



Llywodraeth Cymru
Welsh Government

Welsh Government

Final Budget 2021-22

Protect, Build, Change

March 2021

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Chapter 1: Introduction

Overview

- 1.1 The Welsh Government has tabled the final Budget for 2021-22 in accordance with Standing Order 20.
- 1.2 The final Budget sets out the Welsh Government's revenue and capital spending plans for 2021-22, the final year for which we have a settlement.
- 1.3 The final Budget reflects changes to the draft Budget which was published on 21 December 2020.

Draft Budget scrutiny

- 1.4 In light of the external factors that have influenced the timing of this year's budget, the Welsh Government, with the agreement of the Senedd Business Committee and Finance Committee, triggered exceptional arrangements in relation to this year's budget process. This includes publishing together, on 21 December, the strategic spending plans for revenue and capital, and taxation and borrowing proposals, as well as the detailed portfolio budget proposals.
- 1.5 Scrutiny of the 2021-22 draft Budget has been structured similarly to recent years with the Finance Committee examining the major building blocks of the Welsh Government's Budget – where our funding comes from, including borrowing and our new taxation powers – with more detailed consideration of departmental spending plans by the Senedd policy committees.
- 1.6 The Welsh Government welcomes the important contribution provided by the Finance Committee and the policy committees in the constructive scrutiny of budget proposals. We would like to place on record our gratitude to all the committees for undertaking scrutiny and publishing their reports within the truncated timescale. We have welcomed the constructive debate during the budget scrutiny and have considered all the feedback received during this period, including from stakeholders and our delivery partners. We are currently reflecting on the recommendations made by the Senedd committees and will respond to these ahead of the final Budget debate on 9 March.

Changes to the Welsh Government's budget for 2021-22

- 1.7 As part of the UK Government's Supplementary Estimates for 2020-21, Wales has received an extra £660m, over and above the £5.2bn funding guarantee, reflecting its Barnett share of funding announced in England. The Welsh Government is carrying this funding forward into 2021-22, on top of the Wales Reserve. This additional funding has been factored into the final Budget.

- 1.8 In addition, the UK Budget will take place on 3 March. This provides a very real prospect that the Welsh settlement for 2021-22 will change. The Welsh Government will provide an early Written Statement setting out the implications of the UK Budget for the Welsh Budget.

Changes between draft and final Budgets

- 1.9 The exceptional circumstances surrounding the formulation of the draft Budget this year have been acknowledged by the Finance Committee, including the likelihood of changes between draft and final Budgets. In setting the draft Budget, we provided an initial package of £77m of COVID-19 funding. We said then that we would build on this funding over the coming months and allocate more funding at the final Budget as we better understand the impact of the pandemic over the winter months. Our approach to allocating funding will continue to be based on providing rapid financial support in a responsible process that targets resources at the right place at the right time based on the course of the pandemic. In total, we are allocating an additional £682.2m revenue for COVID-19-related measures in this Budget, including an additional £636.6m to support our NHS and local authorities who are at the forefront of our response.
- 1.10 We remain concerned about the loss of EU funding to Wales, and share the disappointment expressed by the Finance Committee on the impact this will have. We will continue to press the UK Government to provide Wales with the fairness, flexibility, and clarity we need on post-EU farm funding and the Shared Prosperity Fund. At the time of the draft Budget, we said we would consider the need to provide funding in the final Budget to manage our post-EU transition in light of the trade agreement with the EU and what the full implications would be for Wales. As a result, we are providing an additional £11.2m in this final Budget to support post-EU transition resourcing of new functions being repatriated to Wales and to support projects funded through the EU Transition Fund.
- 1.11 We are providing further support for our reconstruction priorities, building on the £320m reconstruction package we announced in October 2020. We know that effective infrastructure investment by government can stimulate demand in the economy in the short to medium term, while also improving the supply side of the economy in the longer term, and improving social and environmental outcomes. We are therefore providing a £224.5m capital stimulus package in the final Budget to support our reconstruction efforts.
- 1.12 We also acknowledge there are a number of other areas where there have been calls during scrutiny for increased investment. The evolving nature of the pandemic means we must retain as much flexibility as we can in order to respond to future needs as we move through the financial year.
- 1.13 Further details of the changes can be found in Chapter 2.

- 1.14 Full details of the Welsh Government's Strategic Integrated Impact Assessment of the draft Budget was provided in the draft Budget narrative published on 21 December. Given the nature of the changes between the draft and final Budgets which build on existing measures for which an assessment of impacts has already been provided, no further detail is provided as part of this final Budget.
- 1.15 In line with the commitment in the Budget Improvement Plan, we have published an updated analysis that estimates greenhouse gas emission associated with Welsh Government spending. This updated analysis now covers all Main Expenditure Groups, based on spending proposals in the 2021-22 draft Budget.

