outline of the block grant adjustments and how those are changing so that we can have a proper detailed analysis and narrative around how and why

¹⁷³ Finance Committee, RoP, 10 January 2024, paragraphs 12

¹⁷⁴ Finance Committee, RoP, 10 January 2024, paragraphs 13

¹⁷⁵ Finance Committee, RoP, 10 January 2024, paragraph 226

¹⁷⁶ Finance Committee, RoP, 10 January 2024, paragraph 228

¹⁷⁷ Finance Committee, RoP, 10 January 2024, paragraph 229

¹⁷⁸ Finance Committee, RoP, 10 January 2024, paragraph 96

¹⁷⁹ Finance Committee, RoP, 10 January 2024, paragraphs 217-218

Wales is doing better at the moment than during the absence of tax devolution, because it's quite stark.¹⁸⁰

154. When asked whether there are any additional information or outputs that the Welsh Government would consider valuable additions to what is currently being produced by the OBR, the Minister stated that she was “satisfied with the information that is produced”¹⁸¹ and that “the system works well as it is”.¹⁸²

155. The Minister’s official also confirmed that:

*“... we don't feel, at the moment anyway, that there are any glaring gaps that urgently need to be filled, but we need to keep that under review.”*¹⁸³

156. In terms of wider trends in the devolved forecasts for Wales, the OBR published a working paper on 26 October 2023 which looked in detail at trends in Welsh income taxes.¹⁸⁴ The paper found that the Welsh share of UK tax take fell throughout the 2010s, but that this trend has stabilised for the last three or four years.¹⁸⁵ The OBR confirmed that it is planning to carry out further work to understand the changes “to see whether that can tell us any more about the likely evolution of the Welsh share in future”.¹⁸⁶

157. WFA felt that the methodology used by the OBR as a basis for its forecasts is “pretty sound” and commended their working paper as it “drills down in more detail in terms of what in the past, historically, has driven the differences in the tax base performance”.¹⁸⁷

Block Grant Adjustments and Reconciliations

158. When asked if the Welsh Government anticipated any changes to its budget in light of the forecasts for devolved Welsh taxes being revised upwards, the Minister’s official explained that:

“There’s that lag in terms of getting the outturn for the Welsh rates of income tax, and that means that the reconciliation is applied three financial years after the financial year in question

¹⁸⁰ Finance Committee, RoP, 10 January 2024, paragraphs 217-218

¹⁸¹ Finance Committee, RoP, 18 January 2024, paragraph 386

¹⁸² Finance Committee, RoP, 18 January 2024, paragraph 389

¹⁸³ Finance Committee, RoP, 18 January 2024, paragraph 394

¹⁸⁴ [Office for Budget Responsibility, Working Paper No.21: Developments in devolved income tax, 26 October 2023](#)

¹⁸⁵ Finance Committee, RoP, 10 January 2024, paragraphs 21 and 22

¹⁸⁶ Finance Committee, RoP, 10 January 2024, paragraphs 26 and 27

¹⁸⁷ Finance Committee, RoP, 10 January 2024, paragraph 217

... Overall, we've got around about £67 million additional to spend next year in relation to the devolved taxes and block-grant adjustments and reconciliations compared to the position as at the final budget last year. So, that's a positive movement."¹⁸⁸

159. When asked how long it would take for the Welsh Government to receive its outturn for WRIT, the OBR stated that “what actually happens in outturn will not be known for, I think, about 18 months because there is a long lag here”.¹⁸⁹

160. The Minister's official recognised that the process takes a “long time” and that it is “a product of how HMRC administers the system”.¹⁹⁰ He added that:

“It would obviously be preferable to have all of that done quicker than it is, but that's the quickest it can be done at the moment. It's something we'll continue to talk to HMRC about. It's really an HMRC thing rather than a Treasury thing.”¹⁹¹

161. However, when asked if this could be mitigated by updating the block grant adjustment annually, alongside the Draft Budget, the Minister said it “would further complicate an already complicated system”.¹⁹²

162. The Minister's official added that the Welsh Government needed “more time to work out” the benefits or otherwise of more “frequent reconciliations”¹⁹³ but that it would be “something we'll look at as we go along”.¹⁹⁴

163. The Minister's official also mentioned the addition of devolved tax and block grant adjustment forecasts in the Draft Budget documentation which has been included for the first time in response to a recommendation made by the Committee in its report on the Draft Budget 2023-24,¹⁹⁵ “to provide more clarity about the interaction between tax forecasts and block-grant adjustments and reconciliations”.¹⁹⁶

¹⁸⁸ Finance Committee, RoP, 20 December 2023, paragraph 79

¹⁸⁹ Finance Committee, RoP, 10 January 2024, paragraph 34

¹⁹⁰ Finance Committee, RoP, 20 December 2023, paragraph 82

¹⁹¹ Finance Committee, RoP, 20 December 2023, paragraph 82

¹⁹² Finance Committee, RoP, 18 January 2024, paragraph 417

¹⁹³ Finance Committee, RoP, 18 January 2024, paragraph 422

¹⁹⁴ Finance Committee, RoP, 18 January 2024, paragraph 424

¹⁹⁵ Finance Committee, Scrutiny of Welsh Government Draft Budget 2023-24, February 2023, recommendation 8

¹⁹⁶ Finance Committee, RoP, 20 December 2023, paragraph 80

164. Such a development was noted by WFA as a “welcome addition to the budget” and that it “does a really good job of explaining the breakdown between actual revenues and reconciliations, and breaking down the two areas”.¹⁹⁷

Welsh Rates of Income Tax

165. According to the Welsh Government’s ready reckoner, the estimate for changing the rates of income tax bands by +/- 1p in terms of Welsh Government tax revenue for WRIT in 2024-25 are:

- Basic rate: +/- £263 million
- Higher rate: +/- £40 million
- Additional rate: +£5 million, -£6 million¹⁹⁸

166. The Draft Budget narrative states that:

“In line with its commitment not to take more in Welsh Rates of Income Tax from Welsh families for at least as long as the economic impact of the pandemic lasts, the Welsh Government proposes to set Welsh Rates of Income Tax for 2024-25 at 10p.”¹⁹⁹

167. The Minister explained the reasons behind this decision:

“... we do consider it a fresh every year, but this year, again, we’re very mindful of the fact that people are still experiencing the cost-of-living crisis and they’ve got the highest tax burden since after the second world war. You can’t just think of Welsh rates of income tax in isolation from people’s overall tax liabilities.”²⁰⁰

168. In terms of the options available to the Welsh Government, the Minister explained that changing the basic rate was the only option available that would “make any real difference”²⁰¹ to the Welsh Government’s revenues, given that “we have relatively few people in the higher and additional rates”.²⁰²

¹⁹⁷ Finance Committee, RoP, 10 January 2024, paragraph 224

¹⁹⁸ [Welsh rates of Income Tax ready reckoner 2024, Table 1](#)

¹⁹⁹ [Welsh Government, Draft Budget 2024-25, December 2023, paragraph 3.10](#)

²⁰⁰ Finance Committee, RoP, 18 January 2024, paragraph 439

²⁰¹ Finance Committee, RoP, 18 January 2024, paragraph 443

²⁰² Finance Committee, RoP, 18 January 2024, paragraph 443

Land Transaction Tax

169. According to the OBR, total LTT forecast receipts are on average £59 million (16 per cent) lower between 2023-24 and 2027-28 when compared to February 2023.²⁰³

170. In terms of why the OBR assumes no divergence on house prices between Wales and the UK, the OBR told the Committee that “there’s been a very close tracking of both prices and transactions in Wales and the UK over the past year” and that on that basis “we didn’t see any case for assuming divergence in the future”.²⁰⁴

Landfill Disposals Tax

171. The OBR notes receipts for LDT in the first half of 2023-24 are down by £8.8 million (35.3 per cent) on the same period last year, driven by a reduction in the amount of standard-rate waste sent to landfill.²⁰⁵

172. When asked about the reasons for this, the OBR explained that:

“... there are probably a couple of factors here. One is that generally subdued economic activity, compared to our previous forecast, may have had some impact in reducing waste. But I think the bigger effect is due to some capacity issues at some of the landfill sites, based on information that we have from the Welsh Revenue Authority and the operators. And so, on that basis, although we assume some of that shortfall persists through the forecast, we don’t assume that all of it persists. So, essentially, we assume that some of that unexpected weakness will unwind over the forecast period.”²⁰⁶

173. In terms of whether discussions had taken place with the Welsh Revenue Authority (WRA) regarding lack of non-compliance data, the OBR confirmed that:

“... we discussed that in the report, and that is an area that we will be doing more work with analysts in Welsh Government and the Welsh Revenue Authority on.”²⁰⁷

²⁰³ Office for Budget Responsibility. *Forecasts for devolved Welsh taxes, page 31*

²⁰⁴ Finance Committee, RoP, 10 January 2024, paragraph 77

²⁰⁵ Office for Budget Responsibility. *Forecasts for devolved Welsh taxes, page 42*

²⁰⁶ Finance Committee, RoP, 10 January 2024, paragraph 83

²⁰⁷ Finance Committee, RoP, 10 January 2024, paragraph 85

174. However, the OBR reassured the Committee that:

“It doesn’t mean that we are not capturing any kind of non-compliance in our forecast, because, essentially, non-compliance that may be happening now is built into the baseline from which we project.”²⁰⁸

175. The OBR also added that:

“I don’t think there’s any problem that we feel we have that information is sort of being withheld ... We have a good working relationship with all our counterparts in Wales, so I think it’s more about developing the ability to collect and assess this information.”²⁰⁹

176. When asked about the reasons for the lack of data relating to non-compliance associated with LDT, the Minister stated that:

“... the OBR revenue forecast for LDT implicitly assumes that current levels of non-compliance remain constant throughout the forecast, but I do have regular meetings with the Welsh Revenue Authority, and we, inevitably, talk about LDT and collection, and they talk about the work that they’re doing to identify the main areas of risk.”²¹⁰

Non-Domestic Rates

177. In the Draft Budget narrative the Welsh Government confirms that it will cap the increase to the non-domestic rates (NDR) multiplier in Wales to 5 per cent for 2024-25 at a cost of £18 million this year.²¹¹ 40 per cent relief for retail, leisure and hospitality is capped at £110,000 per business (rather than 75 per cent in England) at a cost of £78 million.²¹²

178. A number of respondents to the Committee’s consultation, which were submitted before the Draft Budget was published, called on the Welsh Government to use its fiscal powers to support businesses.

179. The Welsh Retail Consortium requested an approach to tax “which helps retailers keep down prices for shoppers and which helps retail destinations and

²⁰⁸ Finance Committee, RoP, 10 January 2024, paragraph 85

²⁰⁹ Finance Committee, RoP, 10 January 2024, paragraph 88

²¹⁰ Finance Committee, RoP, 18 January 2024, paragraph 396

²¹¹ Welsh Government, Draft Budget 2024-25, December 2023, paragraph 3.19

²¹² Welsh Government, Draft Budget 2024-25, December 2023, paragraph 3.19

economic growth rebound” and called on the Welsh Government to “Rule out any uplift in the business rate”.²¹³ It also called on the Welsh Government to “Set out a timetabled plan to lower the business rate permanently over the medium term to a more financially sustainable level for firms”.²¹⁴

180. The Federation of Small Businesses also called on the Welsh Government to extend the 75 per cent rates relief “for businesses in the hospitality, tourism, and leisure sector” as “a targeted and essential demand to address the unique challenges faced by these industries”.²¹⁵

181. The Minister told Committee that “This is one of the difficult choices that we’ve had to make as a result of our focus on core front-line public services, essentially”. She also outlined the support made available to the sector within the Draft Budget:

“For the retail, hospitality and leisure sector, we’ve decided to set that relief at 40 per cent for next year, so essentially tapering down from what was only ever intended to be a short-term relief in any case, but also putting in place a £20 million capital fund so that businesses will be able to look to that fund to provide support for becoming more sustainable in future ... So, we did take a different approach. It’s worth as well just remembering that we spend £384 million a year supporting businesses with their rate relief in Wales, and that’s a really significant investment.”²¹⁶

Further Devolution of Taxation Powers

182. The Committee recommended in its report on the Draft Budget 2023-24 that the Welsh Government undertakes foundational work on the benefits and risks associated with devolving powers to modify WRIT bands and thresholds.²¹⁷ In its response, the Welsh Government agreed with the recommendation in principle, but recognised that:

“This would be a step change in the Welsh Government’s devolved tax responsibilities and would mean much greater

²¹³ Finance Committee, Consultation Response: Welsh Retail Consortium.

²¹⁴ Finance Committee, Consultation Response: Welsh Retail Consortium.

²¹⁵ Finance Committee, Consultation Response: Federation of Small Businesses.

²¹⁶ Finance Committee, RoP, 20 December 2023, paragraph 98.

