



Llywodraeth Cymru
Welsh Government

Welsh Government

Draft Budget 2022-23

A Budget to build a stronger,
fairer and greener Wales

December 2021

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Foreword by the Minister for Finance and Local Government

Wales stands at a pivotal moment in our nation's history.

As we continue to respond to the pandemic and take the vital actions necessary to address the climate and nature emergency, the steps we take now will not only support the Wales of today, but fundamentally shape the Wales of tomorrow – the Wales we hand on to future generations.

Facing uncertainty and unprecedented circumstances remains an unfortunate normality. Our task as a government is to use every lever at our disposal to ensure that the future is one that is stronger, fairer, and greener than it was before.

That is why I am proud that today I publish our 2022-23 draft Budget and the first multi-year Welsh Budget since 2017, which has the building of that future at its heart. A Budget shaped by the principles upon which we were elected.

Yet at the very moment when we stand ready to move Wales forward, we must do so with limited funding. While we welcome the multi-year settlement, as a result of the UK Spending Review, it does little to undo a decade of austerity. In the face of inflation rising to nearly five per cent, yet again the UK government has ignored the needs of the people of Wales.

Between 2022-23 and 2024-25 the Welsh Government's resource funding increases by less than half a per cent in real terms. Overall capital funding falls in cash terms in each year of the Spending Review period and is 11 per cent lower in 2024-25 than in the current year. The Welsh Government's budget in 2024-25 will be nearly £3bn lower than if it had increased in line with the economy since 2010-11. This presents significant challenges for us.

We also face a UK government that has broken its promises to the people of Wales. As a nation we face the loss of EU funding, impacting businesses, apprenticeships and communities across Wales. Under the UK government's Community Renewal Fund, Wales will receive only £46m this year, compared to at least £375m we would have received from EU Structural Funds from January 2021. In the face of the climate and nature emergency impacting our communities, the UK government has walked away from the industrial legacy of coal mines predating devolution. Instead, through the UK Internal Market Act, we face an assault on devolution and the taking back of powers and funding – a far cry from the rhetoric of levelling up and protecting the Union.

Despite these circumstances, we will deliver on our ambitious Programme for Government and rise to the challenges we face in a way that is grounded in the Welsh values of environmental, social, and economic justice.

We have always been clear we do not have a monopoly on good ideas, and we have recognised that the circumstances we face demands a different approach. In Wales, we have put collaboration at the heart of our approach and have entered into a Co-operation Agreement with Plaid Cymru – the priorities of which can clearly be seen in this Budget.

We have also listened to ideas from across the breadth of public life in Wales. In preparing this budget we have listened to ideas from Local Government, our statutory commissioners, members of the Senedd, and our partners in public services, business, trade unions and in the third sector. Through these collective priorities we believe we now have a Budget that can be the foundation of the stronger, fairer, and greener Wales we want to build.

While we all remain hopeful that, despite the emergence of new coronavirus variants, we are on the long path to recovery from the pandemic, we should not undo the collective efforts and sacrifices that have set us on this path. We must remain vigilant in the face of these emerging variants.

We will do all we can to support our path to recovery, ensuring the stronger Wales which emerges from the pandemic continues to value equality at its heart. Over the next three years we will continue to protect, rebuild and develop our public services, which stand at the forefront of our response and deliver for vulnerable people and communities across our country.

We will invest close to an additional £1.3bn directly in our Welsh NHS to provide effective, high quality and sustainable healthcare, and help recover from the pandemic.

We will stand by our local authorities through close to an additional £0.75bn direct investment to the Local Government settlement, providing funding to schools, social care and the other vital services in support of our ambitions.

We are committed to prioritising social care. In addition to the above investment, we will provide £60m direct additional funding to drive forward wider reforms to the sector and place it on a sustainable long-term footing. In 2022-23 alone we are providing over an additional £250m for social services, including £180m funding provided within the Local Government settlement, direct investment of £45m plus £50m of additional social care capital relative to 2021-22.