Chapter 2: Changes between draft and final Budget

2.1 The changes made between the publication of the draft and final Budgets are outlined in this chapter.

COVID-19 funding

2.2 In setting our draft Budget plans we outlined that in order for our decisions to best meet the evolving challenges presented by the pandemic, it would be prudent to retain as much flexibility as possible. At the same time, we outlined that we would make further allocations as we better understand the impact of the winter months on the spread of the pandemic, in particular considering support for the NHS and local government.

2.3 We are maintaining this prudent approach into 2021-22 holding funding in reserves to respond to other needs as this arise, such as further support for business. The UK Government has also yet to confirm whether it will extend non-domestic rates support in England. We are making all the preparations necessary to support a rapid response for Welsh businesses as soon as the UK Government has provided us with certainty on the funding available.

2.4 This final Budget allocates a further **£682.2m** in our efforts to respond to COVID-19 while continuing to retain flexibility into the next financial year.

2.5 To **protect core NHS services**, ensuring the necessary investment to continue to respond to the immediate impacts of the pandemic, we are providing an additional **£380m** for the first six months of 2021-22. This will include funding for the continued rollout of our successful vaccination programme, maintaining COVID-19 testing capacity, meeting ongoing demand for Personal Protective Equipment, maintaining enhanced infection control cleaning standards, supporting NHS local response plans, and additional funding for other pandemic response measures.

2.6 Building on the £10m allocated in the draft Budget, we are providing an additional **£50m for contact tracing** to support recruitment and workforce planning as a central part of our strategy to continue to effectively deal with cases of COVID-19 and help further reduce transmission rates.

2.7 Building on the £600m **Local Government Hardship Fund** in 2020-21, and to support local authorities with the additional costs associated with COVID-19, we will provide an additional **£206.6m** to support local government for the first six months of 2021-22. This will include additional funding for term-time free school meals, adult social care, care home testing, school cleaning, excess deaths management, self-isolation payments, and homelessness support.

- 2.8 In recognition of the important role employability and skills will play in support of our recovery, and reflecting the impacts of the pandemic on apprenticeship provision, we are investing **£16.5m in apprenticeships** to maintain current levels of apprenticeship places in 2021-22.
- 2.9 In May 2020, we amended rules for our **Discretionary Assistance Fund** to provide greater flexibility and discretion to the number and frequency of Emergency Assistance Payments, supporting those facing extreme financial hardship as a result of COVID-19. We are providing **£10.5m** to extend these rules until the end of September 2021, demonstrating our continued commitment to the most vulnerable in our society.
- 2.10 In the draft Budget, we allocated £18.6m for the first quarter of 2021-22 **to provide stability to bus operators** to continue to run efficient services, and to fund a review of bus industry reform, with a view to safeguarding the industry's future in Wales. Given the ongoing impact of the pandemic on the use of public transport and the central role it plays in connecting people and communities across Wales, particularly for people from households without access to private transport, we are providing a further **£18.6m** to extend our support into the second quarter of 2021-22.

Post-EU Exit funding

- 2.11 At the time of preparing the draft Budget, we did not know whether there would be a comprehensive trade agreement with the EU and what the full implications would be for Wales. For that reason, we outlined that we would consider the need to provide funding in the final Budget to manage our post-EU transition. The Trade and Cooperation Agreement (TCA) that was agreed on 24 December 2020 is a long way from the deal that the Welsh Government had previously advocated. While the agreement does finally bring some clarity to our relationship with the EU, we now face new barriers and complexities in our dealings with the EU and the 27 Member States, and uncertainty remains in a number of key areas.
- 2.12 In February 2021, we published *The new relationship with the EU: What it means for Wales* to provide a practical guide to the implications for Wales of the new relationship between the UK and the EU. We remain committed to supporting citizens, businesses, and public services in Wales to react to the inevitable change and the challenges the TCA has delivered.
- 2.13 As a result, we are allocating a further **£7.1m** in 2021-22, comprising £6.1m revenue and £1m capital, as part of the £50m EU Transition Fund to continue work in a number of key areas, including:
- **£1.6m** for Global Wales III to promote Wales' world-class higher education sector internationally, and to build on our partnerships and networks across the world.
 - **£1.2m** to support the continuation of the Brexit coordinators to manage the implications of the new relationship on our local authorities.