²¹⁷ Finance Committee, Scrutiny of Welsh Government Draft Budget 2023-24, February 2023, recommendation 6.

exposure to relative tax base growth risk between Wales and elsewhere in the UK.”²¹⁸

183. There was some support for further devolution of tax powers from respondents to the Committee’s consultation. The WWBG wanted “serious consideration given to the use of more progressive sources of tax revenue, such as devolved income tax increases, or income tax reform to include more bands and flexibility as in Scotland”.²¹⁹

184. The Bevan Foundation also wanted “to see steps taken to grow the tax base in Wales, and also to continue the exploration of the potential of new devolved taxes”.²²⁰ It pointed to the limitations of the current powers, stating that “it is very difficult for the Welsh Government to pursue ... an anti-austerity agenda ... And that’s a product of the settlement that we have”.²²¹

185. When asked about the work being carried out by the Welsh Government to develop its taxation powers, the Minister stated that “the system that we have at the moment here in Wales is new, it’s still bedding in, but I think it’s proven itself to be advantageous”.²²² However, the Minister also referred to the benefits of the Scottish tax model in delivering a greater range of policy outputs:

“... if you do have a larger range of bands, then you can offer relative protection to people on the lower bands. So, there are more policy choices that you could make in that kind of scenario, whilst also taking on board the financial risk to the budget.”²²³

186. The Minister added that:

“... we are interested in what they’re doing in Scotland, and we do need to consider what the implications might be for us here in Wales ... but there are certain risks.”²²⁴

187. In terms of developing a greater understanding of devolved taxes, the Minister mentioned that the Welsh Government is part of a “group that includes Welsh Government officials, officials from Scotland, the Scottish Fiscal

²¹⁸ [Written response by the Welsh Government to the report of the Finance Committee, March 2023, page 3](#)

²¹⁹ [Finance Committee, Consultation Response: Wales Women’s Budget Group](#)

²²⁰ Finance Committee, RoP, 10 January 2024, paragraph 310

²²¹ Finance Committee, RoP, 10 January 2024, paragraph 311

²²² Finance Committee, RoP, 18 January 2024, paragraph 412

²²³ Finance Committee, RoP, 18 January 2024, paragraph 457

²²⁴ Finance Committee, RoP, 18 January 2024, paragraph 412

Commission, the OBR and HMRC, and they look, again, at data and analytical developments that are happening” across the UK.²²⁵

188. In terms of devolving powers to enable the Welsh Government to introduce new taxes, the Minister noted during Draft Budget scrutiny in December 2022 that progress on a vacant land tax had “stalled”.²²⁶ When asked whether there were any developments in this area, the Minister said “No’ is the short answer to that”, adding:

“... it seems that if the UK Government understands, approves of and agrees with a policy behind devolving a tax, then it’s happy to do it, whereas if it’s not something the UK Government already intends to do itself in England, then it will just continue to push back. So, the approach isn’t very equitable.”²²⁷

Other Fiscal Levers

Borrowing and use of Reserves

189. The Draft Budget outlines that the Welsh Government is looking to drawdown £75 million from the Wales Reserve in 2024-25,²²⁸ and the Report on Outturn 2022-23 confirms that the full £350 million reserve was carried forward to 2023-24 financial year.²²⁹ In terms of borrowing, the Welsh Government intends to use the maximum £150 million available to it.²³⁰

190. The Minister told the Committee that, in relation to borrowing, “we’re limited to borrowing £150 million a year, and up to £1 billion” and that “Every year since we’ve had those powers, we’ve been aiming to borrow the maximum”.²³¹

Capital

191. In the Draft Budget narrative, the Welsh Government states the “majority of allocations for general capital will remain static for this Draft Budget”.²³² The Minister confirmed that the Welsh Government will continue its overprogramming approach to budgeting for capital,²³³ and also clarified that the

²²⁵ Finance Committee, RoP, 18 January 2024, paragraph 387

²²⁶ Finance Committee, RoP, 14 December 2022, paragraph 109

²²⁷ Finance Committee, RoP, 20 December 2023, paragraph 89

²²⁸ Welsh Government, Tables supporting spending plans

²²⁹ Welsh Government Report on Outturn 2022-23, December 2023, page 19

²³⁰ Welsh Government, Tables supporting spending plans

²³¹ Finance Committee, RoP, 20 December 2023, paragraph 73

²³² Welsh Government, Draft Budget 2024-25, December 2023, paragraph 4.18

²³³ Finance Committee, RoP, 20 December 2023, paragraph 75

Welsh Government's approach to capital funding had not changed since the 2021 UK autumn statement:

*"Our plans on capital haven't changed significantly since we set them at the point at which we undertook our zero-based review, and that was as part of our 2021 spending review, which looked across the next three years. So, we haven't significantly changed those, although we would hope—as we would hope this year—to be able to potentially switch some capital to revenue."*²³⁴

192. Respondents to the Committee's consultation commented on the need for increased capital investment in particular areas. The Chartered Institute of Housing Cymru called for increased capital funding "to ensure we have enough affordable homes to meet the rising need here in Wales and to overcome the current housing crisis";²³⁵ an issue echoed by Cymorth Cymru²³⁶ and the WLGA.²³⁷

193. The Welsh NHS Confederation also called for further capital funding "to support public bodies to reach the Net Zero target by 2030 set by Welsh Government in the NHS Wales Decarbonisation Strategic Delivery Plan" adding that "the lack of capital funding and investment is a major barrier to service delivery now and in the future".²³⁸

194. In giving evidence to the Committee, WFA explained that inflationary pressures experienced since these capital budgets were set in the 2021 UK autumn statement "significantly erodes the value of the budget, and we think that, by 2028-29, the Welsh Government's core block grant for core capital spending could fall by about 15 per cent in real terms".²³⁹

195. WFA added that construction and infrastructure projects have been particularly impacted by these pressures.²⁴⁰

196. The IFS also mentioned that the Welsh Government's decision to switch capital to resource funding in order to prioritise funding for frontline services could further exacerbate pressures on capital budgets:

²³⁴ Finance Committee, RoP, 20 December 2023, paragraph 17

²³⁵ Finance Committee, Consultation Response: Chartered Institute of Housing Cymru

²³⁶ Finance Committee, Consultation Response: Cymorth Cymru

²³⁷ Finance Committee, Consultation Response: Welsh Local Government Association

²³⁸ Finance Committee, Consultation Response: Welsh NHS Confederation

²³⁹ Finance Committee, RoP, 10 January 2024, paragraph 149

²⁴⁰ Finance Committee, RoP, 10 January 2024, paragraph 149

“Whilst there’s been this £800 million top-up for resource spending, there’s been no top-up for capital, so the pressure was already building there, and the switch from capital to resource will add to that pressure on the capital budgets.”²⁴¹

197. The IFS added that, as a result, the “Welsh Government will have to really ruthlessly prioritise its capital budgets”,²⁴² but suggested that:

“... one way it can maximise capital investment in Wales is by creating an enabling environment that allows local government to feel confident to maximise their use of their prudential borrowing powers.”²⁴³

198. The IFS added that:

“I think those two things—more clarity for local government and more flexibility—will help them maximise prudential borrowing, which is an important source of actual capital investment, especially for things like schools and local transport schemes.”²⁴⁴

Financial Transactions Capital

199. The Draft Budget includes some allocations of financial transactions capital, further allocations will be made at Final Budget.²⁴⁵ The Draft Budget narrative states that:

“... the timescales within which to develop proposals and the late announcement of the UK Autumn Statement have constrained our ability to make full FT allocations as part of the Draft Budget.”²⁴⁶

200. When asked for an update on this issue, the Minister confirmed that any reallocating of capital between the Draft and Final Budget would be in relation to the allocation of financial transactions capital, “because there’s no additional capital to allocate”.²⁴⁷

²⁴¹ Finance Committee, RoP, 10 January 2024, paragraph 137

²⁴² Finance Committee, RoP, 10 January 2024, paragraph 160

²⁴³ Finance Committee, RoP, 10 January 2024, paragraph 160

²⁴⁴ Finance Committee, RoP, 10 January 2024, paragraph 160

²⁴⁵ Welsh Government, Draft Budget 2024-25, December 2023, paragraph 4.20

²⁴⁶ Welsh Government, Draft Budget 2024-25, December 2023, paragraph 4.20

²⁴⁷ Finance Committee, RoP, 18 January 2024, paragraph 485

201. The Minister added that:

“... the only new funding will be in relation to financial transactions capital. I did announce £41 million of financial transactions at the draft budget, but I expect to announce some more, as we continue to work through those plans, at the final budget.”²⁴⁸

Committee View

202. The Committee notes the views on taxation expressed during our engagement work and in response to our consultation exercise, and welcomes the diversity of opinions regarding raising and lowering taxes. We welcome that awareness of devolved taxes appears relatively high and hope that the discussions held in relation to these are reflective of an increased maturity in the discourse around taxation in Wales.

203. The Committee welcomes the reasons provided by the OBR on why its income tax forecasts for Wales have been revised upwards, and notes that this is due largely to UK-wide trends. The Committee also found the OBR’s latest assessment of Welsh taxes, which show how trends in Welsh income taxes compare to wider UK trends, particularly useful and agrees with the Minister that the information produced is robust and comprehensive.

204. The Committee also welcomes work undertaken by the OBR in its working paper on devolution and the steps taken to improve its Wales-specific methodology relating to tax forecasting. Developing devolved taxation in Wales is dependent on accurate and meaningful data. The Committee is confident that the OBR’s approach will greatly enhance our understanding of how the Welsh tax base is changing and that this will help inform future approaches to devolved taxation.

205. The Committee is pleased to see information provided within the Draft Budget showing revenues, block grant adjustment and net revenue impact for each of the devolved taxes. As noted by the Minister, this has been included for the first time in response to recommendations made by the Committee in our report on the Draft Budget 2023-24.²⁴⁹ We welcome this as a positive

²⁴⁸ Finance Committee, RoP, 18 January 2024, paragraph 485

²⁴⁹ Finance Committee, Scrutiny of Welsh Government Draft Budget 2023-24, February 2023, recommendation 8

development which has provided an additional layer of clarity and we expect to see such information included in future budget documentation.

206. The Committee notes the evidence received on how the block grant adjustment is calculated and particularly the time lag between the OBR's forecast and the outturn position, where revenues are available to the Welsh Government. Although the Committee is frustrated with the time this process takes, we recognise that there could be risks associated with streamlining the current approach. We therefore call on the Minister to monitor this process and to use the data collected to consider whether changes could be made to enable quicker access by the Welsh Government to any increases in its funding received as a result of any adjustments.

207. The Committee notes the Welsh Government's decisions to keep devolved tax rates relatively static for 2024-25 and believes this is a pragmatic approach within the current economic context, especially given increases to the cost of living and the continued squeeze on household income.

208. The Committee is concerned by the lack of data captured by the WRA on non-compliance activity relating to LDT, and the impact this has on producing accurate forecasting. We note that the OBR is planning on working closely with analysts in the Welsh Government and the WRA on this issue. The Committee is also pleased that a good working relationship exists between the OBR and the WRA and that information relating to this matter is not being deliberately withheld. Nonetheless, the Committee believes that these issues should be addressed to ensure that problems do not persist and we call on the Minister to provide assurances that such gaps in data will not hinder the forecasting of LDT in future.

209. The Committee notes the views expressed regarding the limitations of the Welsh Government's current powers over income tax, including the relatively modest amounts of funding that could be raised through current devolved income tax rates. We also note the inability of the Welsh Government to introduce new tax bands and thresholds, in contrast to the Scottish Government's powers. We are disappointed with the lack of progress in devolving powers to introduce new taxes, and support the Minister in her efforts to engage the UK Government on these matters.

210. The Committee has previously called on the Welsh Government to undertake foundational work into the benefits and risks associated with devolving powers to

modify WRIT bands and thresholds²⁵⁰ Although we recognise that devolving such powers carries risks, the Committee is disappointed that the Minister is not exploring this option with greater enthusiasm. It would enable the Welsh Government to develop a more progressive income tax regime in Wales, in line with the broad aims of its tax policy, thereby allowing the Welsh Government to develop more effective tax policies for higher earners.

211. Despite this, the Committee is pleased that the Minister is taking an open and pragmatic approach to the issue. We also agree with the Minister that it is essential to understand the impact of such powers in a Welsh context before considering whether further powers should be devolved.

212. The Committee is particularly interested in the group looking at data and analytical developments relating to taxation across the UK, that includes Welsh Government officials, officials from the Scottish Government, the Scottish Fiscal Commission, the OBR and HMRC. We are pleased that this level of engagement on taxation matters exist across the devolved administrations and central government and ask the Minister to keep us informed of developments.

213. The Committee expressed concerns last year about the level of the Welsh Government's capital budgets and called for more detail on how its capital programme will be affected by constrained budgets and inflationary pressures.²⁵¹ The Committee believes that questions remain about the Welsh Government's ability to deliver stated commitments within its capital budget envelope, especially given that it has been subject to significant erosion since the budgets were set at the time of the UK autumn statement in 2021.

214. The Committee notes that a full update on capital mapping will be provided alongside the Final Budget on 27 February 2024. The Committee is aware of the impact of inflation on capital projects, particularly in the area of school construction and is concerned that it was not possible to understand from budget documentation what capital plans the Welsh Government will deliver in 2024-25. The Committee found it particularly hard to work out whether projects have been reprioritised, scaled back or reprofiled across a number of years and the impact this will have on the delivery of outcomes in 2024-25, especially given funding for capital projects has fallen in real terms.

²⁵⁰ Finance Committee, Scrutiny of Welsh Government Draft Budget 2023-24, February 2023, recommendation 6

²⁵¹ Finance Committee, Scrutiny of Welsh Government Draft Budget 2023-24, February 2023, recommendation 9

215. The Committee recognises that the Minister has few levers at her disposal to boost this aspect of the Welsh Government's budget. However, the Committee heard evidence that the Welsh Government could do more to develop an enabling environment to allow local government to feel confident in using their prudential borrowing powers to boost capital capacity. We believe there are merits to this, and ask the Minister to look at ways in which such an approach could be nurtured.

216. The Committee also notes that the Minister hopes to be able to switch capital to revenue funding, as is planned within the current 2023-24 financial year. We understand why the Minister has taken this approach and acknowledge that it carries risk given that it requires agreement by the Treasury, which we understand has not been provided. We therefore call on the Minister to provide an update as soon as the Treasury considers the Welsh Government's request, as well as explaining the budgetary impact of the request being declined.

217. The Committee further notes that the timing of the UK autumn statement 2023 has constrained the Welsh Government's ability to make full financial transactions capital (FT) allocations as part of the Draft Budget. The Committee has previously recommended that the Welsh Government provides regular updates on FT allocations.²⁵² It is therefore disappointing that these issues remain unaddressed and call for clarity on FT allocations for 2024-25 to be provided as soon as possible, and for this information to be made available sooner in future budget rounds.

Recommendation 15. The Committee recommends that the Minister:

- commits to monitoring trends in the size of block grant adjustments over time, and
- uses such data to consider whether changes to the process for making reconciliations through block grant adjustments could be made, to enable quicker access by the Welsh Government to any increases in its funding.