The pandemic has impacted on our physical health, and has created a mental health crisis. In addition to the direct NHS investment, we will invest an additional £100m targeted at mental health, including funding in addition to Welsh NHS funding outlined above and more than £10m for children and young people recognising the risks of the lasting and long-term impacts felt by our young people in Wales.

In the face of the pandemic and the ongoing impacts of the UK leaving the EU, we will build a stronger, greener economy and make maximum progress towards decarbonisation. This includes providing over £110m in additional non-domestic rates relief to businesses in the retail, leisure and hospitality sectors.

Recognising the need to drive a stronger Wales that also values our rich heritage and culture we are also making £26m of specific revenue investments in our Welsh language and culture in areas of shared priorities with Plaid Cymru including an additional £4m for Arfor, and an additional £8m to expand the role of the Coleg Cymraeg Cenedlaethol.

We cannot, and will not, ignore the devastating impacts the pandemic continues to have on the people of Wales. These impacts have not fallen equally or fairly.

Investing in early years and education remains one of our most powerful levers to tackle inequality, embed prevention and invest in our future generations. This Budget contains an additional £320m up to 2024-25 to continue our long-term programme of education reform, and ensure educational inequalities narrow and standards rise. This includes an additional £30m for childcare and early years provision; £40m for Flying Start and Families First; £90m for free school meals; £64.5m for wider schools and curriculum reform; and £63.5m investment in post 16 provision.

We are a country founded on a rich and diverse heritage, stretching from the roots and heartlands of Welsh language and culture, through to being an international example of multiculturalism. We will continue to celebrate diversity and move to eliminate inequality in all of its forms. This includes our radical £10m investment in a Basic Income Pilot; a targeted package of £12m to support delivery of our priorities of tackling poverty and inequality; and an additional £7m for our Discretionary Assistance Fund to ensure support is there for people when it is needed most.

We will deliver a fairer Wales that leaves no one behind. We will build an economy based on the principles of fair work, sustainability and the industries and services of the future. Skills and qualifications are the biggest single influence on a person's chance of being in employment, and on them earning a good income and offering a route out of poverty and protection against it. We will invest an additional £61m investment up to 2024-25 in our Young Person's Guarantee and employability support, in apprenticeship provision and to expand our Personal Learning Account which has been at the heart of our approach to gender budgeting.

We will also create the conditions to make our cities, towns and villages even better places in which to live and work through a package of revenue investments worth close to an additional £50m up to 2024-25.

As a world, we face a climate and nature emergency that demands an urgent and radical response and Wales can and will play its part to deliver a greener future. Alongside today announcing a significant package of revenue investments worth over an additional £160m up to 2024-25, I am delivering on my promise to use the new 10-year Wales Infrastructure Investment Strategy to strengthen the link between infrastructure and tackling the climate and nature crisis. Through undertaking a fundamental zero-based review, I have also published a new three year Infrastructure Finance Plan underpinned by £8bn of capital expenditure to maximise our capital levers across Government including full use of our £450m of capital borrowing powers over this three year period.

Sitting at the heart of this new plan is a £1.8bn targeted investment in our response to the climate and nature emergency including the national forest, biodiversity, active travel, decarbonising housing, the circular economy, renewable energy, and flooding. Unlike the UK government we will also stand by our communities with a £44.4m investment in coal tip safety and support for their remediation, reclamation, and repurposing.

Alongside the significant investment we are making in decarbonising housing we are investing close to £1.6bn capital in our housing priorities, including £1bn in social housing and £375m for building safety. This is supported by close to £30m of revenue in support of our housing and homelessness priorities.

In addition to the £1.3bn additional revenue investment we are also investing a total of over £1.3bn capital funding to provide effective, high quality and sustainable healthcare.

We are investing £1bn capital in education, Flying Start, childcare and early years provision including £900m in our 21st Century Schools programme.