- **£2m** (including £1m capital) to tackle food poverty.
- **£0.8m** for Community Cohesion Teams across eight regions in Wales.
- **£0.6m** for advice and support services for non-UK EU citizens.
- **£0.2m** to establish the Data Advisory Unit Wales to provide strategic advice to the public and third sectors on post-transition data-related issues, and to ensure compliance with data protection regulations.
- **£0.2m** to support third sector activity, including funding for the Civil Society Forum on Brexit and developing resources for the third sector to better understand the implications of the new EU relationship.
- **£0.2m** to help us prepare our successor arrangements to EU structural funds, including designing a new regional policy framework and delivery model to drive economic development in Wales.
- **£0.2m** for the EU settled status and immigration advice services, and advice and support services for non-UK EU citizens in Wales.
- **£0.1m** to fund continued work with Disabilities Wales to support the communication and engagement work.

2.14 As of 1 January 2021, **a range of functions and responsibilities have been repatriated back to Wales from Brussels** placing new obligations on the Welsh Government. To ensure we can respond to these new responsibilities and lead policy matters that have a direct impact on people in Wales, we are providing an additional **£4.1m**.

Non-COVID-19 Revenue Allocations

2.15 We are also making a number of modest revenue allocations responding to a range of matters arising since publication of the draft Budget.

2.16 Alongside our weakened trading relationship with the EU, the UK Government's decision not to match levels of EU Common Agricultural Policy funding leaves Welsh farmers and rural communities £137m short of expected funding in 2021-22. To further support rural communities and the environment, we are allocating **£2.6m** to support development of post-EU farm support alongside delivering remaining commitments under the existing EU funded schemes up to 2023.

2.17 We recognise the significant impact the pandemic has had on our **National Library of Wales and the National Museum Wales**. These institutions play a vital role for communities across Wales, particularly those in Welsh-speaking regions, in preserving the Welsh national identity and culture. In response, we are allocating **£4.25m** to provide the necessary platform for undertaking essential reforms to ensure the long-term financial sustainability of both organisations.

- 2.18 Underpinned by our commitments in Cymraeg 2050, we are investing an additional **£0.8m** in **Coleg Cymraeg Cenedlaethol** to progress the implementation of Welsh-medium and bilingual further education, apprenticeships in priority areas, and to increase the number of bilingual tutors in colleges across Wales from September 2021.
- 2.19 Ensuring the safety and security of people across Wales has been a central part our response to the pandemic. Over the past year, **Police Community Support Officers** (PCSOs) have continued to play a critical role in providing a visible and accessible uniformed presence to ensure our communities are safe. In recognition, we are investing an additional **£1.8m** to maintain funding for the 500 PCSOs across Wales.
- 2.20 In January 2021, we published our **Building Safety Regime for Wales** White Paper, with the changes proposed under the new regime amounting to the most extensive building safety reforms in the UK. To drive forward these regulatory changes, we are providing an additional **£3m** in 2021-22.
- 2.21 To ensure the continued effective and efficient collection and management of the estimated £300m of revenue raised annually through Wales' fully devolved taxes, and to take forward the next phase of the **Welsh Revenue Authority's** development, we are allocating an additional **£0.3m** in 2021-22, including funding to take forward its enforcement and compliance work.

Capital Stimulus Package

- 2.22 We are providing further support for our reconstruction priorities, building on the £320m package of reconstruction funding announced in 2020-21. This final Budget allocates a capital stimulus package totalling **£224.5m**, consisting of £188.5m general capital and £36m financial transactions capital.
- 2.23 Investment in social housing can play a key role in supporting a green recovery alongside delivering wider economic and societal impact. We are investing an additional **£100m** in our Social Housing programmes through this final Budget, taking our total investment in the **Social Housing Grant** to nearly **£250m** in 2021-22, supporting jobs and training opportunities for Welsh SME builders and localised supply chains.
- 2.24 In addition, the **£100m** investment has enabled us to extend and upscale the **Optimised Retrofit Programme** bringing our investment in this programme to £50m in 2021-22. This will continue development of new skills, assessment tools, supply chains, and procurement frameworks that encourage SME development and create jobs.

