



Llywodraeth Cymru
Welsh Government

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Final Budget 2024 to 2025: Joint Welsh Government and Plaid Cymru paper

Report from the Co-operation Agreement Finance Committee
on the 2024 to 2025 budget.

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Summary

As set out in last year's joint paper, since the start of the Co-operation Agreement in December 2021, there has been regular and constructive engagement between the Minister for Finance and Local Government (MFLG) and the Lead Designated Member. This has continued throughout the past year with 4 formal Co-operation Agreement Finance Committees held between March 2023 and February 2024, covering Draft, Final and Supplementary Budgets and associated issues such as the in-year savings exercise. In addition to these, there have also been 12 bilateral meetings between the MFLG and Lead Designated Member in this period, including regular briefings associated with UK government fiscal events.

Context for the 2024 to 2025 Budget

Overall, the Welsh Government's budget is worth £1.3 billion less in real terms than when it was set in 2021. This has made the 2024-2025 Budget the hardest one since devolution, forcing Welsh Ministers to make very difficult choices.

At the Draft Budget, the approach taken resulted in allocations in areas where the Welsh Government recognises that Plaid Cymru has an interest, including:

- Maintaining the Housing Support Grant
- Protecting Basic Payment Scheme payment levels for 2024-2025
- Confirming additional funding for local government (Revenue Support Grant).

This engagement represents the Welsh Government's commitment to consultation and collaboration with Plaid Cymru throughout the development and scrutiny of all stages of the annual budget process. As set out in the Co-

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operation Agreement mechanisms, on the basis that this commitment results in appropriate funding for the shared policy programme and influence on other budgetary matters, Plaid Cymru agrees to facilitate the passing of Annual and Supplementary Budgets for the duration of this Agreement. The relevant section of the mechanisms document is at Annex A.

In preparation for the 2024-2025 Final Budget, ministers and the Lead Designated Member have reached agreement on the areas below:

Appropriate funding for the Co-operation Agreement shared policy programme

Universal Primary Free School Meals (UPFSM)

- Following an underspend in the 2022-2023 allocation, it was agreed that £3.5 million would be reprofiled into 2024-2025 which means that a total of £93.5 million will be available to complete the roll-out of UPFSM.
- The Unit rate has been increased to £3.20 from December 2023.
- As a demand-led programme, UPFSM will be kept under close review. If the costs of the programme turn out to be higher than current forecasts, it will be a priority for any additional funding which is available and will not be treated solely as a pressure on the Education MEG.

Childcare

- As set out in the Co-operation Agreement, we are committed to delivering a phased expansion of early years childcare, to include all 2-year-olds, with a particular emphasis on ensuring equity of access for our more deprived communities and our shared goal of achieving one million Welsh speakers

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by 2050. Significant progress has been achieved over the past 2 years. In 2024-2025, we anticipate that Phase 2 will support around 5,500 additional 2-year-olds with access to high quality childcare, supporting a total of 9,500 new children so far through the Co-operation Agreement commitment.

- We will continue to monitor carefully progress with delivery. We will develop a plan which will be focused on continuing to expand childcare to fulfil the commitment by the end of this Senedd term.

Culture

We are working together to agree joint strategic priorities for the culture sector working with the Steering Group. We will jointly focus on ensuring the financial sustainability of the arts and culture sector for future years.

Co-operation Agreement commitments where next steps have been agreed

National School of Government

- Following exploratory work as to how a National School of Government might contribute to a step change in embedding the idea behind a One Wales Public Service in practical terms, £225,000 will be allocated to progress next steps.

An allocation of £1 million will be made to support constitutional work:

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Constitutional Commission

- We welcome the Independent Commission on the Constitutional Future of Wales report and will develop a programme of follow on work and accompanying structure.

Supporting work on the devolution of justice

- In line with the Co-operation Agreement's commitment on the Anti-Racist Wales action plan and statement to support work on pursuing devolution of policing and justice powers to deliver a reformed justice system that is right for Wales, funding will be provided during 2024-2025 to procure research on justice outcomes in Wales and to support preparations for devolution.