To build a stronger, greener economy we are investing over £750m of capital in rail and bus provision including delivery of the South Wales Metro.

We are investing £210m capital to push towards a million Welsh speakers, and enable our tourism, sports and arts industries to thrive.

I am also making use of our devolved tax powers to help Wales recover building on the clear and distinct Welsh approach to the development and delivery of tax policy.

Through our updated Tax Policy Framework¹ together with a new Tax Policy Work Plan², published in November, we have set out how we will maximise the impacts of our tax powers over the next five years. Through Local Government finance reform, we are committed to making tax fairer through reform of council tax. We also remain committed to not raising Welsh Rates of Income Tax for as long as the economic impacts of the pandemic lasts.

For those taxes which are fully devolved, Land Transaction Tax (LTT) and Landfill Disposal Tax (LDT), we will ensure these deliver on our wider policy ambitions while generating the revenues to support our essential public services.

To minimise the risks associated with waste tourism I will increase LDT rates in line with forecasted levels of inflation, consistent with the UK government's approach.

¹<https://gov.wales/sites/default/files/publications/2018-10/tax-policy-framework.pdf>

²<https://gov.wales/sites/default/files/publications/2021-11/tax-policy-work-plan-2021-to-2026.pdf>

To support our investment in social housing I will keep the higher residential rates of LTT at 4 percentage points. In addition, addressing the role higher rates of LTT could play in delivering our wider agenda to address the issues relating to the high levels of second homes and holiday lets in certain parts of Wales, I am launching a consultation today on the considerations relating to the local variation of LTT rates for purchases of second homes and holiday lets.

As part of the draft Budget package, I have provided an updated Budget Improvement Plan, maintaining our commitment to provide transparency around improving budget and tax processes. This includes the reforms in our capital budgeting processes underpinning the new Wales Infrastructure Investment Strategy, expanded our approach to gender budgeting and created an improved Budget Impact Improvement and Advisory Group to help us drive forward our reforms.

I am proud to present a Budget which delivers on our values and delivers on our ambitious promises to the people of Wales. The package of funding outlined here provides the foundations for our recovery and moves us forward towards a stronger, fairer, and a greener Wales.

Chapter 1: Strategic context

Overview

Implications of the UK government's Spending Round

- 1.01 The Welsh Government today publishes its draft Budget for 2022-23 which sets out revenue and general capital spending plans for 2022-23, alongside planned allocations for 2023-24, and 2024-25.
- 1.02 The Budget preparations continue to present a distinct set of challenges building on the unprecedented circumstances of the last few years. These preparations have been shaped and impacted by the ongoing response to the COVID 19 pandemic, the repercussions of the UK's exit from the EU, tackling inequality and the urgent need to continue to respond to the climate and nature emergency.
- 1.03 Alongside this, we have faced further difficulties particularly relating to choices made by the UK government regarding the lack of replacement funding for the £375m a year of EU funding the Welsh Government would have received from January 2021. Alongside this the decision by the UK government not to acknowledge the funding needs relating to the remediation of coal tips and border control infrastructure has added further pressure and negatively impacted the Welsh Government's settlement.
- 1.04 Receiving a multi-year settlement covering the period of 2022-23 to 2024-25 has enabled the provision of a level of certainty to partners that has not been possible in previous years however albeit this is in the context of a challenging multi-year settlement.
- 1.05 Our approach remains one that is centred on maximising the impact of our available resources that seeks to balance the ongoing needs of responding to the pandemic and the impacts of the UK leaving the EU, while driving forward longer term change and responding to the challenge of the climate and nature emergency.
- 1.06 This Budget has therefore been focused on supporting Wales' path to recovery, ensuring **a stronger Wales** which emerges from the pandemic and continues to value equality at its heart. This budget aims to deliver **a fairer Wales** that leaves no one behind and seeks to build an economy based on the principles of fair work, sustainability and the industries and services of the future. As a world facing a climate and nature emergency, it demands an urgent and radical response; this Budget has been also developed to deliver **a greener Wales**.