Recommendation 16. The Committee recommends that the Minister works with the Office for Budget Responsibility and the Welsh Revenue Authority to ensure that its processes for collecting and sharing public non-compliance data relating

²⁵² Finance Committee, Scrutiny of Welsh Government Draft Budget 2022-23, February 2022, recommendation.12

to Landfill Disposals Tax is fit for purpose, and provides assurances that problems in this area will not persist.

Recommendation 17. The Committee recommends that the Minister provides an update by the summer recess on discussions held with the Scottish Government, Scottish Fiscal Commission, the Office for Budget Responsibility and HMRC regarding data and analytical developments relating to taxation across the UK, and provides an assessment of whether there is scope for the Welsh Government's current taxation powers to be enhanced in light of any discussions held.

Recommendation 18. The Committee recommends that the Minister provides information on the capital plans that the Welsh Government will deliver in 2024-25 in its final budget documentation, including details of projects that have been reprioritised, scaled back or reprofiled across a number of years in light of budgetary constraints in this area.

Recommendation 19. The Committee recommends that the Minister maximises capital investments by working with local authorities to develop an enabling environment that would allow local government to use their prudential borrowing powers to boost capacity within their capital budgets.

Recommendation 20. The Committee recommends that the Minister provides an update on whether the Treasury has agreed to the Welsh Government's request to switch funding from capital to revenue, and provides information to explain the budgetary impact should this request be declined, including details of individual projects, policies and initiatives that would be affected.

Recommendation 21. The Committee recommends that the Minister includes decisions and documentation relating to general and financial transactions capital allocations as part of the Draft Budget documentation in future years to ensure there is an opportunity to scrutinise plans as part of the Draft Budget scrutiny process.

5. Sustainability of Public Services

218. The Welsh Government notes that its budget settlement from the UK Government:

“... is not sufficient to respond to the extreme pressures experienced by public services, caused by persistently high inflation, unfunded pay settlements, increased energy costs and rising demand.”²⁵³

219. It added:

“The stark reality of the extraordinary financial circumstances we are facing has necessitated a more fundamental approach.”²⁵⁴

220. The Welsh Government said the adopted approach meant “some really difficult decisions to radically redesign”²⁵⁵ its spending plans and its priorities included “protecting core frontline public services, as far as possible”. It added:

“These priorities enable us to focus allocations on those areas which deliver the services which matter most to people and communities. Among our priority areas for funding are frontline NHS services and the core local government settlement, which funds schools, social services and social care.”²⁵⁶

221. However, the Welsh Government acknowledged:

“... even with this extra investment, health boards and councils will face significant pressures and difficult choices in managing within their settlements in 2024-25.”²⁵⁷

²⁵³ Welsh Government, Draft Budget 2024-25, December 2023, page 4

²⁵⁴ Welsh Government, Draft Budget 2024-25, December 2023, page 31

²⁵⁵ Welsh Government, A Budget to protect the most-valued services, December 2023

²⁵⁶ Welsh Government, Draft Budget 2024-25, December 2023, page 4

²⁵⁷ Welsh Government, Draft Budget 2024-25, December 2023, page 32

Financial Sustainability

NHS Wales

222. The Welsh Government said that NHS Wales will receive an extra £450 million for 2024-25,²⁵⁸ which is additional to the £425 million of funding as part of its in-year savings exercise for 2023-24, announced in October 2023.²⁵⁹ It noted:

“This is equivalent to an increase of more than 4% in 2024-25, compared to less than 1% for the NHS in England.”²⁶⁰

Service Pressures

223. In April 2022, the Welsh Government published its programme for transforming and modernising planned care and reducing waiting lists in Wales. This set out five “key ambitions” to reduce waiting times.²⁶¹

224. The waiting times data for September 2023 showed that the Welsh Government had not yet met Ambition 1 (No one waiting longer than a year for their first outpatient appointment, by the end of 2022) and Ambition 2 (Eliminate the number of people waiting longer than two years in most specialties, by March 2023). The target dates for Ambitions 3-5 fall from Spring 2024.²⁶²

225. The Welsh NHS Confederation said the waiting times data for September 2023 showed increasing demand and this was coming at a time of financial challenges, adding:

“... unless we collectively tackle demand – that is, all sectors and government departments doing all they can to support the population’s health and wellbeing – the sustainability of health and care services will be at risk.”²⁶³

226. It told the Committee:

“... we’re also seeing an increase in pressure and demand at the front-door, and acuity of demand as well. When people are

²⁵⁸ Welsh Government, Draft Budget 2024-25, December 2023, page 23

²⁵⁹ Welsh Government, Update on 2023-24 Financial Position, October 2023, page 7

²⁶⁰ Welsh Government, Draft Budget 2024-25, December 2023, page 19

²⁶¹ Welsh Government, Our programme for transforming and modernising planned care and reducing waiting lists in Wales, April 2022

²⁶² Welsh Government, Our programme for transforming and modernising planned care and reducing waiting lists in Wales, April 2022

²⁶³ NHS Confederation, ‘Autumn demand doesn’t bode well for winter’, November 2023

coming into the NHS, the problems they've got are generally more serious."²⁶⁴

227. In its response to the NHS waiting time data for October 2023, the Welsh Government said:

*"It's disappointing to see overall waiting lists reaching their highest levels on record."*²⁶⁵

228. In its consultation response, the Welsh NHS Confederation said a range of "external drivers" have had a "significant" impact on NHS Wales, leading to "increased financial uncertainty and deficits".²⁶⁶ These include underlying deficits from 2022-23, workforce pay pressures, inflation and increased spending on medicine and prescriptions.²⁶⁷

229. It also said the 2023-24 budget allocations assumed COVID-19 driven cost pressures could be "removed as the NHS became less exposed to COVID restricted operations".²⁶⁸

230. However, the Welsh NHS Confederation told the Committee the impact of COVID-19 continues to cause pressure on NHS services, for example, in managing additional bed capacity that is still in operation, running vaccination programmes and infection-control risks.²⁶⁹ It added:

*"... we changed the shape of services and we put in capacity during the time of COVID that is now baked in ... to our cost base."*²⁷⁰

NHS Productivity and Outcomes

231. Following scrutiny of the Welsh Government's budgets for 2022-23^{271,272} and 2023-24,²⁷³ the Committee recommended the Welsh Government provided

²⁶⁴ Finance Committee, RoP, 18 January 2024, paragraph 87

²⁶⁵ [Welsh Government, Health Minister response to latest NHS Wales performance data - October and November 2023](#)

²⁶⁶ [Finance Committee, Consultation response: Welsh NHS Confederation](#)

²⁶⁷ [Finance Committee, Consultation response: Welsh NHS Confederation](#)

²⁶⁸ [Finance Committee, Consultation response: Welsh NHS Confederation](#)

²⁶⁹ Finance Committee, RoP, 18 January 2024, paragraph 161

²⁷⁰ Finance Committee, RoP, 18 January 2024, paragraph 161

²⁷¹ [Finance Committee, Scrutiny of the Welsh Government Draft Budget 2022-23, February 2022, Recommendation 23](#)

²⁷² [Finance Committee, Scrutiny of the Welsh Government First Supplementary Budget 2022-23, July 2022, Recommendation 11](#)

²⁷³ [Finance Committee, Scrutiny of the Welsh Government Draft Budget 2023-24, February 2023, Recommendation 23](#)

information about the outcomes it expected NHS Wales to deliver for the additional funding allocated, including allocations to address the backlog of treatments.

232. In responding to those recommendations, the Welsh Government referred to its programme for transforming and modernising planned care and reducing waiting lists in Wales.²⁷⁴ However, while it provided a range of information, it did not include quantified outcomes it expected NHS Wales to deliver for the additional funding allocated.²⁷⁵

233. In relation to the additional funding for 2024-25 and additional in-year funding for 2023-24, the Welsh NHS Confederation told the Committee:

“The Government and the Minister have been quite clear in the expectations that they’re setting. The additional allocations I think were ultimately to stabilise the service... the additional allocations are dependent and need a commitment from the NHS to deliver on planned care and reduce waiting times.”²⁷⁶

234. In commenting on the pressures facing the NHS, the IFS stated that “there is still, at least somewhat, an underlying productivity issue in the NHS”.²⁷⁷ This issue was also reflected in evidence provided by WFA, which stated:

“... there are more resources available for the NHS, but activity rates or activity in the NHS hasn’t really grown by as much, which suggests... that there are demand changes, and also, in terms of the productivity of the NHS, how much healthcare that budget provides perhaps hasn’t been increasing suggesting, maybe, that the pandemic has had a longer term hit on the productivity in the health service.”²⁷⁸

235. WFA also suggested medium and long-term planning in relation to recruitment and training of new staff was necessary to improve productivity.²⁷⁹ It added:

²⁷⁴ [Finance Committee webpages, Welsh Government budget](#)

²⁷⁵ [Finance Committee webpages, Welsh Government budget](#)

²⁷⁶ Finance Committee, RoP, 18 January 2024, paragraph 105

²⁷⁷ Finance Committee, RoP, 10 January 2024, paragraph 181

²⁷⁸ Finance Committee, RoP, 10 January 2024, paragraph 177

²⁷⁹ Finance Committee, RoP, 10 January 2024, paragraph 179

“That I think, is the only way that you can reduce the amount of time that people are staying in hospital beds that don’t necessarily need to be there, for example.”²⁸⁰

236. In commenting on decreased productivity within the NHS on a UK-wide level, the IFS suggested a growing elderly population and a complexity of cases, as factors which have impacted changes in demand.²⁸¹

237. In terms of the situation in Wales, the IFS added:

“I think it is important to not just think about NHS funding, but NHS productivity and NHS operations as well. As it becomes a bigger and bigger share of the Welsh Government’s budget, it becomes more important that it’s delivering effectively, which also matters, of course, to people’s health as well.”²⁸²

In-year Allocations

238. The additional £460 million allocated to Local Health Boards (LHBs), announced in November 2023, included recurrent funding of £336 million. Of this, £186 million was to support inflationary pressures, and £150 million for “organisational underlying deficits and the recurrent impact on the cost base as a result of the COVID-19 pandemic”.²⁸³

239. The Welsh Government expects LHBs to reduce their planned deficits (or overspends against their Revenue Resource Allocations) for 2023-24 by 10 per cent, reporting an overall overspend of £123 million for the year, which it terms the “Target Control Total”.²⁸⁴

240. In response to how achievable this will be for LHBs, the Welsh NHS Confederation said each LHB will have “different positions”.²⁸⁵ The Committee was told Cwm Taf Morgannwg University Health Board is forecasting to break-even, which required making the 10 per cent improvement, but:

²⁸⁰ Finance Committee, RoP, 10 January 2024, paragraph 179

²⁸¹ Finance Committee, RoP, 10 January 2024, paragraph 181

²⁸² Finance Committee, RoP, 10 January 2024, paragraph 182

²⁸³ [Welsh Government, LHB Allocations and Target Control Totals, November 2023](#)

²⁸⁴ [Welsh Government, LHB Allocations and Target Control Totals, November 2023](#)

²⁸⁵ Finance Committee, RoP, 18 January 2024, paragraph 137

“That’s not necessarily all recurrent, and so there is a challenge going into next year in terms of the underlying position that still needs to be addressed as part of our planning.”²⁸⁶

241. The Welsh NHS Confederation said the additional funding has “supported the in-year position”, but noted:

“... the delay between the original budget and the revised budget delayed collective action which could have improved the current financial position.”²⁸⁷

Social Care

242. The Welsh Government stated it set the Local Government Settlement at 3.1 per cent, with a total core funding contribution of £5.7 billion. It said no local authority will receive less than a 2 per cent increase.²⁸⁸

243. WFA told the Committee the provisional Settlement:

“... doesn’t meet all of the pressures, [from higher inflation since the 2024-25 indicative allocations were initially set] but it’s somewhat protected in terms of the big hit.”²⁸⁹

244. The WLGA said there is a:

“... very real concern that with the scale of the financial challenges being faced the level of protection that has been afforded to social services to date will not be possible for much longer putting councils’ ability to successfully deliver social care.”²⁹⁰

245. In commenting on the impact of the financial pressures facing the social care sector, ADSS Cymru stated:

“I think the issue about protecting front-line services and one of the concerns, I think, for social care is that they are part of that local government family, and, whilst we welcome the 3.1 average settlement, it’s not meeting the cost pressures that local authorities are finding at the moment. So, with significant

²⁸⁶ Finance Committee, RoP, 18 January 2024, paragraph 137

²⁸⁷ Finance Committee, Consultation response, Welsh NHS Confederation

²⁸⁸ Welsh Government, Draft Budget 2024-25, December 2023, page 24

²⁸⁹ Finance Committee, RoP, 10 January 2024, paragraph 140

²⁹⁰ Finance Committee, Consultation response, WLGA

in-year pressures last year and again this year, I think authorities have tried very hard to protect front-line services over the last few years, but I think now it's more difficult to do that, and, in fact, I think it's becoming impossible, because those services which, maybe, are not front-line, or are not social care or education related, have taken the brunt in previous years, and it's more and more difficult now for local authorities to be able to protect those front-line services in the way that they would want to because we don't have the funding available."²⁹¹

246. When asked about the impact of this, ADSS Cymru said:

"... what you would see is a rising of thresholds across adults' and potentially children's services as well. There's nowhere else to get the money from; there's no income mechanism, it's very prescribed in terms of where we must get involved and where we shouldn't. We're under significant statutory responsibilities, so there's no wriggle room. I suppose the only thing that you can do is how you interpret an assessment and how you then choose to provide the services, so you could meet the need and instead of meeting it through, I don't know, a 28-hour care package—that's four calls a day, seven days a week — maybe we could try and see if we could do it on just two calls."²⁹²

Service Pressures

247. In its consultation response, ADSS Cymru noted its report, published jointly with the WLGA, which set out:

"... the social care sector in Wales is experiencing unprecedented and acute challenges. The number of people needing care and support has and continues to increase, which in turn is creating unsustainable financial and demand pressures on social care services in both adult and children's services."²⁹³