Other areas

Community Transport

- Funding will be provided to progress proposals further in relation to community transport in West Wales. An initial allocation of £185,000 will be provided in 2024-2025 and will be kept under review with further allocations made as appropriate as proposals are developed in 2024 and 2025. This is intended to support successor provision in Carmarthenshire and Ceredigion to the former Bwcabus service and is in addition to the agreement that Carmarthenshire Council can keep one of the vehicles to use on their own successor service.

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Child Payment

- While the devolution settlement does not currently give Welsh Ministers the powers to implement a scheme along the lines of the Scottish Child Payment, we will work to establish more clearly the balance of reserved and devolved powers in this area.
- We are liaising with Scottish Government to understand what fiscal, legislative and other resources would be required to make a payment of this type and how the Scottish Child Payment delivers as part of a wider programme of activity aimed at targeting and preventing child poverty.

Financial Transactions Capital

An allocation of up to £20 million will be made to the Climate Change MEG for the purpose of progressing housing proposals in 2024-2025. This will continue to support additional social housing to help tackle homelessness, and the associated indirect costs including poorer health, employment and educational outcomes. Work to consider affordability of housing in areas affected by second homes is also underway locally and this allocation will help develop and fund preferred local approaches, building on work to explore local mortgages and Help to Stay.

The Community Asset Loan Fund is a £5 million fund operated by the Wales Council for Voluntary Action (WCVA) on behalf of the Welsh Government. It provides loans of up to £300,000 to help community and voluntary sector organisations to purchase or improve community assets, including buildings and green spaces. The Fund can offer loans to incorporated third sector organisations including Community Benefit Societies and other social enterprises for a period of up to 25 years.

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The fund is currently oversubscribed, with clear demand for additional funding. It has been agreed that this Fund will be expanded by an additional £5 million of FTC in 2023-2024.

Reprofiling beyond the term of the 3-year Agreement

The Co-operation Agreement was underpinned by a 3-year budget cycle with funding allocations agreed for specific commitments. Some aspects of the Agreement will continue to be delivered beyond the conclusion of the 2024-2025 financial year.

During Budget discussions it was agreed that allocations for Building Safety, Ynni Cymru and the Coleg Cymraeg Cenedlaethol and National Centre for Learning Welsh will be reprofiled beyond the term of the Agreement as a pragmatic approach to manage the in-year position.

Ministers will prioritise these allocations within their 2025-2026 MEGs. This will be set out in settlement letters from the Minister for Finance and a written update provided to the Leader of Plaid Cymru to confirm the allocation is being upheld. Any re-prioritisation of these allocations will need to be discussed for agreement with Plaid Cymru. A further note updating the Leader of Plaid Cymru on the spend will be shared before the end of the 2025-2026 financial year.

This agreement is between the Welsh Government and Plaid Cymru and has been agreed by ministers, ensuring that it will remain unaffected by any subsequent changes in ministerial portfolios.

Annex A: Text from the Co-operation Agreement

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mechanisms document

The Co-operation Agreement signed on 1 December 2021 included the following paragraphs on the budget in the mechanisms document:

The Co-operation Agreement will be resourced as agreed and oversight of the delivery and budget allocations for it will be jointly monitored through a Finance Committee whose membership shall include the Welsh Minister responsible for Finance and the relevant Plaid Cymru designated member. The frequency of the meetings shall be determined but they will be regularly convened in the period leading up to the Senedd's annual Budget procedures, and any discussions on supplementary budgets and on end of year underspends / adjustments.

A three-year budget cycle underpins this Agreement. Any additional resources would be jointly identified and considered on a year-by-year basis by Plaid Cymru and the Welsh Government around the issues in the Co-operation Agreement.

The Welsh Government commits to consultation and collaboration with Plaid Cymru throughout the development and scrutiny of all stages of the annual budget process.

On the basis that the above commitment will result in appropriate funding for the shared policy programme and influence on other budgetary matters, Plaid Cymru agrees to facilitate the passing of Annual and Supplementary Budgets for the duration of this agreement.

The Welsh Government has well established procedures for monitoring and reporting the use of funds allocated through the budget process. These procedures will apply equally to funds allocated under this agreement. The responsibilities of the Permanent Secretary as Principal Accounting Officer will continue to extend to the entirety of Welsh Government expenditure.

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