Implications of the UK government's Spending Review

- 1.07 The Spending Review provided a Wales Resource Departmental Expenditure Limit (RDEL) for each of the next three financial years. The limits are £17,574m, £17,930m, and £18,301m for 2022-23, 2023-24, and 2024-25 respectively, before block grant adjustments. In addition we have received £257m, £320m, and £342m outside Barnett for farm and fisheries funding over the three years.

- 1.08 The Welsh Government's overall fiscal resource budget in 2022-23, taking account of block grant adjustments and devolved tax revenues, is £1.8bn higher than core funding in 2021-22. This is followed by very modest growth in the second and third years of the Budget period. It is important to note that these comparisons do not include COVID 19 funding in the current year (2021-22). Taking that into account, the Welsh Government's resource budget will be £0.7bn lower in 2022-23 than the current year and, in real terms, will remain lower throughout the Budget period.
- 1.09 The Spending Review also included Capital DEL totals of £2,643m, £2,610m, and £2,594m for the same three years. Those totals contain ring-fenced amounts of £265m, £96m, and £90m for financial transactions. This provides a constrained outlook for capital with the budget lower than in 2021-22 in every year of the Spending Review period.
- 1.10 While Welsh Government now has firm funding totals for the next three years and set out three year Budget plans in this document, there remain considerable uncertainties in the years ahead. The core concern remains the future path of the pandemic as well as its associated impacts on general inflation, living standards and in turn public services with the associated budgetary pressures these factors could create. The costs of responding to climate change impacts, such as flooding, are also placing increased pressures on public services.
- 1.11 To support financial planning beyond the budgetary period, the Chief Economist's Report, which is published alongside the draft Budget, provides an analysis of medium to long term fiscal projections which will help to inform scenarios for future resource spending in Wales. Further details on the financial and economic context for the Budget are available in Chapter 2.

Fiscal responsibilities and funding

- 1.12 The Welsh Government is primarily funded by a block grant from the UK government. The devolution of tax powers - Welsh Rates of Income Tax, land transaction tax, landfill disposals tax, and the financial devolution of non-domestic rates - mean that in 2022-23 around 18 per cent of Welsh Government spending will be funded from tax revenue
- 1.13 The illustration on the following page highlights the Welsh Government's sources of funding. Further information about tax policy and revenues is provided in Chapter 3.
- 1.14 The Welsh Government's fiscal framework agreement sets out the arrangements supporting tax devolution, capital borrowing powers, budgetary management tools, and a needs-based adjustment to the Barnett formula.