²⁹¹ Finance Committee, RoP, 18 January 2024, paragraph 89

²⁹² Finance Committee, RoP, 18 January 2024, paragraph 172

²⁹³ Finance Committee, Consultation response: ADSS Cymru and WLGA

248. It noted several key factors impacting services, including future financial sustainability, in-year budgetary pressures, workforce impact, complex cases, policy implications and other contributing factors.²⁹⁴

249. The joint report also highlighted issues with access to Continuing Healthcare, which is described by NHS Wales as “a complete package of ongoing care arranged and funded solely by the NHS through LHBs, where an individual’s primary need has been assessed as health-based”.²⁹⁵ The report noted:

“... local authorities were persistently having to fund the majority, if not all, of these care packages rather than health.”²⁹⁶

250. However, the Welsh NHS Confederation told the Committee, Continuing Healthcare was also a “significant pressure” for the NHS, adding:

“It’s grown significantly over recent years. The work that’s going on as part of the value and sustainability board is looking at the effectiveness of packages of care and monitoring our providers, but we’re really conscious of the need not to just transfer issues to social care, so that is explicitly precluded as part of the work. It’s about, ‘Are we getting value for money and good packages of care that support people potentially to improve and be rehabilitated?’ But not always, because we’ve got a range of different services within that designation. But, yes, we are not aiming to transfer pressure into social care through that work.”²⁹⁷

251. ADSS Cymru and the WLGA noted a survey, carried out by the WLGA with the Society of Welsh Treasurers,²⁹⁸ which showed the social care market “remains fragile” and this impacts on the long-term sustainability of the sector.²⁹⁹

Local Government

252. In regard to the Local Government Settlement, the WLGA told the Committee that the uplift in funding for 2024-25:

²⁹⁴ Finance Committee, Consultation response: ADSS Cymru and WLGA

²⁹⁵ NHS Wales, Continuing NHS Healthcare: The National Framework for Implementation in Wales, 2021

²⁹⁶ Finance Committee, Consultation response: ADSS Cymru and WLGA

²⁹⁷ Finance Committee, RoP, 18 January 2024, paragraph 168

²⁹⁸ Finance Committee, Consultation response: WLGA

²⁹⁹ Finance Committee, Consultation response: ADSS Cymru and WLGA

“It’s welcome. That’s £170 million more, and that will help us bridge some of the gap. However, it only amounts to around a third of the pressure facing local services, so it will inevitably mean difficult choices, job losses and service cuts across local government.”³⁰⁰

Service Pressures

253. The WLGA provided an assessment of the overall pressures facing local authorities in 2024-25, which amounted to £809 million.³⁰¹ It noted that those pressures amount to £604 million in 2025-26, and £613 million in 2026-27.³⁰²

254. In October 2023, WFA published a paper on the medium-term outlook for local government. It concluded that local authority finances “appear to be on an unsustainable path”, and there could be “significant reductions in local services over coming years”.³⁰³

255. When asked whether the Draft Budget protects services provided by local authorities, the WLGA said:

“‘Can this protect services?’, and the answer is ‘No, it can’t.’ Even though there has been an increase, it’s important to note that the increase can’t protect services, and we’re all looking at cuts to those services.”³⁰⁴

256. Due to the financial pressures faced by local authorities and the necessity to protect frontline services, the WLGA said:

“... the impact it will have within the communities that we represent will be devastating, because of the areas that we service within the non-statutory services.”³⁰⁵

257. WFA noted the local government funding gap has continued to grow over recent years, saying:

“... there are big draw-downs on the reserves that local government have to fund day-to-day spending, and I think next

³⁰⁰ Finance Committee, RoP, 18 January 2024, paragraph 228

³⁰¹ Finance Committee, Consultation response, WLGA

³⁰² Finance Committee, Consultation response, WLGA

³⁰³ Wales Fiscal Analysis, the medium-term fiscal outlook for local government in Wales, October 2023

³⁰⁴ Finance Committee, RoP, 18 January 2024, paragraph 235

³⁰⁵ Finance Committee, RoP, 18 January 2024, paragraph 262

year, in 2024-25, they'll be able to do that again on a Wales-wide level. Obviously, that will vary by local authority, their ability to do that."³⁰⁶

258. However, it went on to say:

*"But I guess the crucial point then is that after 2024-25 that isn't a longer term solution to that growing funding gap, and based on the indicative spending plans of the UK Government and what that means for the Welsh Government, that funding gap is going to increase over the next years. You are going to see, perhaps, in terms of next year, it's likely that council tax will increase faster."*³⁰⁷

259. The Committee was told of the challenges faced by local authorities in relation to producing a medium-term financial plan.³⁰⁸ The WLGA said:

*"... no government is giving us any direction in that regard, and it makes our role almost impossible."*³⁰⁹

260. The Minister and her official referred to other information sources available to local authorities to assist with long-term planning such as OBR forecasts, WFA research and the Chief Economist's report, adding:

*"We'd love to be in a position where we're able to give longer term certainty. Whenever we can, we do."*³¹⁰

261. The Minister acknowledged there are:

*"... really tough choices ahead for local government as a result of the settlement, but what I will say is that the settlement is the best that we could do in the circumstances."*³¹¹

Education

262. The budget narrative for 2024-25, states:

"There are a number of protections in place for school funding under the Education and Welsh Language portfolio, and a

³⁰⁶ Finance Committee, RoP, 10 January 2024, paragraph 190

³⁰⁷ Finance Committee, RoP, 10 January 2024, paragraph 191

³⁰⁸ Finance Committee, RoP, 18 January 2024, paragraph 269

³⁰⁹ Finance Committee, RoP, 18 January 2024, paragraph 269

³¹⁰ Finance Committee, RoP, 18 January 2024, paragraph 523-525

³¹¹ Finance Committee, RoP, 18 January 2024, paragraph 592

*consolidation of grant funding streams to enable local authorities to have more flexibilities to react and deliver in these changing circumstances.*³¹²

263. However, the WLGA warned:

*“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.”*³¹³

264. In reflecting on some of the issues experienced by schools, the WLGA said head teachers are starting to report “the devastating effect of cuts on educational standards”.³¹⁴

265. The WLGA told the Committee:

*“School budgets is something that causes great concern, and especially this morning, when we received an e-mail from Estyn stating that they’re concerned about young people’s attendance in schools, and we are taking more money out of a service that needs more investment, because those young people find it difficult to come to terms with the effect of COVID and mental health problems ... we’re now destroying their futures by making these decisions.”*³¹⁵

Transport for Wales

266. In October 2023, the Welsh Government announced additional funding of £125 million for Transport for Wales (TfW).³¹⁶ The Welsh Government says, following this, it has provided additional funding for 2024-25 compared to when it set its plans in March 2023.³¹⁷

267. In responding to the level of subsidy afforded to TfW, the Minister’s official said:

“There is a lot of work going on looking at the rail system in the sort of medium to long term, and looking at the level of subsidy that’s provided. It is a lot higher now, as a result of the farebox

³¹² [Welsh Government, Draft Budget 2024-25, December 2023, page 24](#)

³¹³ [Finance Committee, Consultation response, WLGA](#)

³¹⁴ [Finance Committee, Consultation response, WLGA](#)

³¹⁵ Finance Committee, RoP, 18 January 2024, paragraph 242

³¹⁶ [Welsh Government, Update on 2023-24 Financial Position, October 2023](#)

³¹⁷ [Welsh Government, Draft Budget 2024-25, December 2023, page 48](#)

being lower than expected, and the expansion of services, particularly in the Valleys lines. So, TfW are looking at a range of options for delivering more efficient services, maximising fare income, and all that kind of thing, because, yes, the kind of subsidy cost for the rail system is extremely high, and, obviously, much higher than it was before COVID.”³¹⁸

268. Whilst acknowledging it was not unusual for rail passenger numbers not to have returned to pre-pandemic levels, IFS noted the statistics suggested TfW sat mid-range in terms of its recovery. It noted:

“... when speaking to Scottish Government officials and looking at the Scottish Government budget, ScotRail is also in that middle-of-the-pack sort of range, but they haven't had to make the same sorts of big in-year top-ups to the ScotRail operational subsidy. So, I think there's a question there about to what extent is this because of differences in operational assumptions about growth... Or is it that there's something more beyond just the passenger numbers going on? Is there something going on with regard to the well-known issues in Valleys line services on delays, or, actually, collection of fares, when you've got lots of people doing replacement buses instead of the trains?”³¹⁹

269. It went on to add:

“... given the planned subsidy levels for 2024-25, and likely passenger numbers in that year, the subsidy per passenger journey for TfW—well, you're up to a £13 or £14 per journey subsidy.”³²⁰

270. On the additional funding to TfW, WFA noted:

“... they're holding the fort, if you like, in terms of being able to top up the lost passenger income, but there needs to be more to bring people back, to reduce the Government subsidy.”³²¹

³¹⁸ Finance Committee, RoP, 20 December 2023, paragraph 179

³¹⁹ Finance Committee, RoP, 10 January 2024, paragraph 169

³²⁰ Finance Committee, RoP, 10 January 2024, paragraph 173

³²¹ Finance Committee, RoP, 10 January 2024, paragraph 164

271. In relation to the particular challenges facing rail, the Minister told the Committee:

“... some of the costs are fixed costs and the choices that you have to reduce those costs are very, very limited, and also the impact of the pandemic, which is still being seen. So, the figures now have increased to the point at which they were—for patronage of rail—before the pandemic, but we’ve lost out on three years of expected growth, so that’s where the pressures still remain. And, of course, we’ve got the £1 billion transformation programme in rail as well.”³²²

Inter-relationship of Public Services

272. In commenting on the historical trends of Welsh Government funding allocations for Health and Local Government, the IFS said:

“We saw a lower prioritisation of health in the 2010s allowed local government to see smaller cuts, but in the 2020s, this shift towards NHS funding has meant more difficult decisions for local government in Wales.”³²³

273. The WLGA details in-year pressures of £219 million for 2023-24. Of this, 50 per cent (£109 million) relates to social care, with high-cost children’s care and “soaring demand” for adults’ social care accounting for most of the costs.³²⁴

274. ADSS Cymru highlighted local government social services, by the end of November 2023, had not received any further in-year budget support from the Welsh Government, in contrast to NHS Wales.³²⁵

275. In commenting on the inter-relationship of health and social care, and the need to protect social services, the WLGA said:

“Health and social care needs to be viewed as a sector as a whole. We can’t just put money into the NHS and then have unintended consequences of cuts in social services heaping more pressure on the NHS.”³²⁶

³²² Finance Committee, RoP, 18 January 2024, paragraph 466

³²³ Finance Committee, RoP, 10 January 2024, paragraph 198

³²⁴ Finance Committee, Consultation response, WLGA

³²⁵ Finance Committee, Consultation response, ADSS Cymru and WLGA

³²⁶ Finance Committee, RoP, 18 January 2024, paragraph 323

276. On the prioritisation of funding for NHS Wales, ADSS Cymru added:

“The challenges in social care are exactly the same as they are in the NHS, so to just fund the NHS and not also fund social services doesn’t seem right to me.”³²⁷

277. The Vale of Glamorgan Council noted:

“... I’m in an overspent position in my local authority the likes of which I have never, ever seen before, by a factor three times larger than I’ve ever seen before.”³²⁸

278. The Minister told the Committee:

“... in this financial year, local government saw a greater uplift than health saw, whereas in the next financial year, health will see a greater uplift than local government. So, I think that they don’t always get the same increase every year. But local government, this year and last year, have had significantly good settlements.”³²⁹

279. The Welsh NHS Confederation emphasised the close working relationship with the social care sector, and shared its concern for the financial challenges that it faced. It said:

“... the two services, health and social care, are so intrinsically linked, if the challenges in social care are not met then things are going to get worse for citizens, for social care and for health.”³³⁰

280. It highlighted, from a financial perspective, “looking after people” in the NHS is “the most expensive bit of the system”. It continued:

“... in recent conversations that we’ve had, is it a case of moving money from the NHS to support social care? I think at the moment, and it’s a controversial thing for me to say, we do need to be considering some of those things ... If you look at the cost per day of looking after a patient in hospital when there’s no need for them to be there, the cost of looking after them in social care is significantly lower. So, the cost to the taxpayer is

³²⁷ Finance Committee, RoP, 18 January 2024, paragraph 145

³²⁸ Finance Committee, RoP, 18 January 2024, paragraph 145

³²⁹ Finance Committee, RoP, 18 January 2024, paragraph 500

³³⁰ Finance Committee, RoP, 18 January 2024, paragraph 159

more. But as important as that is the negative impact on those people in laying in a hospital bed deconditioning, more likely to come back into the NHS.”³³¹

281. The Welsh Government said, given its budget is under “such extreme pressure”, it would need to:

“... carefully consider whether additional funding can – and should – be raised by increasing charges for a range of services while we continue to ensure we protect those who are least able to afford higher charges. Revenue from charging is retained by public services.”³³²

282. It noted people in Wales already pay charges for services, such as NHS dental care, tuition fees and domiciliary care. It added it would consult if it decided to increase charges.³³³

283. On the possibility of increased charges for services, ADSS Cymru said:

“Without sufficient additional budget to meet those demands, there are going to be cuts and changes to services ... I appreciate it’s not where any of us would want to be, but I think that would make far more sense than allowing things to go wrong.”³³⁴

284. When asked if increased charges would impact the most vulnerable in society, it noted:

“So, something like the domiciliary care cap, actually, if you’re the most poor in our society, you don’t pay. So, actually, it’s arguably the more wealthy who benefit from that cap than the poorest.”³³⁵

Workforce

285. While the Welsh Government has identified social care and social services within “core day-to-day local government-run services”, it has reprioritised £11

³³¹ Finance Committee, RoP, 18 January 2024, paragraph 99

³³² [Welsh Government, Draft Budget 2024-25, December 2023, page 39](#)

