



Llywodraeth Cymru  
Welsh Government

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# Update on 2023-2024 financial position: summary of main changes

This report is an in-year snapshot of revisions to planned spending of the overall 2023-2024 budget.

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# Overview

When we published our 2023-2024 Budget, despite it being one of the most difficult since devolution, we drew on all our available resources to protect public services and provide targeted support to people and businesses most in need in the face of the cost of living crisis.

Since setting these plans, we have experienced record prolonged levels of inflation along with continued challenges in the fiscal context, particularly in areas such as public sector pay. As a result, overall, we are having to spend more than previously planned this year, placing unprecedented pressure on the devolved Welsh Budget.

Unlike the UK government, the Welsh Government is extremely constrained by a combination of the Fiscal Framework, a requirement to balance the budget and limitations on our ability to borrow or increase tax revenue. To deal with particular pressures facing the NHS and rail, we are having to reallocate funding meaning reductions in some areas.

We have taken prudent action by revisiting spending plans for 2023-2024, to enable us to balance our duty of robust fiscal management with this Government's commitment to protect core public services whilst continuing to target support to those with the greatest need, as far as we are possibly able to.

The changes we have made will be formalised in detail at the Second Supplementary Budget due to be laid before the Senedd in February next year. This document provides an overview of the main outcomes of the review.

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# Summary assessment

This work was underpinned by a set of clear principles to ensure that core services are protected as far as possible and to deliver the greatest benefit to households hardest hit by the current cost of living crisis. Consideration was also given to the importance of protecting jobs. By taking this approach:

- The changes agreed will result in a substantial increase in funding for our Welsh NHS and Transport for Wales this year. We have made a decision to protect the current Revenue Support Grant to local authorities.
- To achieve this, other ministerial portfolios have needed to contribute to meeting the pressures we face on a cross-government basis. Savings that have been made arise from re-forecasting (for example because of changes in uptake of, or demand for, services); maximising income; and re-prioritisation of activity as much as possible, rather than stopping programmes as a whole.
- Inevitably, some savings have likely negative impacts. In all cases, we have worked hard to maintain funding and take mitigating action where possible, and we will work with partners to minimise impacts.

To achieve this, we have:

- Maximised use of our in-year and Wales reserves whilst maintaining a prudent level of contingency
- Planned based on using consequentials expected from the UK government
- Requested a switch from capital to revenue from the UK government
- Made a combination of revenue and capital savings in departmental budgets (MEGs).

Some of the decisions arising from this approach are one-off spending decisions, but some will have implications for the next financial year. These will be worked through as we develop the 2024-2025 Draft Budget.

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# Health and Social Care

The NHS in Wales is facing the biggest financial pressures in its recent history. This is because of the impacts of inflation on costs including energy, medicines and pay-related pressures and over a decade of underfunding of public services by a succession of UK governments. The NHS in Wales also continues to see ongoing pressures linked to the Covid pandemic and rising demand in both planned and emergency care.

In recognition of these inter-related impacts, we will provide an extra £425 million to support the NHS this year. The Minister for Health and Social Services will also be prioritising further spending on the NHS within her overall departmental budget where possible.

But despite this additional support, it is clear that health boards will still need to make some extremely difficult decisions both this year and in the next financial year to balance their budgets.

We are releasing £16.1 million from the budgets supporting Early Years, Childcare and Play activities. The majority of this funding has been released as a result of updated forecasts on take up of the Childcare Offer for Wales.

The Offer, which provides funded childcare for 3 and 4-year-olds, is demand led with annual variations in the number of eligible families, the number of families taking up their entitlement and the number of hours of childcare used by households.

Our decisions regarding local government set out in the next section recognise their importance in delivering social care.

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# Local Government

We have protected the local government Revenue Support Grant (RSG) which forms part of the core funding for local authorities through the local government settlement. Local authorities deliver a wide range of public services and these are often to the most vulnerable in our society or those who are economically disadvantaged.

Key services include social care, education and homelessness. Recognising the need to do all we can to protect these important services provided by local authorities, we have sustained the current level of funding.