- 2.25 We are providing **£12m** to support our adaptations programmes for disabled people. This funding will support independent living, implementation of new models of care, as well as supporting reduced hospital admissions, reliance on residential care, and out of county placements. This funding will also boost investment in the **Physical Adaptations Grant** reflecting current demand and providing funding to ensure local authorities can respond to changes in means testing for small and medium size adaptations.
- 2.26 We are investing an additional **£10m** financial transactions capital in our **Land for Housing Scheme** to increase the supply of affordable and market housing and the rate of delivery by securing land sites, as well as promote the creation of local jobs, training opportunities, and support the housing development supply chain.
- 2.27 Our successful **Property Development Fund** is providing small development companies with access to loan funding to construct new homes. Alongside this, the **Wales Stalled Sites Fund** assists in creating and promoting opportunities for SME construction companies, 'unlocking' sites which provide wider benefits to local communities. Further investment of **£15m** financial transactions capital is being provided to extend these Funds, securing existing skilled workers and providing potential further employment.
- 2.28 **Help to Buy Wales** has played an important role supporting people who would like to own a new build home but have required assistance to do so. The scheme has also supported the housing industry and related supply chains. Building on the £74m allocated in the draft Budget, we are providing a further **£10m** financial transactions capital in this final Budget.
- 2.29 Community facilities provide local access to a range of services as well as health and well-being activities. While many facilities have been a focus for activity through the pandemic, others have remained closed due to social restrictions. In response, we are allocating **£3.5m** to the **Community Facilities Programme** and a further **£1m** financial transactions capital to the **Community Asset Loan Fund**. This will support third sector organisations in purchasing and improving community assets, land and buildings, including those in town centres.
- 2.30 The **21st Century Schools and Colleges Programme** supports economic growth, innovation, and sustainable jobs for some of the lower-paid sectors in Wales, supporting extensive supply chains to improving life opportunities for learners. In recognition of this impact, an additional **£30m** capital is being provided to accelerate delivery of Band B of the Programme, nearly doubling the allocation we provided in the draft Budget.
- 2.31 **Active travel** investment delivers improved active travel access to employment, education, key services, and brings our communities together. We are allocating an additional **£20m** to further extend our investment in active travel infrastructure and enable the delivery of additional schemes over and above our existing pipeline. This increases our total planned 2021-22 investment in active travel projects and interventions to around £75m.

- 2.32 Evidence suggests that well-targeted road improvements are good for productivity and reduce congestion which improves air quality. Recognising this, we are allocating **£10m capital** targeted at four Mid Wales **road network pinch point schemes** in 2021-22, relating to the A470 and A487.
- 2.33 We are already investing substantial funding in flood and coastal defence. To support repair work to damaged assets following flooding in December and January and increase the Small Scale Works Grant, we are providing an additional **£8m to help local authorities and NRW improve and maintain our flood defences** and reduce risk to our homes.
- 2.34 In recognising the many challenges associated with the ongoing maintenance of our historic buildings, we are providing **£3m** for investment in our **cultural estate**. This funding will help safeguard important parts of our cultural heritage, address essential maintenance, and enable opportunities for modernisation and energy efficiency to improve longer-term resilience.
- 2.35 We are providing an additional **£2m** to support the building and improvement of **sports facilities** in Wales. This investment will help boost local construction businesses and supply chains, as well as delivering positive and lasting impact on community participation and performance.

Chapter 3: Welsh Government final Budget allocations for 2021-22

Overview

- 3.1 The changes described in Chapter 2 are reflected in the revised spending plans set out in this chapter.
- 3.2 The detailed changes to our budget proposals between publication of the draft and final Budgets in 2021-22 are set out in the final Budget 2021-22 MEG BEL tables, which are published together with this Explanatory Note.

Table 3.1 - Sources of Finance 2021-22

2021-22 FINAL BUDGET			
COMPONENTS OF WELSH FINANCING	2021-22 Draft Budget December 2020	Changes	2021-22 New Plans Final Budget
	£000s		
RESOURCE FINANCING			
Departmental Expenditure Limit (DEL):			
Fiscal	14,351,223	497,557	14,848,780
Non-Fiscal	690,064	—	690,064
Drawdown from the Wales Reserve	125,000	—	125,000
Annually Managed Expenditure (AME):			
Fiscal	27,915	—	27,915
Non-Fiscal	149,934	—	149,934
Wales Devolved Financing:			
Non Domestic Rates	1,101,000	—	1,101,000
Welsh Rate of Income Tax	2,064,061	—	2,064,061
Land Transaction Tax	230,998	—	230,998
Landfill Disposals Tax	32,728	—	32,728
Principal repayment of borrowing	(6,887)	4,470	(2,417)
TOTAL RESOURCE FINANCING	18,766,036	502,027	19,268,063

CAPITAL FINANCING			
Departmental Expenditure Limit (DEL):			
General	2,255,555	137,131	2,392,686
Financial Transactions	112,604	25,530	138,134
Annually Managed Expenditure (AME):			
Capital	968,961	—	968,961
Wales Devolved Financing:			
Borrowing	150,000	—	150,000
TOTAL CAPITAL FINANCING	3,487,120	162,661	3,649,781
TOTAL WELSH FINANCING	22,253,156	664,688	22,917,844