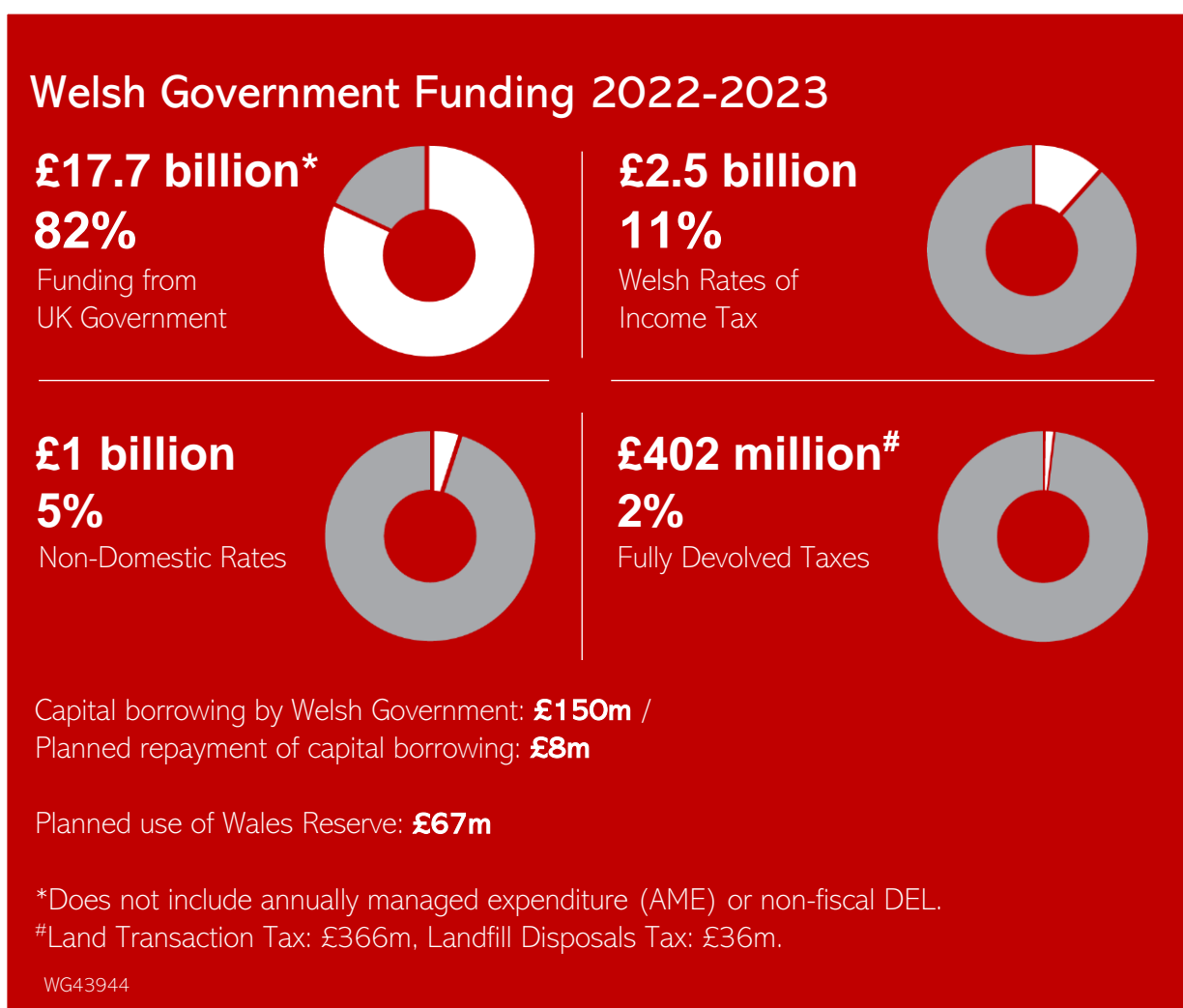
Budget Co-operation Agreement

- 1.15 The Welsh Government has always been clear that it does not have a monopoly on good ideas and will work constructively with progressive partners in the Senedd where we have shared interests and where working together can benefit the people of Wales, particularly as we face significant challenges such as COVID 19 and the climate emergency. Through this Budget we have put that commitment to collaboration to work and it lies at the heart of our approach.

1.16 The Welsh Government published an updated Programme for Government in December, incorporating the Co-operation Agreement entered into with Plaid Cymru. The Budget supports delivery of this government programme, pushing forward radical and progressive policies that will have a positive impact on the people and environment in Wales and we will work with Plaid Cymru in those areas covered by the Agreement. The items within the updated Programme for Government that relate to the Co-operation Agreement are contained within Chapter 4 and the Infrastructure Finance Plan.

Sources of Funding

1.17 The infographic below provides details of funding received by the Welsh Government for 2022-23. 'Table 3.6 – Sources of Finance' provides data for 2023-24 and 2024-25.