³³³ [Welsh Government, Draft Budget 2024-25, December 2023, page 39](#)

³³⁴ Finance Committee, RoP, 18 January 2024, paragraph 123

³³⁵ Finance Committee, RoP, 18 January 2024, paragraph 125

million from the Social Care Workforce Grant, stating this will result in “impacts on local authorities and social care partners”.³³⁶

286. ADSS Cymru explained the impact of this decision:

“This money is used to fund social care staff and to ensure that they’re sufficiently trained. And so, with less of it, there will be fewer staff, and they will be less well trained.”³³⁷

287. In its consultation response, ADSS Cymru said its joint report with the WLGA identified that the recruitment and retention of social care workers, including qualified social workers, are “major challenges”. It added “many social care workers feel undervalued and underpaid, potentially leading to workforce shortages”, with some councils mitigating some of the recruitment challenges by relying on agency staff, which adds to the cost pressures.³³⁸

288. The Committee asked whether there had been any improvements in the recruitment and retention of staff in the health and social care sectors. ADSS Cymru said:

“... the issues relating to qualified social workers are very different to the issues, I suppose, relating to agency staff in a care home or commissioned domiciliary care. They’re all quite different. A piece of work that ADSS Cymru has done is create a pledge across Wales in terms of children’s agency social workers. That’s fairly recent, but I suppose the early indications are that that is having some improvement in retaining people in local authority jobs, rather than them moving into agency. It’s not going to be the whole answer. It doesn’t stop somebody moving to Bristol and becoming an agency social worker on a much higher pay rate. So, it’s a continually moving feast.”³³⁹

289. In relation to the use of locum GPs in Primary Care, the Welsh NHS Confederation said it was important to build resilience in terms of “broadening the primary care workforce, using different skill bases”, and highlighted the use of pharmacists within practices as an alternative to seeing a GP.³⁴⁰

³³⁶ [Welsh Government, Draft Budget 2024-25, December 2023, page 39](#)

³³⁷ Finance Committee, RoP, 18 January 2024, paragraph 119

³³⁸ [Finance Committee, Consultation response: ADSS Cymru and WLGA](#)

³³⁹ Finance Committee, RoP, 18 January 2024, paragraph 174

³⁴⁰ Finance Committee, RoP, 18 January 2024, paragraph 177

290. The Welsh NHS Confederation also told the Committee about the international shortages of healthcare professionals which sees people moving around.³⁴¹

291. The issue of an aging profile for medics in specialist areas such as ophthalmology, orthopaedics and ENT, was also raised as a concern by the Welsh NHS Confederation. It noted over 60 to 70 per cent of senior clinicians in these specialties are over 55 years old and so “they’re not going to be around for much longer”.³⁴²

292. The Welsh NHS Confederation also provided a positive example about the planned recruitment and retention around nursing, and particularly healthcare support workers. It said it had started to see benefits from “planning that on a very active basis and moving away from using the more expensive agencies and trying to really focus on retention as well”.³⁴³ It added it had started “working with the individual” and introducing greater flexibility in working patterns.³⁴⁴

Pay

293. The Local Government Settlement for 2023-24 “included funding to enable authorities to continue to meet the additional costs of introducing the Real Living Wage for care workers”.³⁴⁵

294. In December 2023, the Committee asked the Minister how the Draft Budget for 2024-25 accounted for increases in public sector pay awards and the real living wage, compared to the original assumptions in 2021. The Minister told the Committee:

*“... the real living wage for social care workers, which was one of our commitments. There is no specific funding available to support that this year...”*³⁴⁶

295. In relation to staff recruitment and retention, ADSS Cymru said:

*“Funding the Real Living Wage and paying care staff properly makes a massive difference.”*³⁴⁷

³⁴¹ Finance Committee, RoP, 18 January 2024, paragraph 178

³⁴² Finance Committee, RoP, 18 January 2024, paragraph 184

³⁴³ Finance Committee, RoP, 18 January 2024, paragraph 179

³⁴⁴ Finance Committee, RoP, 18 January 2024, paragraphs 179 and 181

³⁴⁵ Welsh Government, Written Statement: Provisional Local Government Settlement 2023-24, December 2022

³⁴⁶ Finance Committee, RoP, 20 December 2023, paragraph 140

³⁴⁷ Finance Committee, RoP, 18 January 2024, paragraph 196

296. However, in terms of the Local Government Settlement for 2024-25 it said:

"... quite simply—3.1 per cent doesn't translate into funding the real living wage, so, it isn't there."³⁴⁸

297. It added:

'We're not going to be able to increase those rates [for domiciliary care staff] by very much at all next year and so 'it's likely that the position will deteriorate and we could end up in the position that we were in before, which was people delayed in hospital because there aren't domiciliary care workers to do that care.'³⁴⁹

Committee View

298. A theme running through this report is the challenging fiscal climate and the difficulties this has caused. The Committee recognises the difficult financial position faced by the Welsh Government and notes the focus placed within the Draft Budget on protecting frontline services. However, the Committee is concerned that this Draft Budget will not protect these services.

299. The Committee believes that there are huge issues facing public services and fundamental questions about whether current levels of service can be sustained. It is evident the health, social care and local government sectors, once again, all face difficult decisions about the services they provide in the coming year given the significant financial pressures they are being placed under. We note, with regret, evidence that the impact of this within communities will be "devastating". The context for local government and social care appear to be acutely challenging given the continued rising demand for their services, increased complexity of cases and inflationary pressures, amongst other factors.

300. The Committee is particularly concerned the Local Government Settlement may not be sufficient, given significant inflationary pressures. Stakeholders from local government told us last summer that adequate resources were needed to deal with mounting policy and services demands, and it is disappointing these concerns have not been fully addressed.³⁵⁰ In practice, the proposed funding levels for 2024-25 mean some local authorities may no longer be able to afford to protect their core services. In light of the evidence received, the Committee is

³⁴⁸ Finance Committee, RoP, 18 January 2024, paragraph 194

³⁴⁹ Finance Committee, RoP, 18 January 2024, paragraph 196

³⁵⁰ Finance Committee, Summary Engagement Report, July 2023, page 9

particularly concerned for the education and social care sectors. However, the Committee notes the possibility of some additional funding for local government in Wales, associated with decisions in England, and would like to understand how this funding will be used.³⁵¹

301. In relation to the funding provision of social care services, the Committee notes with concern that this could mean a rising of the thresholds for services and scaled back packages of care. The Committee was also alarmed by the evidence from local authorities regarding school budgets, which seems to contradict the Welsh Government's claims that the Draft Budget contains "protections" for school funding. Such testimony is worrying at a time when those services are needed the most and calls into question whether the Draft Budget is meeting the Welsh Government's stated priorities of protecting frontline services.

302. The Committee welcomes the additional in-year funding for NHS Wales, which includes recurrent funding of £150 million to support organisational underlying deficits and the recurrent impact on the cost base as a result of the COVID-19 pandemic. However, the Committee notes the evidence suggesting that COVID-19 driven cost pressures may have been removed from the 2023-24 budget allocations even though the costs to NHS Wales are now baked in to its cost base. Although the pandemic is over, the impact of COVID-19 continues to cause pressure on NHS services and the Committee calls for clarity on whether funding for COVID-19 cost pressures has been removed from Draft Budget allocations from 2023-24 onwards.

303. The Committee is encouraged to hear that the Welsh Government is providing clear guidance to LHBs on what they are expected to deliver in return for the additional funding. It is an area of crucial importance for the Committee, having previously made a series of recommendations targeted at this issue.³⁵²

304. Despite this, the Committee notes that underlying issues remain with productivity in the NHS and ensuring its services are delivered effectively. It is becoming increasingly important to understand these issues as it receives a bigger share of the Welsh Government's budget. The Committee is also concerned that, at the time of its consideration of the Draft Budget, the Welsh Government's expectations on outputs and deliverables were not publicly

³⁵¹ BBC Wales, 'Wales gets extra £25m from English council funding boost, 25 January 2024'

³⁵² Finance Committee, Scrutiny of the Welsh Government Draft Budget 2022-23, February 2022, Recommendation 23; Finance Committee, First Supplementary Budget 2022-23, July 2022, Recommendation 11; Finance Committee, Scrutiny of the Welsh Government Draft Budget 2023-24, February 2023, Recommendation 23

available and open to scrutiny. This falls short of the transparency standards we expect.

305. The Committee notes the inter-relationship between health, social care services and housing, and the similar challenges and pressures they face. We are therefore concerned that the Welsh Government has proposed to increase NHS funding without a proportionate increase in allocations in these services. We believe this lacks strategic thinking, especially as greater pressures on social care services could create additional pressure on the NHS, with more people being admitted to hospital, which we heard was the “most expensive bit of the system”. We ask the Welsh Government to conduct further assessment work in this area.

306. The Committee heard about the significant cost pressures faced by local government and NHS Wales with Continuing Healthcare and that more care has been funded by social services in recent years. We heard Continuing Healthcare has grown significantly and welcome the work the NHS and partners are undertaking, through the Value and Sustainability Board, to look at the effectiveness of care packages and monitoring providers. However, the Committee would like the Welsh Government to review Continuing Healthcare, including the eligibility criteria and how they are being interpreted and applied to ensure care is appropriately assessed as health or social care. The review should also consider how services are being provided and the related costs to assess whether they continue to provide value for money for the sectors involved.

307. The Committee is concerned by the Welsh Government’s consideration of increasing charges for services such as NHS dental care, university tuition fees and domiciliary care, but understands that these may be necessary if there are insufficient funds within the Draft Budget to sustain public services. However, we also recognise evidence which suggests that such an approach needs to be considered given current budgetary constraints. The Committee therefore believes that, if a decision is made to increase charges for certain services, the Welsh Government should take measures to ensure that the most vulnerable in society are protected, particularly given the hardship people are already facing with the cost of living crisis.

308. The Committee is alarmed by the continuing staff recruitment and retention challenges faced within NHS Wales and the social care sector, especially for social care workers and qualified social workers in adult and children’s services. We also note with concern the additional challenges these areas are facing, such as the age profile of medics and a competitive global recruitment market. We have

made a number of recommendations³⁵³ relating to these areas previously. While we heard about some initiatives to drive improvement, it is disappointing to hear that the issues persist and the scale of the related challenges.

309. Given this, we do not understand why the Welsh Government proposes to reduce the funding for the Social Care Workforce Grant, which the Committee was told would have a direct impact on staff and their training. The Committee also heard that the increase in funding for local government, set out in the provisional Local Government Settlement, did not “translate into funding the real living wage” for social care workers. The Committee is concerned about the impact these factors may have on the recruitment and retention of social care workers.

310. The Committee notes the additional in-year funding of £125 million and the additional funding allocated in the Draft Budget for Transport for Wales (TfW). The Committee acknowledges the challenges TfW faces, in particular, the three years loss of expected growth in terms of rail passenger numbers. However, the Committee is concerned that TfW seems to be receiving greater amounts of public funding than comparable rail services elsewhere in the UK, which calls into question the sustainability of the funding it receives.

Recommendation 22. The Committee recommends that the Minister provides further information to explain how the Draft Budget protects core frontline services funded and delivered by local authorities, particularly in terms of social care and education.

Recommendation 23. The Committee recommends that the Minister:

- publishes information on the outcomes it expects to be delivered by NHS organisations with the additional funding allocated for 2024-25 and future years, so they can be scrutinised alongside funding allocations;
- conducts an assessment of the outcomes for NHS Wales, to ensure that they are quantifiable and can be monitored effectively; and
- publishes each year the allocations to Local Health Boards, together with any other documentation issued by the Welsh Government such as operational planning guidance, at the same time as it is shared with the sector.

³⁵³ Finance Committee, Scrutiny of the Welsh Government Draft Budget 2023-24, February 2023, Recommendations 25 and 26

Recommendation 24. The Committee recommends that the Minister provides further information on the outputs the Welsh Government expects frontline social care and educational services to deliver for the funding provided, and how it will monitor the impacts of its funding decisions on services more widely.

Recommendation 25. The Committee recommends that the Minister provides further information about the funding provided in 2023-24, including the in-year allocations, to address COVID-19 pressures on NHS services and how these have been determined, as well as confirm the support provided for that purpose in the Draft Budget.

Recommendation 26. The Committee recommends that the Minister reviews Continuing Healthcare, to include consideration of:

- the eligibility criteria and how they are being interpreted and applied to ensure care is appropriately assessed as health or social care; and
- how services are being provided and the related costs to assess whether they continue to provide value for money for the sectors involved.

Recommendation 27. The Committee recommends that the Minister provides assurances that measures will be taken to ensure the most vulnerable in society are protected should charges for services be increased, as is currently being considered by the Welsh Government.

Recommendation 28. The Committee recommends that the Minister explains why reductions have been made to the Social Care Workforce Grant, given the significant financial pressures facing social care and its staff, including the Welsh Government's assessment of the impact of this decision.

Recommendation 29. The Committee recommends that the Minister conducts an assessment of the recruitment and retention challenges faced by NHS Wales and the social care sector and publishes its findings.

Recommendation 30. The Committee recommends that the Minister conducts a review to understand the impact that the Welsh Government's funding decisions relating to NHS Wales has on social care pressures, given both are inextricably linked.

Recommendation 31. The Committee recommends that the Minister provides further information on the in-year funding for 2023-24 and the additional funding for 2024-25 for Transport for Wales, including how the resources will be used and the assumptions used to derive the allocations, such as passenger numbers and

whether similar additional allocations will need to be provided on an on-going basis.