Table 3.2 - Allocation of the Wales Budget - Resource

MAIN EXPENDITURE GROUPS (MEGs)		2021-22 Draft Budget December 2020	Changes	2021-22 New Plans Final Budget March 2021
		£000s		
Health and Social Services		9,212,875	430,000	9,642,875
Housing and Local Government		6,026,310	310,300	6,336,610
Economy and Transport		1,691,348	65,100	1,756,448
Education		2,696,556	32,400	2,728,956
Mental Health, Wellbeing and the Welsh Language		336,084	9,250	345,334
Environment, Energy and Rural Affairs		719,126	10,600	729,726
Central Services and Administration		416,840	11,809	428,649
Total Allocations to Welsh Government MEGs		21,099,139	869,459	21,968,598
Unallocated Resource	Fiscal Resource	811,458	(201,932)	609,526
	Non-Fiscal Resource	149,515	—	149,515
Unallocated Capital	General	109,038	(52,369)	56,669
	Financial Transactions	5,311	49,530	54,841
Senedd Commission		62,914	—	62,914
Public Services Ombudsman for Wales		5,110	—	5,110
Wales Audit Office		8,148	—	8,148
Electoral Commission		1,750	—	1,750
Direct Charges to the Welsh Consolidated Fund		773	—	773
TOTAL WELSH BUDGET		22,253,156	664,688	22,917,844

Table 3.3 - Summary of the Welsh Government MEG total allocations 2021-22

TOTAL MEG ALLOCATIONS										
£000s										
MAIN EXPENDITURE GROUPS (MEGs)	Resource			Capital			AME			TOTAL MEG ALLOCATION
	Fiscal	Non-Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total	
Health and Social Services	8,925,807	186,137	9,111,944	382,528	—	382,528	148,403	—	148,403	9,642,875
Housing and Local Government	4,411,441	381	4,411,822	728,465	65,806	794,271	1,130,517	—	1,130,517	6,336,610
Economy and Transport	615,568	192,436	808,004	807,163	13,766	820,929	127,515	—	127,515	1,756,448
Education	1,515,870	111,052	1,626,922	279,491	1,968	281,459	(148,386)	968,961	820,575	2,728,956
Mental Health, Wellbeing and the Welsh Language	268,345	10,278	278,623	50,938	(227)	50,711	16,000	—	16,000	345,334
Environment, Energy and Rural Affairs	510,159	21,675	531,834	197,892	—	197,892	—	—	—	729,726
Central Services and Administration	369,004	16,000	385,004	38,665	1,980	40,645	3,000	—	3,000	428,649
Total Allocations to Welsh Government MEGs	16,616,194	537,959	17,154,153	2,485,142	83,293	2,568,435	1,277,049	968,961	2,246,010	21,968,598

Table 3.4 - Changes to the Welsh Government Fiscal Resource DEL

FISCAL ALLOCATIONS			
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Draft Budget December 2020	Changes	2021-22 New Plans Final Budget March 2021
	£000s		
Health and Social Services	8,495,807	430,000	8,925,807
Housing and Local Government	4,189,141	222,300	4,411,441
Economy and Transport	580,468	35,100	615,568
Education	1,513,470	2,400	1,515,870
Mental Health, Wellbeing and the Welsh Language	264,095	4,250	268,345
Environment, Energy and Rural Affairs	507,559	2,600	510,159
Central Services and Administration	361,695	7,309	369,004
Total Fiscal Allocations to Welsh Government MEGs	15,912,235	703,959	16,616,194

Table 3.5 - Changes to the Welsh Government Non-Fiscal Resource DEL

NON-FISCAL ALLOCATIONS			
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Draft Budget December 2020	Changes	2021-22 New Plans Final Budget March 2021
	£000s		
Health and Social Services	186,137	—	186,137
Housing and Local Government	381	—	381
Economy and Transport	192,436	—	192,436
Education	111,052	—	111,052
Mental Health, Wellbeing and the Welsh Language	10,278	—	10,278
Environment, Energy and Rural Affairs	21,675	—	21,675
Central Services and Administration	16,000	—	16,000
Total Non-Fiscal Allocations to Welsh Government MEGs	537,959	—	537,959
Total Resource Allocations to Welsh Government MEGs	16,450,194	703,959	17,154,153

Table 3.6 - Changes to the Welsh Government Capital DEL - General Capital (excluding Financial Transactions)

GENERAL CAPITAL ALLOCATIONS			
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Draft Budget December 2020	Changes	2021-22 New Plans Final Budget March 2021
	£000s		
Health and Social Services	382,528	—	382,528
Housing and Local Government	615,465	113,000	728,465
Economy and Transport	777,163	30,000	807,163
Education	249,491	30,000	279,491
Mental Health, Wellbeing and the Welsh Language	45,938	5,000	50,938
Environment, Energy and Rural Affairs	189,892	8,000	197,892
Central Services and Administration	35,165	3,500	38,665
Total General Capital Allocations to Welsh Government MEGs	2,295,642	189,500	2,485,142