Investing in Delivery of the Programme for Government

- 1.18 This Budget is the first of this Senedd term and has been developed to underpin the commitments made within the Programme for Government to build a Stronger, Fairer and a Greener Wales. As outlined in Chapter 4 the allocations contained within this Draft Budget are aligned with Welsh Government's well-being objectives which lie at the heart of the Programme for Government to maximise the impacts of available funding aligned to the Well-being of Future Generations Act.
- 1.19 Creating a **stronger Wales** as one which moves forward together embodies how this Welsh Government will ensure there is fair and equal access to services, and ensuring these services, which have delivered under extraordinary circumstances, are protected. This budget therefore prioritises funding for Health, Social Care and Local Authorities who continue to stand at the forefront of the pandemic. The pandemic has been an event where no person in Wales has been unaffected, whether in relation to access to hospitals, access to education, or access to social services. There is an opportunity to invest now so the road to recovery – whenever it comes - is one which invests in people, services, infrastructure and business support. As part of this investment the Welsh Government will be demonstrating how effective funding for key services will create more and better opportunities, post pandemic.
- 1.20 To **deliver a Fairer Wales** we will use these fundamental principles of fairness, as we build the Welsh economy and society of the future. This is an opportunity to rebalance the inequalities which have become apparent through this pandemic, and sadly for too many, have also been exacerbated. It is even more important that the people of Wales know their voice is being heard; and know that through collective solidarity they are being protected, whether this is at home in Wales or on an international stage.
- 1.21 We will also be acting to create a **Greener Wales** through addressing the climate and nature emergency by not only investing in projects that will help us meet our ambitious Net Zero targets, but also by reassessing what we do and embedding good practices in all our activities. This has led us to undertake a fundamental zero-base review of general capital budgets to create a new three year Infrastructure Finance Plan which seeks to strengthen the link between infrastructure and tackling the climate and nature emergency, underpinned by £8bn of capital expenditure.

Financial Transactions Capital

- 1.22 We continue to maximise our existing portfolio of Financial Transactions capital investment, investing over £1.7bn in a large variety of projects supporting our business and housing sector, benefiting many parts of our society and economy. A large proportion of this money remains invested in medium to long term loans and equity investments or schemes where shorter term loans are provided, repaid and then re-provided to support other businesses a number of times before the scheme lifetime ends.

- 1.23 Although a zero-base exercise was undertaken for all our planned capital investments going forward, that exercise does not impact on any of our previous FT investment decisions, the majority of which are managed by the Development Bank of Wales. We remain committed to ensuring that our original investment plans for that money is maintained and adhered to as it continues to be invested and re-invested to maximum effect in the years ahead. In addition to this existing funding, we are planning to make further allocations in our 2022-23 Final Budget.