EMBARGOED UNTIL 00.01 MONDAY 5 FEBRUARY 2024

6. Cost of Living Support

311. The Draft Budget is described as a “difficult budget in extraordinary times” but states that the Welsh Government has “reshaped our budgets in line with a set of guiding principles ... to deliver the greatest benefit to households which are hardest hit”.³⁵⁴

312. As mentioned in Chapter 2, inflation is expected to remain higher for longer. Living standards, measured by real household disposable income (RHDI) per person, are forecast to be 3.5 per cent lower in 2024-25 than their pre-pandemic level. UK unemployment is forecast to rise to 1.6 million people by the second quarter of 2025.³⁵⁵

313. The Welsh Government Chief Economist’s Report, acknowledges:

“High and prolonged inflation has eroded living standards, with high energy and food prices disproportionately affecting people on low incomes and other disadvantaged groups.”³⁵⁶

314. The UK Government continued to provide Cost of Living Payments to households on certain benefits, pensioners and people with disabilities during 2023-24.³⁵⁷ In a written response in November 2023, the Parliamentary Under-Secretary of State for the Department for Work and Pensions confirmed “there are currently no plans to extend the cost of living payments beyond the Spring [2024]”.³⁵⁸

315. The support provided by the Welsh Government to households include the following:

- £18.8 million additional funding to the Discretionary Assistance Fund in 2023-24.³⁵⁹ It also supported households on prepayment meters and off-grid households through the Fuel Voucher Scheme operated by the Fuel Bank Foundation.³⁶⁰

³⁵⁴ Welsh Government, Draft Budget 2024-25, December 2023, page 4

³⁵⁵ Office for Budget Responsibility, Economic and fiscal outlook – November 2023

³⁵⁶ Welsh Government, Draft Budget 2024-25, Chief Economist Report, page 2

³⁵⁷ UK Government, Cost of living payment 2023 to 2024

³⁵⁸ UK Parliament, Written questions, answers and statements: Questions to the Department for Work and Pensions

³⁵⁹ Welsh Government, Draft Budget 2024-25, December 2023, page 43

³⁶⁰ Letter from the Minister for Social Justice and Chief Whip to the Chair of the Equality and Social Justice Committee, 31 July 2023

- £2.2 million additional allocation was made in 2023-24 to support the basic income pilot, providing a group of young care leavers with an income of £1,600 each month.³⁶¹
- £9 million additional allocation was invested in to the Pupil Development Grant (PDG) for 2023-24 “to help children and young people from lower income households and looked-after children overcome the additional barriers that prevent them from achieving their full potential”.³⁶²
- £10 million was allocated to the homelessness prevention budget to “boost investment in homelessness prevention and relief intervention across Wales”.³⁶³

Welsh Government Spending Priorities

316. The Committee asked witnesses about the impact of the reprioritisation of funds that were made in the Welsh Government’s update on 2023-24 Financial Position.³⁶⁴

317. The Bevan Foundation said it recognised that:

“... the Welsh Government was faced with a very difficult position and some very difficult choices that it had to make mid year, and I’m sure nobody likes to have to halt or scale back things that you, only a few months ago, had been committed to.”³⁶⁵

318. However, it emphasised that the Welsh Government “did make choices” and prioritised the NHS and Transport for Wales, “rather than some of the other measures that it was taking”. It went onto say:

“... we do welcome the fact that the discretionary assistance fund was protected—there were concerns that it may not be—and also things like the roll-out of universal free school meals for primary school pupils and discretionary housing payments. When everything’s up for a trim, we were pleased that those didn’t get it. But, nevertheless, we were very sorry to see that some of the other measures that the Welsh Government had

³⁶¹ Welsh Government, Draft Budget 2024-25, December 2023, page 25

³⁶² Welsh Government, Draft Budget 2024-25, December 2023, page 26

³⁶³ Welsh Government, Draft Budget 2024-25, December 2023, page 26

³⁶⁴ Welsh Government: Update on the 2023-24 Financial Position

³⁶⁵ Finance Committee, RoP, 10 January 2024, paragraph 245

previously been committed to went, such as the free school meals in the holidays, that there will be no winter fuel support scheme, and that some of the ideas that were emerging from the cost-of-living expert group, which I was a member of, basically suddenly hit the brick wall that there was no funding. So, as a result, people have gone into a very, very difficult winter for households, especially low-income households, without the kind of support that was there in previous years, even though the circumstances are arguably tougher.”³⁶⁶

319. The Minister said that free school meals within the holidays “was only ever a time-limited intervention in respect of the pandemic” and that the Welsh Government hadn’t “been able to find the funding to be able to continue it beyond that”.³⁶⁷

320. The WWBG/WEN agreed that the economic circumstances are “extremely challenging”.³⁶⁸ It said it was “generally supportive of the spirit of prioritising public services like the NHS and transport”, given the importance of public services to women.³⁶⁹

321. When asked whether there had been any easing of pressures associated with cost of living, the WWBG/WEN said:

“... we’re not seeing an easing of these pressures. Women in Wales continue to be hit harder by the impacts of the cost-of-living crisis, and this is to do with their unequal position in the labour market. So, in that context ... any real-terms or actual cuts to public services are very concerning. We must continue to work on the underlying causes that make women more vulnerable to these effects as well as providing short-term hardship support.”³⁷⁰

322. The Bevan Foundation agreed “there has been no easing at all” and said the “outlook over the next few years is even worse, because the UK Government’s cost-of-living payments will disappear and there are not many signs of inflation falling significantly over the next few years and wages catching up”.³⁷¹

³⁶⁶ Finance Committee, RoP, 10 January 2024, paragraph 245

³⁶⁷ Finance Committee, RoP, 20 December 2023, paragraph 175

³⁶⁸ Finance Committee, RoP, 10 January 2024, paragraph 247

³⁶⁹ Finance Committee, RoP, 10 January 2024, paragraph 247

³⁷⁰ Finance Committee, RoP, 10 January 2024, paragraph 253

³⁷¹ Finance Committee, RoP, 10 January 2024, paragraph 263

323. The Bevan Foundation continued:

“Both people we work with and organisations that we work with all report significant levels of severe hardship amongst families on low incomes, including, increasingly, working households. And the groups that we work with are telling us about unprecedented demand for their services, and demand that’s become very complex.”³⁷²

324. The Bevan Foundation highlighted that this Draft Budget has seen “a shift to crisis expenditure” and whilst this is “understandable” it:

“... also means that the expenditure on the things that address the root causes of poverty and inequality has been cut, or had a real-terms cut if not an actual cash cut.”³⁷³

325. The Bevan Foundation continued:

“... what we see as the areas of spending that are preventative of poverty ... are the areas that have had some of the biggest cuts.”³⁷⁴

Wales Expert Group on the Cost of Living Crisis

326. The Wales Expert Group (the Group) was established in winter 2023 to advise the Welsh Government on the impact of the cost of living crisis, and the actions that should be taken to mitigate its impact, on the people of Wales. Its membership includes representatives from the Bevan Foundation and Citizens Advice Cymru.³⁷⁵

327. The Group’s report to the Welsh Government made 29 recommendations.³⁷⁶ On 28 November 2023, the First Minister said:

“Areas of recommendation where progress has been made include housing and homelessness, income maximisation, and reducing the cost of the school day. But let me be clear: the Welsh Government does not have the funds to fulfil all 29

³⁷² Finance Committee, RoP, 10 January 2024, paragraph 263

³⁷³ Finance Committee, RoP, 10 January 2024, paragraph 264

³⁷⁴ Finance Committee, RoP, 10 January 2024, paragraph 264

³⁷⁵ [Wales Expert Group on the cost of living crisis. August 2023.](#)

³⁷⁶ [Wales Expert Group on the cost of living crisis. August 2023.](#)

*recommendations. Hard choices are being made, informed by the expert group report.*³⁷⁷

328. The Bevan Foundation said it was “hard to see” the impact of the Group’s work, on how the Welsh Government has set its spending priorities for this Draft Budget.³⁷⁸ The consequences of this are:

*“... spending decisions that are basically about the short term, whereas, to us, the Welsh Government should be thinking, ‘What do we want Wales to be like in 10 years’ time? What are the levers that will get us to that better Wales and what will that cost?’ And then think, ‘Well, actually, what have we got? Where do we get the money from to do everything we want to do? How can we adapt and change?’ For understandable reasons, I don’t think we’ve got that approach yet.”*³⁷⁹

329. The Bevan Foundation noted that:

*“... not all the recommendations of that group involved expenditure or significant amounts of expenditure. Some of the things were deliberately developed to be budget neutral in some ways, and even the ones that involved upfront expenditure, we demonstrated that they would generate long-term savings, and the most obvious one was in respect of homelessness. If you can stop people being homeless or reduce the time they spend in temporary accommodation, then you will save a lot of money in both housing costs and also health consequences as well. So, not everything had a big ticket attached to it.”*³⁸⁰

330. On 23 January 2024, the Minister for Social Justice and Chief Whip issued a statement of the Welsh Government’s response to the Report by the Wales Expert Group on the Cost of Living Crisis. The statement notes:

“... the extraordinarily difficult financial climate means we have had to take some extremely stark and painful decisions so we can we target our spending towards protecting public services and those at greatest need. This means there are a number of recommendations, all involving significant funding

³⁷⁷ Plenary, RoP, 28 November 2023, paragraph 2

³⁷⁸ Finance Committee, RoP, 10 January 2024, paragraph 67

³⁷⁹ Finance Committee, RoP, 10 January 2024, paragraph 270

³⁸⁰ Finance Committee, RoP, 10 January 2024, paragraph 269

*commitments, which we will not be able to take forward currently because of the severe constraints on our budget in 2023-24 and 2024-25, and which will only be realised if significant additional funding becomes available. We will however continue to explore these opportunities if the funding situation changes.*³⁸¹

Welsh Benefits Charter

331. As part of the scrutiny of the Draft Budget 2023-24, the Committee recommended the Welsh Government prioritise the streamlining of financial assistance schemes, under a proposed Welsh Benefits Charter (the Charter), and fast-track the development of a unified application process for devolved grants and financial aid schemes.³⁸²

332. In its response to the recommendation, the Welsh Government confirmed its aim to publish implementation plans for the Charter by the end of 2023.³⁸³

333. The Bevan Foundation said whilst it awaits “the charter with interest ... it won’t achieve the change that we need on its own”.³⁸⁴ It continued:

*“I understand that implementation arrangements were discussed in November by the Welsh Government and the Welsh Local Government Association at the partnership council, and that arrangements are now being put in place to take forward at least some of the recommendations that the Bevan Foundation has made. What I would stress is that this needs to be done at pace, and we need a clear timetable for when these changes will happen that will make a difference to ordinary people.”*³⁸⁵

334. The Bevan Foundation added:

“I think we would want to see all seven means-tested grants and allowances included in the system, whereas we understand that only some of them will be included at least in

³⁸¹ [Welsh Government: The Welsh Government’s response to the Report by the Wales Expert Group on the Cost of Living Crisis](#)

³⁸² [Finance Committee Report: Scrutiny of the Welsh Government Draft Budget 2023-24 \(Recommendation 17\)](#)

³⁸³ [Welsh Government’s response to the report on Scrutiny of the Welsh Government Draft Budget 2023-24](#)

³⁸⁴ Finance Committee, RoP, 10 January 2024, paragraph 277

³⁸⁵ Finance Committee, RoP, 10 January 2024, paragraph 277

the first phase of the roll-out, and we also want to see a greater incentive and, indeed, potentially, compulsion for public bodies to include their grants and allowances in this system. As I understand it, at least the first steps will be voluntary for local authorities, so we could well have a Welsh benefits system that actually only has a handful of people participating in it.”³⁸⁶

335. On 22 January 2024, the Minister for Social Justice and Chief Whip issued a written statement announcing the launch of the Charter.³⁸⁷

Discretionary Assistance Fund

336. The Draft Budget states that the Welsh Government will “maintain targeted and emergency support for people affected by the ongoing cost-of-living crisis”.³⁸⁸ The funding for the Discretionary Assistance Fund (DAF) within the Draft Budget will be maintained at £38.5 million.³⁸⁹

337. The Committee asked the Minister how this Draft Budget addresses the impact of recent falls in household income for the Welsh public. She said:

“... we’ve been really careful to maintain our allocation of £38.5 million for the discretionary assistance fund. We know that that helps people across Wales who are facing some quite dire circumstances, and it gives them emergency access to financial support when they need it the most.”³⁹⁰

338. The Bevan Foundation welcomed the DAF funding being maintained as it has provided a “lifeline” to “many people in preventing near destitution”.³⁹¹ However, it was concerned that:

“We’re halfway through the financial year and it’s just about spent half of its resources. So, clearly, someone has got an eye on the expenditure profile, which is as it should be. But that reduction in the number and value and expenditure on emergency assistance payments suggests to me, given the demand that we know is out there, that there is a shortfall, in that people who were potentially previously eligible for

³⁸⁶ Finance Committee, RoP, 10 January 2024, paragraph 278

³⁸⁷ [Welsh Government: Written Statement: Launch of the Welsh Benefits Charter](#)

³⁸⁸ [Welsh Government: Draft Budget 2024-25, December 2023, page 4](#)

³⁸⁹ [Welsh Government: Draft Budget 2024-25, December 2023, page 43](#)

³⁹⁰ Finance Committee, RoP, 20 December 2023, paragraph 171

³⁹¹ Finance Committee, RoP, 10 January 2024, paragraph 288

emergency payments are now not getting them. We don't know that, because we haven't got the data on the number of applications, but it does suggest that there's a significant squeeze on both the discretionary assistance fund and on households that might have previously got help."³⁹²

339. Subsequently, the Bevan Foundation informed the Committee that it had:

*"... since had clarification from the Welsh Government that there has been no increase in the rate of applications being rejected (in fact the rejection rate has declined slightly). Instead the reduction is due to the limit of three DAF payments a year being applied across the board, whereas previously up to five could be received in some circumstances."*³⁹³

340. In addition to the breakdown of recipients by age, the WWBG/WEN called for data to be available by gender, as it is:

*"... really important for us to understand how many women are accessing this fund, if it's reaching women, and if there's a gender difference in demand, which I think we would expect there to be."*³⁹⁴

341. The WWBG/WEN also raised concerns around the process of how payments are made:

*"... they're currently made at a household level, and there's a risk that this is undermining women's access to an independent income and increasing their vulnerability to financial abuse as well as financial dependency on an abuser. So, we recommend, as well as the level of funding, ensuring it reaches everybody also, and that the Welsh Government looks at the process for how these payments are being made."*³⁹⁵