Table 3.7 - Changes to the Welsh Government Capital DEL- Financial Transactions

FINANCIAL TRANSACTION CAPITAL ALLOCATIONS			
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Draft Budget December 2020	Changes	2021-22 New Plans Final Budget March 2021
	£000s		
Health and Social Services	—	—	—
Housing and Local Government	90,806	35,000	125,806
Economy and Transport	13,766	—	13,766
Education	1,968	—	1,968
Mental Health, Wellbeing and the Welsh Language	(227)	—	(227)
Environment, Energy and Rural Affairs	—	—	—
Central Services and Administration	980	1,000	1,980
Total Financial Transaction Capital Allocations to Welsh Government MEGs	107,293	36,000	143,293
<i>Help to Buy Repayments¹</i>	—	(60,000)	(60,000)
Net Financial Transaction Capital Allocations to Welsh Government MEGs	107,293	(24,000)	83,293
Total Capital Allocations to Welsh Government MEGs	2,402,935	165,500	2,568,435

¹ The £60m income adjustment reflects the return of repayments from the Help to Buy scheme.

Table 3.8 - Welsh Government AME Budget – Resource allocations

RESOURCE ALLOCATIONS			
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Draft Budget December 2020	Changes	2021-22 New Plans Final Budget March 2021
	£000s		
Health and Social Services	148,403	—	148,403
Housing and Local Government	1,130,517	—	1,130,517
Economy and Transport	127,515	—	127,515
Education	(148,386)	—	(148,386)
Mental Health, Wellbeing and the Welsh Language	16,000	—	16,000
Environment, Energy and Rural Affairs	—	—	—
Central Services and Administration	3,000	—	3,000
Total Resource AME Allocations to Welsh Government MEGs	1,277,049	—	1,277,049

Table 3.9 - Welsh Government AME Budget - Capital allocations

CAPITAL ALLOCATIONS			
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Draft Budget December 2020	Changes	2021-22 New Plans Final Budget March 2021
	£000s		
Health and Social Services	—	—	—
Housing and Local Government	—	—	—
Economy and Transport	—	—	—
Education	968,961	—	968,961
Mental Health, Wellbeing and the Welsh Language	—	—	—
Environment, Energy and Rural Affairs	—	—	—
Central Services and Administration	—	—	—
Total Capital AME Allocations to Welsh Government MEGs	968,961	—	968,961
Total AME Allocations to Welsh Government MEGs	2,246,010	—	2,246,010

Chapter 4: Main Expenditure Group spending plans

Table 4.1 - Year on year percentage change, Total (including COVID-19) allocations

TOTAL – Year on Year Percentage Change			
MAIN EXPENDITURE GROUPS (MEGs)	2020-21 Final Budget Restated December 2020	2021-22 Final Budget March 2021	% change
	£000s		
Health and Social Services	8,843,610	9,642,875	9.04%
Housing and Local Government	5,791,221	6,336,610	9.42%
Economy and Transport	1,557,148	1,756,448	12.80%
Education	2,524,521	2,728,956	8.10%
Mental Health, Wellbeing and the Welsh Language	320,527	345,334	7.74%
Environment, Energy and Rural Affairs ²	668,220	729,726	9.20%
Central Services and Administration	397,422	428,649	7.86%
Total Allocations to Welsh Government MEGs	20,102,669	21,968,598	

Table 4.2 - Year on year percentage change, Total (excluding COVID-19) allocations

TOTAL – Year on Year Percentage Change			
MAIN EXPENDITURE GROUPS (MEGs)	2020-21 Final Budget Restated December 2020	2021-22 Final Budget March 2021	% change
	£000s		
Health and Social Services	8,843,610	9,202,875	4.06%
Housing and Local Government	5,791,221	6,092,240	5.20%
Economy and Transport	1,557,148	1,696,748	8.97%
Education	2,524,521	2,716,927	7.62%
Mental Health, Wellbeing and the Welsh Language	320,527	345,334	7.74%
Environment, Energy and Rural Affairs ²	668,220	729,726	9.20%
Central Services and Administration	397,422	425,649	7.10%
Total Allocations to Welsh Government MEGs	20,102,669	21,209,499	

² For the purposes of showing a like-for-like year on year comparison, £243m in respect of direct payments funding for farm subsidies has been included in the restated 2020-21 Final Budget figure, reflecting adjustments made in-year.