Budget process

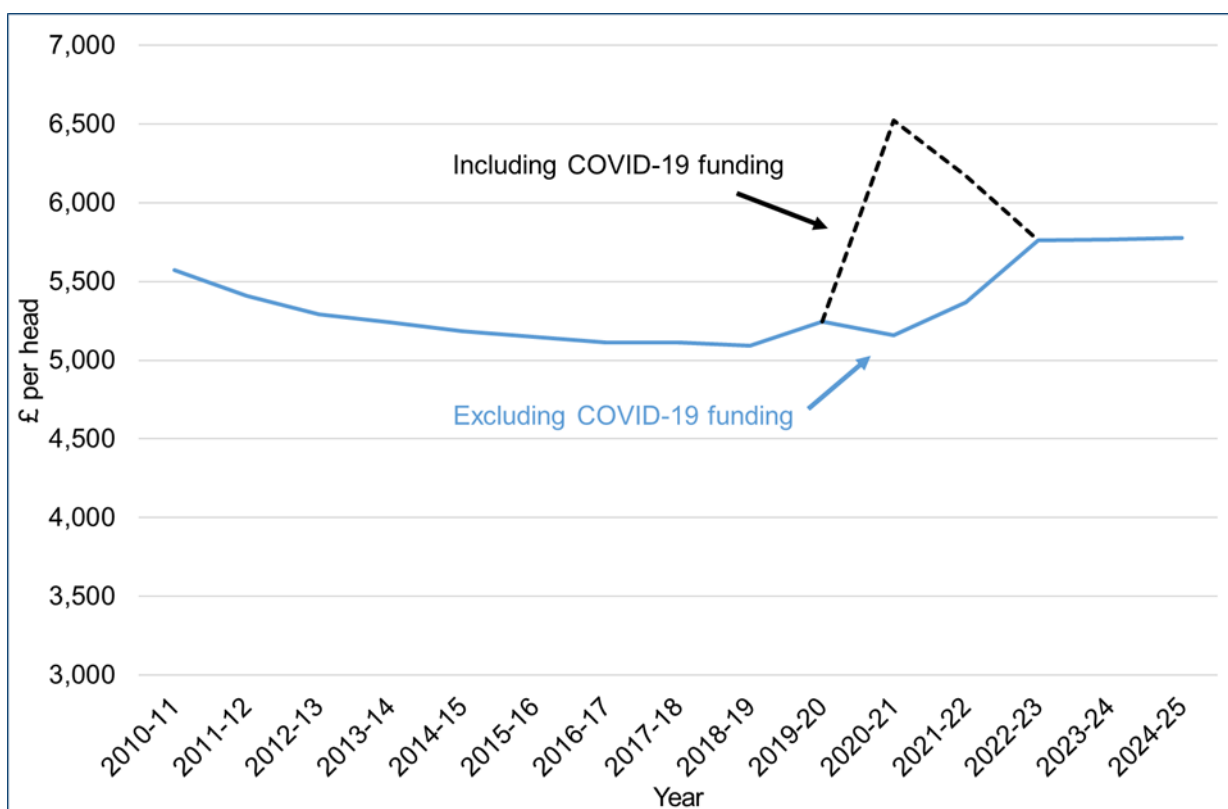
- 1.24 The publication of the UK government's multi-year Spending Review on 27 October impacted upon the timing of this year's Budget. The Welsh Government has, with the agreement of the Senedd's Business Committee and Finance Committee, triggered exceptional arrangements in relation to this year's budget process. This includes publishing the Budget documentation, including the strategic spending plans for revenue and capital, taxation and borrowing proposals, as well as detailed portfolio spending plans together on 20 December.
- 1.25 Following scrutiny of these plans by Senedd Cymru, we will publish the final Budget 2022-23 on 1 March 2022.

Chapter 2: Financial and economic context

- 2.01 The economic and fiscal prospects are considered in greater depth in the Chief Economist's Report which is published alongside this draft Budget.
- 2.02 The Report notes that the economy in Wales and the UK has recovered quite strongly from the effects of the pandemic. The latest GDP estimates for the UK in the third quarter of 2021 are only a little short of pre-pandemic levels. However, as noted by the Office for Budget Responsibility (OBR) in its latest Economic and Fiscal Outlook in October, momentum in the UK economy faded somewhat over the summer and subsequent data has been mixed. While the OBR expects the recovery to continue, uncertainty remains high with the future course of the pandemic unknown, and with the potential for continuing supply chain disruption and rising inflation.
- 2.03 The performance of the labour market over the course of the pandemic has been much better than expected. Employee levels in Wales have been slightly less affected than across the UK as a whole and are now above pre-pandemic levels. Mass unemployment has been averted, thanks in large measure to the massive support schemes put in place by the UK and Welsh governments. This crisis has - so far - led to the lowest post-recession peak in unemployment since 1975.
- 2.04 There are however some less positive aspects to the labour market situation. Long term unemployment has risen and the scarring effects of the pandemic are likely to result in reduced incomes over a protracted period. In addition, the disadvantages faced by many minority groups, including people with poor health or disability, may have increased. More generally, there may be a substantial squeeze on living standards over the next couple of years, arising from higher inflation (especially energy prices), increased taxes, and reduced benefits for those who cannot work.
- 2.05 Over the longer term, the prospects for living standards and for the strength of the tax base depend on a revival in the rate of productivity growth, which has been historically weak across the UK since around the time of the financial crisis.
- 2.06 As a result of the pandemic, the UK fiscal deficit in 2020-21 was 15 per cent of GDP, a peacetime record. However the OBR expects it to come down by around 40 per cent in the current financial year and then more than halve again in 2022-23. It is then projected to decline more gradually, reaching its lowest level in 25 years as a percentage of GDP in 2026-27.
- 2.07 Compared to the OBR's March forecast, before any budget measures, borrowing in future years is reduced by around £35bn a year. On top of that the UK government has announced tax rises of around £15bn a year, mainly the Health and Social Care Levy, to provide an overall fiscal improvement of £50bn a year. Around £30bn of that has gone towards higher departmental spending than planned for in the UK government's March budget.