# Education

We have minimised the impacts on schools, colleges and universities, with revenue reductions identified through a review of demand led budgets and uncommitted funding across the portfolio.

Alongside protecting the RSG, we have realised savings through reviewing demand-led budgets such as Universal Primary Free School Meals (UPFSM), Higher Education Student Support Grants and Initial Teacher Education incentives.

We are releasing £11.5 million from the UPFSM budget. This is a demand-led grant to local authorities and there remains sufficient budget to cover 2023-2024 roll out plans. Measures have been put into place should demand exceed current planning assumptions for the remainder of this financial year. In revising the profile for 2023/2024, we are confident that the commitment will be met in full by September 2024 as planned.

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We are releasing £40 million of capital from the Sustainable Communities for Learning (SCfL) Programme. A key strength of the Programme is its co-construct operating model and its investment sharing arrangement. Discussions will be held with delivery partners to identify opportunities around the timing of the investment sharing arrangement as a means of maintaining in-year programme delivery.

We are reducing post-16 provision budget by £8.5 million. These reductions have been achieved through routine end of year monitoring and reclaiming of any grants that did not fully spend.

## Social Justice

We are making reductions of £4.2 million in funding for our Equality, Inclusion and Human Rights budgets. Most of these savings have arisen through deferring the scale and speed of planned implementation where funding has not been committed.

We have released funding of £1.5 million from our Police Community Support Officer budgets through freezing recruitment. We will work with forces to identify the level of churn and likely impact of a recruitment freeze, including monitoring the geographic impacts as some forces had already undertaken recruitment prior to the recruitment freeze; this will predominantly affect the North Wales and Gwent policing areas.

We have identified £4.3 million funding that was previously allocated in support of our Ukraine programme. Our efforts will continue to focus on integrating people into our communities across Wales.

We are also releasing £4.6 million of capital funding.

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# Economy

Most of the savings from the Economy portfolio have been found as a result of revised forecasts or from one off income receipts, relating to digital, EU income or property sales.

This includes £17.5 million linked to revised forecasts for demand led apprenticeship funding. We are also reducing funding by £5.3 million from the demand led React+ programme. We will continue to monitor this funding closely in light of the changing economic and labour market context.

# Climate Change

As we continue to invest in the future of rail, including through the South Wales Metro, we have re-prioritised spend within the portfolio and with additional support from other areas, we are able to provide an increase of £125 million for Transport for Wales. While it will still face substantial pressures, this additional funding will support the organisation as it continues to manage increased costs and a reduction in passenger numbers post-pandemic.

We are also releasing £3.5 million capital from a range of uncommitted transport schemes.

A total of £19 million capital is being released from our Empty Homes scheme, which relates to updated forecasts and deferral of activity and funding. This approach is aimed at minimising impacts, recognising that capital investments take time to design, implement and commence spending.

We are releasing £14.5 million from Regeneration budgets which includes £13 million of income. It is expected that all committed projects will still be able to be

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delivered, but some over a longer time frame.

To ensure we minimise the impacts on action to tackle the climate and nature emergencies, we have released funding from budgets with revised lower forecasts or through deferring activity. For example, we are reducing both the Local Place for Nature and the Nature Networks programmes this year by £1 million capital.

## Rural Affairs

We are reprioritising £10 million revenue and £20 million capital from the Rural Investment Schemes. Much of this funding relates to updated forecasts resulting in minimal implications to the delivery of current established schemes with small impacts at an individual farm business level.

## Headline Main Expenditure Group changes

MEG	Changes (£ million)	
	Revenue	Capital
Health & Social Services	425.1	0
Finance & Local Government	-28.5	-8.0
Climate Change	82.6	-37.7

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<b>MEG</b>	<b>Changes (£ million)</b>	
Education & Welsh Language	-74.7	-40.0
Economy	-28.6	-36.5
Rural Affairs	-17.3	-20.2
Central Services & Administration	-27.5	0
Social Justice	-7.0	-4.6
<b>Total</b>	<b>324.1</b>	<b>-147.0</b>

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