Table 4.3 - Year on year percentage change, Fiscal Resource DEL- including COVID-19

FISCAL RESOURCE – Year on Year Percentage Change			
MAIN EXPENDITURE GROUPS (MEGs)	2020-21 Final Budget Restated December 2020	2021-22 Final Budget March 2021	% change
	£000s		
Health and Social Services	8,066,527	8,925,807	10.65%
Housing and Local Government	3,921,536	4,411,441	12.49%
Economy and Transport	544,497	615,568	13.05%
Education	1,460,021	1,515,870	3.83%
Mental Health, Wellbeing and the Welsh Language	254,847	268,345	5.30%
Environment, Energy and Rural Affairs ³	486,753	510,159	4.81%
Central Services and Administration	347,677	369,004	6.13%
Total Fiscal Resource Allocations to Welsh Government MEGs	15,081,858	16,616,194	

Table 4.4 - Year on year percentage change, Fiscal Resource DEL- excluding COVID-19

FISCAL RESOURCE – Year on Year Percentage Change			
MAIN EXPENDITURE GROUPS (MEGs)	2020-21 Final Budget Restated December 2020	2021-22 Final Budget March 2021	% change
	£000s		
Health and Social Services	8,066,527	8,485,807	5.20%
Housing and Local Government	3,921,536	4,167,071	6.26%
Economy and Transport	544,497	555,868	2.09%
Education	1,460,021	1,503,841	3.00%
Mental Health, Wellbeing and the Welsh Language	254,847	268,345	5.30%
Environment, Energy and Rural Affairs ³	486,753	510,159	4.81%
Central Services and Administration	347,677	366,004	5.27%
Total Fiscal Resource Allocations to Welsh Government MEGs	15,081,858	15,857,095	

³ For the purposes of showing a like-for-like year on year comparison, £243m in respect of direct payments funding for farm subsidies has been included in the restated 2020-21 Final Budget figure, reflecting adjustments made in-year.

Table 4.5 - Year on year percentage change, non-fiscal Resource

NON-FISCAL RESOURCE – Year on Year Percentage Change			
MAIN EXPENDITURE GROUPS (MEGs)	2020-21 Final Budget Restated December 2020	2021-22 Final Budget March 2021	% change
	£000s		
Health and Social Services	190,000	186,137	(2.03%)
Housing and Local Government	240	381	58.75%
Economy and Transport	192,400	192,436	0.02%
Education	107,154	111,052	3.64%
Mental Health, Wellbeing and the Welsh Language	8,882	10,278	15.72%
Environment, Energy and Rural Affairs	21,675	21,675	0.00%
Central Services and Administration	16,000	16,000	0.00%
Total Non-Fiscal Resource Allocations to Welsh Government MEGs	536,351	537,959	

Table 4.6 - Year on year percentage change, General Capital

GENERAL CAPITAL – Year on Year Percentage Change			
MAIN EXPENDITURE GROUPS (MEGs)	2020-21 Final Budget Restated December 2020	2021-22 Final Budget March 2021	% change
	£000s		
Health and Social Services	369,416	382,528	3.55%
Housing and Local Government	558,685	728,465	30.39%
Economy and Transport	705,466	807,163	14.42%
Education	217,711	279,491	28.38%
Mental Health, Wellbeing and the Welsh Language	38,039	50,938	33.91%
Environment, Energy and Rural Affairs	155,392	197,892	27.35%
Central Services and Administration	29,746	38,665	29.98%
Total General Capital Allocations to Welsh Government MEGs	2,074,455	2,485,142	

Table 4.7 - Year on year percentage change, Financial Transactions Capital

FINANCIAL TRANSACTIONS CAPITAL – Year on Year Percentage Change			
MAIN EXPENDITURE GROUPS (MEGs)	2020-21 Final Budget Restated December 2020	2021-22 Final Budget March 2021	% change
	£000s		
Health and Social Services	—	—	—
Housing and Local Government	150,505	125,806	(16.41%)
<i>Help to Buy Repayments⁴</i>	—	(60,000)	—
Economy and Transport	85,260	13,766	(83.85%)
Education	(195)	1,968	1109.23%
Mental Health, Wellbeing and the Welsh Language	15,746	(227)	(101.44%)
Environment, Energy and Rural Affairs	2,000	—	(100.00%)
Central Services and Administration	1,000	1,980	98.00%
Total Financial Transactions Capital Allocations to Welsh Government MEGs	254,316	83,293	

⁴ The £60m income adjustment reflects the return of repayments from the Help to Buy scheme.

Table 4.8 -Year on year percentage change, Resource AME

AME RESOURCE – Year on Year Percentage Change			
MAIN EXPENDITURE GROUPS (MEGs)	2020-21 Final Budget Restated December 2020	2021-22 Final Budget March 2021	% change
	£000s		
Health and Social Services	217,667	148,403	(31.82%)
Housing and Local Government	1,160,255	1,130,517	(2.56%)
Economy and Transport	29,525	127,515	331.89%
Education	(123,801)	(148,386)	(19.86%)
Mental Health, Wellbeing and the Welsh Language	3,013	16,000	431.03%
Environment, Energy and Rural Affairs	2,400	—	(100.00%)
Central Services and Administration	2,999	3,000	0.03%
Total Resource AME Allocations to Welsh Government MEGs	1,292,058	1,277,049	