Childcare

342. The Draft Budget says that, based on the latest forecast for demand, it is reprioritising £11.2 million of its childcare offer and £7 million from the Children

³⁹² Finance Committee, RoP, 10 January 2024, paragraph 290

³⁹³ Correction to Finance Committee, RoP, 10 January 2024, paragraph 289

³⁹⁴ Finance Committee, RoP, 10 January 2024, paragraph 292

³⁹⁵ Finance Committee, RoP, 10 January 2024, paragraph 292

and Communities Grant, which supports early intervention and prevention activities for children, young people and their families.³⁹⁶

343. The WWBG/WEN was particularly concerned by cuts to childcare funding and said there is a “dire need for affordable childcare”.³⁹⁷ It added that the Welsh Government has:

“... cut £16.1 million from the budget for early years childcare and play activities, and the justification that was provided in doing that was that the forecasted demand for the childcare offer was lower than previously expected”.³⁹⁸

344. The WWBG/WEN highlighted the limitations both in terms of eligibility and suggested that “people aren’t able to get childcare at the times and places where they effectively need it”.³⁹⁹ Therefore, while uptake may be less than budgeted for, the Welsh Government should:

“... seriously consider whether the way the offer is designed and operated is preventing parents from accessing it, and the decision to cut childcare funding rather than redoubling efforts to ensure that it’s working for families is extremely disappointing”.⁴⁰⁰

345. The WFA echoed this view stating:

“... the £11 million reduction in childcare spending is supposedly because of a lack of demand, but perhaps that highlights the issue with the take-up and how the service is delivered rather than an actual shortfall in the demand for childcare, which I can’t imagine exists.”⁴⁰¹

346. The WWBG said the current childcare offer of 30 hours “is not enough to cover full-time employment” and called for “more high-quality childcare that reaches those groups and that is at a scale that actually supports parental employment”.⁴⁰²

³⁹⁶ Welsh Government, Draft Budget 2024-25, December 2023, page 46

³⁹⁷ Finance Committee, RoP, 10 January 2024, paragraph 260

³⁹⁸ Finance Committee, RoP, 10 January 2024, paragraph 250

³⁹⁹ Finance Committee, RoP, 10 January 2024, paragraph 296

⁴⁰⁰ Finance Committee, RoP, 10 January 2024, paragraph 260

⁴⁰¹ Finance Committee, RoP, 10 January 2024, paragraph 208

⁴⁰² Finance Committee, RoP, 10 January 2024, paragraph 296 - 297

347. The Bevan Foundation added that:

*“... extending good-quality part-time childcare from the age of nine months or one when statutory maternity leave ends, so that enables parents to work and gives children a good start in life”.*⁴⁰³

348. The WWBG/WEN said there were “long-term effects” on women resulting from a lack of affordable childcare:

*“If they have young children below the age of three or four, they are currently eligible for the childcare offer and only have very limited childcare under Flying Start. This is when the decisions are made to work part time, to leave employment altogether, and that can become entrenched, and the impact of that is something that affects their earnings in the long term or over their whole lifetime. So, I think it’s about taking a bit more of a long-term perspective alongside the immediate crisis support that is also needed, because the rest of those problems aren’t going to go away; they’re going to stack up and lead to more costs in the long term.”*⁴⁰⁴

349. In relation to the childcare offer for those in education and training, the WWBG/WEN said:

*“... this will now be accessible to at least some people in post-16 education. I think maybe it’s even more baffling, in light of that, to see the forecasted demand go down instead of up. Maybe more work needs to be done there to ensure that people know about this opportunity and it’s accessible to them where needed. And just to add, in terms of other things that could improve, especially access for mothers to these education opportunities, it’s to look at flexible delivery and modular approaches, which could make it easier to combine accessing education with looking after your children.”*⁴⁰⁵

350. The Committee asked the Minister what assessments had been made of the lack of take up of the childcare funding and if she was confident that it was due

⁴⁰³ Finance Committee, RoP, 10 January 2024, paragraph 264

⁴⁰⁴ Finance Committee, RoP, 10 January 2024, paragraph 274

⁴⁰⁵ Finance Committee, RoP, 10 January 2024, paragraph 328

to a lack of demand rather than the policies being difficult to access. The Minister said that awareness of the scheme was a “particular concern”, adding that:

“... we have provided £250,000 for a strategic communications plan that will help to try and address some of those issues.”⁴⁰⁶

351. The Committee highlighted the risk that the Welsh Government will need to restore budget lines if demand for childcare increases. To which the Minister responded that “the service will be there, it’s not limited by the funding”.⁴⁰⁷

Welsh Government Learning Grant

352. Last year the Committee heard concerns regarding the freeze on the allowance and the eligibility thresholds for the Education Maintenance Allowance (EMA) and recommended that the Welsh Government review the thresholds and increase the value of EMA.⁴⁰⁸

353. The Welsh Government accepted the recommendation and agreed to commission an independent review of EMA.⁴⁰⁹

354. The Bevan Foundation said:

“... we really welcome the uplift to EMA and we look forward to the Minister’s review of arrangements for EMA going forward. The uplift to EMA still leaves the other big element, the other big tool in the Welsh Government’s toolbox, untouched, and that’s the Welsh Government learning grant.”⁴¹⁰

355. The Bevan continued:

“That has all the same problems that EMA had, which is that the eligibility thresholds have been frozen and the value of the grant has been frozen. I cannot imagine any adult wanting to study or being able to study when the grant towards their living costs is barely £1,000 a year. So, it seems to me, if we’re serious about getting adults back into learning and giving them some financial support, that that is the next thing to be looked at. ... If

⁴⁰⁶ Finance Committee, RoP, 18 January 2024, paragraph 562

⁴⁰⁷ Finance Committee, RoP, 18 January 2024, paragraph 566

⁴⁰⁸ Finance Committee Report: Scrutiny of the Welsh Government Draft Budget 2023-24 (Recommendation 20)

⁴⁰⁹ Welsh Government’s response to the report on Scrutiny of the Welsh Government Draft Budget 2023-24

⁴¹⁰ Finance Committee, RoP, 10 January 2024, paragraph 322

you had to choose between postgrads and the Welsh Government learning grant, I would choose the Welsh Government learning grant, because it is a stepping stone for low-income learners to get on and look up.”⁴¹¹

Free School Meals

356. The Wales Expert Group recommended the Welsh Government extends the provision of free school meals to years 7-11 for those households in receipt of Universal Credit, without a cap on earnings.⁴¹²

357. The Bevan Foundation said that the eligibility threshold, for free school meals has been frozen since 2019.⁴¹³ It added:

“The Welsh Government has questioned the UK Government about thresholds being frozen, and I think it needs to itself consider unfreezing the eligibility threshold for free school meals in secondary school.”⁴¹⁴

358. The Bevan Foundation said that the Group had undertaken calculations “which showed that extending eligibility in secondary schools for children whose parents receive universal credit, which is therefore a higher threshold, would be a relatively modest cost”⁴¹⁵. It added:

“And that funding could have been covered rather than reprioritising some of the expenditure in 2023-24. And it is about—. It’s a policy decision about where you put your money and the long-term benefits of that, and I am not going to say, ‘Take it from that, take it from this’, but it is about—as the Welsh Government’s had to do—making difficult choices.”⁴¹⁶

359. The Bevan Foundation emphasised that in order to tackle the “long-term problems” of poverty, inequality and poor health “then providing decent nutrition for secondary school pupils is as important as it is for primary school pupils”.⁴¹⁷

⁴¹¹ Finance Committee, RoP, 10 January 2024, paragraph 322

⁴¹² [Wales Expert Group on the cost of living crisis, August 2023](#)

⁴¹³ Finance Committee, RoP, January 2024, paragraph 306

⁴¹⁴ Finance Committee, RoP, January 2024, paragraph 306

⁴¹⁵ Finance Committee, RoP, January 2024, paragraph 307

⁴¹⁶ Finance Committee, RoP, January 2024, paragraph 307

⁴¹⁷ Finance Committee, RoP, January 2024, paragraph 307

360. The Minister confirmed there is:

“... a lot of work going on in terms of free school meals, and you’ll see the budget protected for that next year. Again, that’s an important part of our discussions through the co-operation agreement with Plaid Cymru. I know there’s work going on around the rate, for example, and some other decisions that will need to be taken in relation to free school meals, but that budget in itself is protected.”⁴¹⁸

Energy Support for Households

361. The Winter Fuel Support Scheme was discontinued in February 2023. According to the Welsh Government’s integrated impact assessment, 166,780 households successfully claimed the scheme at a cost of £35,455,925.⁴¹⁹

362. As part of the Committee’s pre-engagement work, participants in the majority of the citizen engagement groups raised the need for building new low carbon affordable housing and improving the energy efficiency of existing homes, particularly in light of the current cost of living crisis.⁴²⁰

363. The Bevan Foundation said the Winter Fuel Support scheme provided short-term relief for “households both on low incomes and with low energy efficiency” but what was needed was to “see people’s energy costs reduced through greater home energy efficiency”.⁴²¹ It highlighted that the Warm Homes programme has been:

“... very slow to come into fruition and is at a much smaller scale than we would like. I think we did a back-of-the-envelope calculation that estimated that it will take about 400 years for households in fuel poverty to be covered by that programme. So, while it is right to try to move away from a scheme in which you’re subsidising people to burn fossil fuels, what we don’t see is enough of a scale of an alternative of insulation and different means of energy production.”⁴²²

364. The Bevan Foundation highlighted that living in a cold, damp home contributes to respiratory illness, and poor mental health, and therefore, “it is good

⁴¹⁸ Finance Committee, RoP, 20 December 2023, paragraph 175

⁴¹⁹ [Welsh Government: Wales fuel support scheme: integrated impact assessment](#)

⁴²⁰ [Finance Committee, Engagement Report, July 2023, page 42](#)

⁴²¹ Finance Committee, RoP, 10 January 2024, paragraph 281

⁴²² Finance Committee, RoP, 10 January 2024, paragraph 281

economic sense to spend” on an energy efficiency programme to prevent poverty and reduce demand on the health service.⁴²³

365. The WWBG/WEN agreed that the Warm Homes programme “needs to be rolled out as a matter of urgency at a larger scale than what we’re seeing at the moment”.⁴²⁴ From an equality perspective, the WWBG/WEN added:

“... we know that women, and especially mothers, are a lot of the time the shock absorbers of poverty. So, when it comes to making those incredibly heartbreaking decisions between food and heating, it is, a lot of the time, women who are going to make them, and to their own detriment.”⁴²⁵

Housing and Homelessness

366. The Draft Budget, states it has “protected” the Housing Support Grant, as well as an increase of £2 million in the Homelessness Prevention Budget, which was due to increase by £5 million in indicative 2024-25 allocations.⁴²⁶

367. The Minister told the Committee that:

“... the housing support grant has been protected at £166.7 million. I appreciate that’s less than the sector would wish. They would be very keen to see an increase. But, as I set out at the start, the particular grant did see a significant increase at the start of the spending review period. We absolutely recognise the huge pressures on that service, though. We have provided an uplift of £2 million to the homelessness prevention budget. We had hoped to be able to uplift that budget by £5 million, but we’ve only now been able to uplift it by £2 million. But it does show an increase nonetheless.”⁴²⁷

368. The Bevan Foundation said there is currently a “homelessness crisis” due to “unprecedented demand and an acute shortage of housing supply”. It said the Housing Support Grant is “a really important safety net”. It added:

“Again, it’s another example of needing both to meet the crisis demand but also, in the long term, the answer lies in more

⁴²³ Finance Committee, RoP, 10 January 2024, paragraph 284

⁴²⁴ Finance Committee, RoP, January 2024, paragraph 283

⁴²⁵ Finance Committee, RoP, January 2024, paragraph 283

⁴²⁶ [Welsh Government, Draft Budget 2024-25, December 2023, page 45](#)

⁴²⁷ Finance Committee, RoP, 20 December 2023, paragraph 174

secure tenancies and also a greater supply of housing that's genuinely affordable."⁴²⁸

369. The WWBG/WEN agreed the grant was an “absolutely vital safety net for some of the most vulnerable in our society”.⁴²⁹ It went on to say:

*“... these services are critical, especially for women who are at risk of homelessness or are fleeing domestic abuse. Welsh Women's Aid have observed that a lack of a secure home is often the biggest barrier to leaving abusive relationships, so the housing support grant has really been a massive help in tackling that barrier, by funding refuges and other safe forms of accommodation, and the collapse of these services would be highly detrimental. Without safe alternative accommodation, survivors of violence would be forced to remain in abusive situations a lot of the time, and that would be endangering their safety, their well-being and recovery, with all the associated long-term costs that we would expect to see from that. So, the effect of the intensive inflationary pressures that we're seeing, as well as increases in demand—the support is still there, but the level of funding has not been increased to account for that, so that is highly regrettable and very worrying from a gender equality perspective.”*⁴³⁰

Committee View

370. As has been noted elsewhere in this report, the Committee recognises the difficult decisions that the Minister has had to make in producing this budget, and accepts that the Welsh Government's spending position makes it particular hard to sustain and enhance support for certain initiatives and schemes within its Draft Budget. However, the Committee also recognises that choices were made by the Welsh Government to prioritise funding for the NHS and Transport for Wales over other measures in this budget, which has had a significant impact on the support services it can provide to mitigate the current pressures felt by households.

371. The Committee is extremely concerned that people on low-incomes, including working households are falling into severe hardship as a result of the on-going cost of living crisis. The overall message from witnesses is that there has

⁴²⁸ Finance Committee, RoP, 10 January 2024, paragraph 320

⁴²⁹ Finance Committee, RoP, 10 January 2024, paragraph 318

⁴³⁰ Finance Committee, RoP, 10 January 2024, paragraph 318

been no easing of the crisis, especially given that support that was available in previous years such as the cost of living payment and Winter Fuel Support scheme are no longer available to those in desperate need. We are deeply concerned that the areas of spending that are preventative of poverty and inequality are those areas that have seen some of the biggest cuts in this Draft Budget.

372. The Committee notes the work of the Wales Expert Group that was established to advise the Welsh Government on actions that could be taken to mitigate the impact of the cost of living crisis in Wales. We are extremely disappointed that witnesses found it hard to see how the Group's work has impacted the Welsh Government decision-making and spending priorities. Furthermore, we heard that not all of the Group's recommendations involved significant expenditure and ones that did demonstrated there would be long-term savings. We note the statement from the Minister for Social Justice and Chief Whip issued on 23 January, that if the funding situation changes, the Welsh Government will continue to explore the viability of the recommendations. We urge the Minister to keep the situation under regular review.⁴³¹

373. The Committee heard compelling evidence that women are bearing the brunt of the cost of living crisis and often make heartbreaking decisions over heating and eating to their own detriment. During the Committee's pre-engagement stakeholder event, Members heard that women are being disproportionately affected by the cost of living crisis, which is also exacerbating social problems, particularly abuse against women and girls, and those with no recourse to public funds.⁴³² Whilst we acknowledge the difficult decisions that need to be made by the Welsh Government to address the immediate issues through "crisis expenditure", we urge the Minister to understand the impact that its decisions will have on women and to invest in long-term preventative action that address the root causes of poverty and inequality.

374. At the time of taking evidence the Welsh Benefits Charter was yet to be implemented. The launch of the Charter was subsequently announced on 22 January 2024⁴³³. Having previously recommended⁴³⁴ the fast-tracking of a unified application process through a Charter, we are pleased it has finally come to fruition. During scrutiny, we heard it may be "voluntary for local authorities" to

⁴³¹ [Welsh Government: The Welsh Government's response to the Report by the Wales Expert Group on the Cost of Living Crisis](#)

⁴³² [Finance Committee: Engagement Report: July 2023, page 14](#)

⁴³³ [Welsh Government: Written Statement: Launch of the Welsh Benefits Charter](#)

⁴³⁴ [Finance Committee Report: Scrutiny of the Welsh Government Draft Budget 2023-24 \(Recommendation 17\)](#)

include their grants and financial aid schemes initially. Since the launch of the Charter, we are pleased to have confirmation that it has been “adopted” by all 22 local authorities.⁴³⁵ The Committee welcomes this collective approach and believes this is a positive step in ensuring a coherent system of support is available for those most in need. The Committee would welcome an update on the timetable for its roll-out and urges this work to continue at pace, especially given the persistent and increasing pressures households are facing.

375. The Committee is pleased that the Discretionary Assistance Fund has been maintained, which has provided a “lifeline” to many people in hardship. The Committee heard evidence to say there was a lack of published data on applications and believes more information needs to be made available on the number of submitted and successful applications. This should include a gender breakdown to better understand gender differences in demand. Concerns were also raised around the current “household level” payment of the fund as this could be impacting women’s financial independence and increase their vulnerability to financial abuse, particularly those in abusive relationships.

376. The Committee has previously called for a review of the current free childcare model to assess its effectiveness and encourage its further expansion⁴³⁶, given the significant financial pressures on households, particularly women’s incomes. We are therefore astonished that £11.2 million of funding for childcare is being reprioritised “based on the latest forecast for demand”. We are concerned that, rather than there being a fall in demand, the issue lies with how the support is being promoted and delivered. We welcome the £250,000 that is being provided for a strategic communications plan to raise awareness of the scheme, and we hope this leads to an increase in demand. However, an increase in take-up will lead to the childcare budget being significantly underfunded and create additional pressures elsewhere in the budget, which is of great concern. Furthermore, parents face a number of challenges and significant gaps in childcare provision, including being unable to access childcare at the times and places where needed. The Committee also considers the current 30 hours free childcare is insufficient to cover full-time employment, which is disproportionately impacting on women and their long-term future earning potential.

377. The Committee notes the concern raised regarding the eligibility thresholds and value of the Welsh Government Learning Grant. Last year we recommended a review of the Education Maintenance Allowance (EMA) eligibility thresholds and

⁴³⁵ Welsh Government: Welsh Benefit Charter, January 2023

⁴³⁶ Finance Committee Report: Scrutiny of the Welsh Government Draft Budget 2023-24 (Recommendation 19)

an increase to its value.⁴³⁷ We are extremely pleased that this was accepted by the Welsh Government and there was an uplift, which is a key support scheme for young learners. We believe that the Learning Grant is of equal importance to ensure financial support for adult learners and to encourage more people to continue with their education. The Committee therefore believes that a similar review of the Learning Grant is undertaken, with the current rate uplifted.

378. The Committee notes that the eligibility threshold for free school meals in schools has been frozen since 2019. We also heard that extending eligibility in secondary schools for children whose parents receive Universal Credit, “would be a relatively modest cost”. The Committee strongly agrees that providing a nutritional meal for secondary school pupils is important to tackle the long-term problems of poverty and poor health, and we call on the Minister to review this area of the budget to see if the scheme could be extended.

379. It is disappointing that the Winter Fuel Support scheme has been discontinued, as the scheme has provided short-term relief for low income households or homes with low energy efficiency. Furthermore, it is highly regretful to hear that the Warm Homes programme has been “very slow to come into fruition”. We reiterate our view from last year that the Welsh Government urgently reviews the Warm Homes programme and considers the development of a replacement scheme to improve the energy efficiency of homes and to prevent vulnerable people from falling into fuel poverty.⁴³⁸

380. We are concerned about the homelessness crisis and the detrimental effects this has on people’s health and well-being. Whilst we are pleased that the Welsh Government has “protected” the Housing Support Grant, we are disappointed that the Homelessness Prevention Budget has only been increased by £2 million instead of by £5 million, as previously included in indicative 2024-25 allocations. Again, whilst the Grant provides a “safety net” to deal with the crisis demand, the Welsh Government urgently needs to provide long-term solutions to address the unprecedented demand and an acute shortage of housing supply, through affordable housing.

Recommendation 32. The Committee recommends that the Minister:

- provides a timetable for the implementation of the Welsh Benefits Charter; and

⁴³⁷ Finance Committee Report: Scrutiny of the Welsh Government Draft Budget 2023-24 Recommendation 20

⁴³⁸ Finance Committee Report: Scrutiny of the Welsh Government Draft Budget 2023-24 Recommendation 21

- publishes an action plan to ensure that a consistent package of grants and financial aid schemes are provided, in line with the Charter's aims.

Recommendation 33. In relation to the Discretionary Assistance Fund, the Committee recommends that the Minister:

- publishes information on the number of submitted and successful applications, including a breakdown by gender; and
- reviews the process of making the payments to ensure gender equality.

Recommendation 34. The Committee recommends that the Minister:

- reviews the eligibility thresholds of the Welsh Government Learning Grant; and
- considers increasing the value of the Grant.

Recommendation 35. The Committee recommends that the Minister reviews the eligibility threshold for receiving free school meals in secondary schools, with a view to it being extended to children whose parents receive Universal Credit.

Recommendation 36. The Committee recommends that the Minister should review the childcare model:

- to assess its effectiveness and to ensure it enables the full time employment of parents; and
- to ensure it provides adequate support for women to access further and higher education.

Recommendation 37. The Committee recommends that the Minister provides information on the impact that an increase in childcare take-up may have on other areas of the budget, and the actions the Minister will take to mitigate those risks.

Recommendation 38. The Committee recommends that the Minister reviews the rollout of the Warm Homes programme to ensure it reaches those in need as soon as possible.

Recommendation 39. The Committee recommends that the Minister reviews the allocations provided for the supply and development of affordable housing included within the Draft Budget.

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
20 December 2023	<p>Rebecca Evans MS, Minister for Finance and Local Government Welsh Government</p> <p>Andrew Jeffreys, Director Treasury Welsh Government</p> <p>Emma Watkins, Deputy Director, Budget and Government Business Welsh Government</p>
10 January 2024	<p>Richard Hughes, Chair Office for Budget Responsibility (OBR)</p> <p>Professor David Miles, Budget Responsibility Committee Member Office for Budget Responsibility (OBR)</p> <p>Tom Josephs, Budget Responsibility Committee Member Office for Budget responsibility (OBR)</p> <p>David Phillips, Associate Director Institute for Fiscal Studies</p> <p>Dr Ed Poole, Senior Lecturer Wales Governance Centre (Wales Fiscal Analysis)</p> <p>Guto Ifan, Lecturer Wales Governance Centre (Wales Fiscal Analysis)</p> <p>Jessica Laimann Wales Women's Budget Group (WWBG) and Policy and Public Affairs Manager at Women's Equality network (WEN)</p> <p>Victoria Winckler, Director Bevan Foundation</p>
18 January 2024	<p>Derek Walker, Future Generations Commissioner for Wales Office of the Future Generations Commissioner for Wales</p> <p>Jacob Ellis, Director, External Relations and Culture Office of the Future Generations Commissioner for Wales</p>

Date	Name and Organisation
	<p>Rhiannon Hardiman, Policy Lead, Nature and Climate Change, Economy and Food Policy Office of the Future Generations Commissioner for Wales</p> <p>Sally May, Executive Director of Finance, Cwm Taf Morgannwg University Health board and Chair of the Directors of Finance Peer Group Welsh NHS Confederation</p> <p>Darren Hughes, Director Welsh NHS Confederation</p> <p>Lance Carver, Vice President Association of Directors of Social Services (ADSS) Cymru, and Director of Social Services at Vale of Glamorgan Council</p> <p>Carys Lord, Chief Officer Finance, Performance and Change, Bridgend County Borough Council Representative for the Association of Directors of Social Services (ADSS) Cymru</p> <p>Councillor Anthony Hunt, leader, Torfaen County Borough Council Welsh Local Government Association (Spokesperson for Finance and Resources)</p> <p>Councillor Llinos Medi, Leader, Ynys Môn Council Welsh Local Government Association (Spokesperson for Finance and Resources)</p> <p>Councillor Mary Ann Brocklesby, Leader, Monmouthshire County Council Welsh Local Government Association (Spokesperson for Finance and Resources)</p> <p>Councillor Mark Pritchard, Leader, Wrexham County Borough Council Welsh Local Government Association (Spokesperson for Finance and Resources)</p> <p>Rebecca Evans MS, Minister for Finance and Local Government Welsh Government</p> <p>Andrew Jeffreys, Director Treasury Welsh Government</p> <p>Emma Watkins, Deputy Director, Budget and Government Business 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
WGDB_24-25 01	Institution of Civil Engineers (ICE)
WGDB_24-25 02	Wales Cancer Alliance (WCA)
WGDB_25-25 03	Welsh Retail Consortium (WRC)
WGDB_25-25 04	Community Pharmacy Wales
WGDB_24-25 05	Blaenau Gwent County Borough Council
WGDB_24-25 06	The Learned Society of Wales
WGDB_24-25 07	Alzheimer's Society Wales
WGDB_24-25 08	Llamu
WGDB_24-25 09	Future Generations Commissioner
WGDB_24-25 10	NFU Cymru
WGDB_24-25 11	Gorwel
WGDB_24-25 12	Lloyds Bank Foundation
WGDB_24-25 13	The Open University
WGDB_24-25 14	Wales Council for Voluntary Action (WCVA)
WGDB_24-25 15	Sustrans Cymru
WGDB_24-25 16	Older People's Commissioner for Wales
WGDB_24-25 17	Chartered Institute for Housing (CIH) Cymru
WGDB_24-25 18	Mental Health Foundation
WGDB_24-25 19	Cwmpas
WGDB_24-25 20	Wales Women's Budget Group (WWBG) Women's Equality Network (WEN)
WGDB-24-25 21	Royal Town Planning Institute

Reference	Organisation
WGDB-24-25 22	Universities Wales
WGDB_24-25 23	Welsh Women's Aid
WGDB_24-25 24	Coleg Cymraeg Cenedlaethol
WGDB-24-25 25	University and College Union Wales
WGDB_24-25 26	Community Housing Cymru (CHC)
WGDB_24-25 27	Colleges Wales
WGDB_24-25 28	Care and Repair Cymru
WGDB_24-25 29	Wales Environment Link
WGDB_24-25 30	RSPB Cymru
WGDB_24-25 31	Barnardo's Cymru
WGDB_24-25 32	Wales Alliance for Mental Health (WAMH)
WGDB_24-25 33	British Heart Foundation Wales
WGDB_24-25 34	National Training Federation Wales
WGDB_24-25 35	Marie Curie
WGDB_24-25 36	An Individual
WGDB_24-25 37	Age Cymru
WGDB_24-25 38	(Children in Wales) Barnardo's Cymru, Save the Children Wales, NSPCC Cymru/Wales, Home-Start Cymru, The Children's Society, National Youth Advocacy Service (NYAS) Cymru, TGP Cymru and Action for Children Wales
WGDB_24-25 39	Clinks
WGDB_24-25 40	Cardiff Metropolitan University
WGDB_24-25 41	Platform
WGDB_24-25 42	Welsh NHS Confederation
WGDB_24-25 43	Oxfam Cymru
WGDB_24-25 44	Back the Bill Partners (Tai Pawb, Shelter Cymru, CIH Cymru)
WGDB_24-25 45	Federation of Small Businesses (FSB)
WGDB_24-25 46	Sport Wales
WGDB_24-25 47	Cymorth Cymru

Reference	Organisation
WGDB_24-25 48	Psychologists for Social Change
WGDB_25-24 49	Bevan Foundation
WGDB_24-25 50	Welsh Local Government Association (WGLA)
WGDB_24-25 51	Association of Directors of Social Services (ADSS) and Welsh Local Government Association (WGLA)
WGDB_24-25 52	Welsh Language Commissioner

Additional Information

Title	Date
Disability Wales	15 December 2023
Citizens Advice Cymru	10 January 2024
Auditory Verbal UK	10 January 2024
Wales Environment Link	19 January 2024

EMBARGOED UNTIL 00.01 MONDAY 5 FEBRUARY 2024