Table 4.9 - Year on year percentage change, Capital AME

AME CAPITAL – Year on Year Percentage Change			
MAIN EXPENDITURE GROUPS (MEGs)	2020-21 Final Budget Restated December 2020	2021-22 Final Budget March 2021	% change
	£000s		
Health and Social Services	—	—	—
Housing and Local Government	—	—	—
Economy and Transport	—	—	—
Education	863,631	968,961	12.20%
Mental Health, Wellbeing and the Welsh Language	—	—	—
Environment, Energy and Rural Affairs	—	—	—
Central Services and Administration	—	—	—
Total Capital AME Allocations to Welsh Government MEGs	863,631	968,961	

Annex A: Reconciliation between administrative Budget and Resource Allocations in the Annual Budget Motion

2021-22 FINAL BUDGET								
£000s								
MAIN EXPENDITURE GROUPS (MEGs)	Health and Social Services	Housing and Local Government	Economy and Transport	Education	Mental Health, Wellbeing and the Welsh Language	Environment, Energy and Rural Affairs	Central Services and Administration	TOTAL
Resource	9,111,944	4,411,822	808,004	1,626,922	278,623	531,834	385,004	17,154,153
Capital	382,528	794,271	820,929	281,459	50,711	197,892	40,645	2,568,435
Resource AME	148,403	1,130,517	127,515	(148,386)	16,000	—	3,000	1,277,049
Capital AME	—	—	—	968,961	—	—	—	968,961
TOTAL MANAGED EXPENDITURE	9,642,875	6,336,610	1,756,448	2,728,956	345,334	729,726	428,649	21,968,598
Reconciliation to Resources								
Resource Consumption – Welsh Government Sponsored Bodies	(230)	(200)	—	(340)	(20,644)	(10,000)	—	(31,414)
Supported Borrowing	—	(88,800)	1,250	—	—	—	—	(87,550)
National Insurance Fund Receipts Collection Costs	(906)	—	—	—	—	—	—	(906)
National Non-Domestic Rates Payable (and Collection Costs)	—	(1,106,172)	—	—	—	—	—	(1,106,172)
Interest Repayments on Borrowing	—	—	—	—	—	—	(2,419)	(2,419)
PFI	—	—	(9,243)	—	—	—	—	(9,243)
RESOURCES REQUESTED	9,641,739	5,141,438	1,748,455	2,728,616	324,690	719,726	426,230	20,730,894

Annex B: Glossary of financial terms

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

Non-Fiscal Resource DEL <i>(previously known as non-cash)</i>	<i>The Non-Fiscal Resource DEL budget scores the department's current expenditure in respect of impairment of student loans and depreciation. Non-Fiscal Resource DEL is ring-fenced and cannot be used to fund fiscal resource DEL spending.</i>
Receipts	<i>Some areas of Welsh Government activity generate income, for example, through the sale or rental of assets. These are represented in the Budget as negative figures.</i>
Resource budgeting	<i>The Welsh Government's Budget is set on a resource basis derived from accruals information. Accruals information measures resources as they are consumed rather than when the cash is paid. So, for example, resource budgeting includes a charge for depreciation, a measure of the consumption or wearing out of capital assets.</i>
Resource <i>(previously known as revenue)</i>	<i>Current expenditure, for example funding for the pay of public sector workers and to purchase consumable goods and services.</i>
Spending Review	<i>Every two or three years, HM Treasury reviews expenditure for each UK Government Department and sets budgets for the forthcoming years. Budgets for the devolved administrations are derived from these budgets via the Barnett formula, which is the mechanism used by HM Treasury to calculate public expenditure allocated to Wales to reflect changes in spending levels allocated to public services in England.</i>
Spending Round	<i>The Spending Round is a UK Treasury-led process to allocate resources across all government departments, according to the Government's priorities. It does not include a revision to tax forecasts.</i>
Total Managed Expenditure (TME)	<i>This is an HM Treasury control total which is made up of the total Departmental Expenditure Limit plus Annually Managed Expenditure.</i>
Wales Reserve	<i>The Wales Reserve has been in operation since April 2018 as a tool to enable the Welsh Government to manage its budget across years. The Welsh Government will be able to save surplus revenues from the devolved taxes and underspends on the Departmental Expenditure Limit in the Reserve for use in future years. The Reserve will be able to hold up to £350m, with an annual drawdown limit of £125m for resource and £50m for capital. There will be no annual limit for payments in to the Reserve.</i>
Welsh Consolidated Fund	<i>The account into which the money voted by the UK Parliament for use by the Welsh Government, the Senedd Commission, the Auditor General, and the Public Services Ombudsman for Wales is paid.</i>
WGSB	<i>Welsh Government Sponsored Body. Examples include the Higher Education Funding Council for Wales and the Arts Council of Wales.</i>