2.08 The UK government set out its spending plans for the next three years in its October budget and Spending Review, enabling the Welsh Government to publish a multi-year draft Budget on this occasion. As a result of the additional discretionary spending noted above, the backdrop for the Welsh Government’s Budget is less bleak than previously expected. As shown in chart 2.1 having declined by around nine per cent during the last decade, the core resource budget per person in 2022-23 will for the first time be higher than in 2010-11 in real terms. However, it then barely grows in 2023-24 and 2024-25. It is also worth noting that it will remain substantially below the current year budget in all three years if COVID 19 funding is included.

Chart 2.1 Welsh Government Resource Budget in real terms per person (£, 2021-22 prices).



Source: Welsh Government

Chapter 3: Funding arrangements

Overview

- 3.01** The Welsh Government and public services in Wales are funded through a combination of a block grant from the UK government and revenue generated by taxes in Wales.
- 3.02** Land transaction tax (LTT) and landfill disposals tax (LDT) were introduced on 1 April 2018, collected by the Welsh Revenue Authority (WRA), and Welsh Rates of Income Tax (WRIT) were introduced on 6 April 2019, collected by HMRC. Separately, in April 2015, the financial devolution of non-domestic rates (NDR) replaced the previous arrangements for managing the financial risks. Taken together, WRIT, LTT, LDT and NDR will contribute around £3.9bn to the Welsh Government Budget in 2022-23, rising to £4.3bn in 2024-25.

Tax Policy

- 3.03** Tax devolution is important. Taxes provide another vital lever through which the Welsh Government can deliver important strategic priorities for Welsh businesses and citizens. The Welsh Government's approach to tax policy development is underpinned by the Tax Policy Framework³, which sets out the fiscal devolution settlement as established by the Wales Act 2014 and 2017, and reflects the longer history of our local taxes, clearly outlining the Welsh Government's strategic priorities for tax together with the challenges and opportunities.
- 3.04** An update to the Tax Policy Framework was published in November. This update reflects on the learning and experience of tax policy formulation since tax devolution. It takes the opportunity to identify and articulate the distinct Welsh approach to developing and delivering tax policy collaboratively, involving stakeholders and partners. It sets out how we will ensure we continue to embed sustainability, fairness and equality considerations in the way in which we address our priorities.
- 3.05** The Welsh Government published the Tax Policy Work Plan 2021 -2026⁴ alongside the update to the Tax Policy Framework. The Tax Policy Work Plan builds on our Programme for Government⁵ commitments in relation to devolved and local taxes and furthers the aim of delivering strong and stable tax devolution. It provides clear direction and certainty in respect of Welsh tax policy priorities for the next five years. The Welsh Government's tax policy priorities broadly fall into the following three areas:
- Delivery of strategic government objectives including Programme for Government commitments.
 - Ongoing policy review and implementation of our existing taxes and other related policy areas.
 - Continued focus on working with partners and citizens to embed our distinct Welsh tax approach and raise awareness of Welsh taxes.

³<https://gov.wales/sites/default/files/publications/2018-10/tax-policy-framework.pdf>

⁴<https://gov.wales/sites/default/files/publications/2021-11/tax-policy-work-plan-2021-to-2026.pdf>

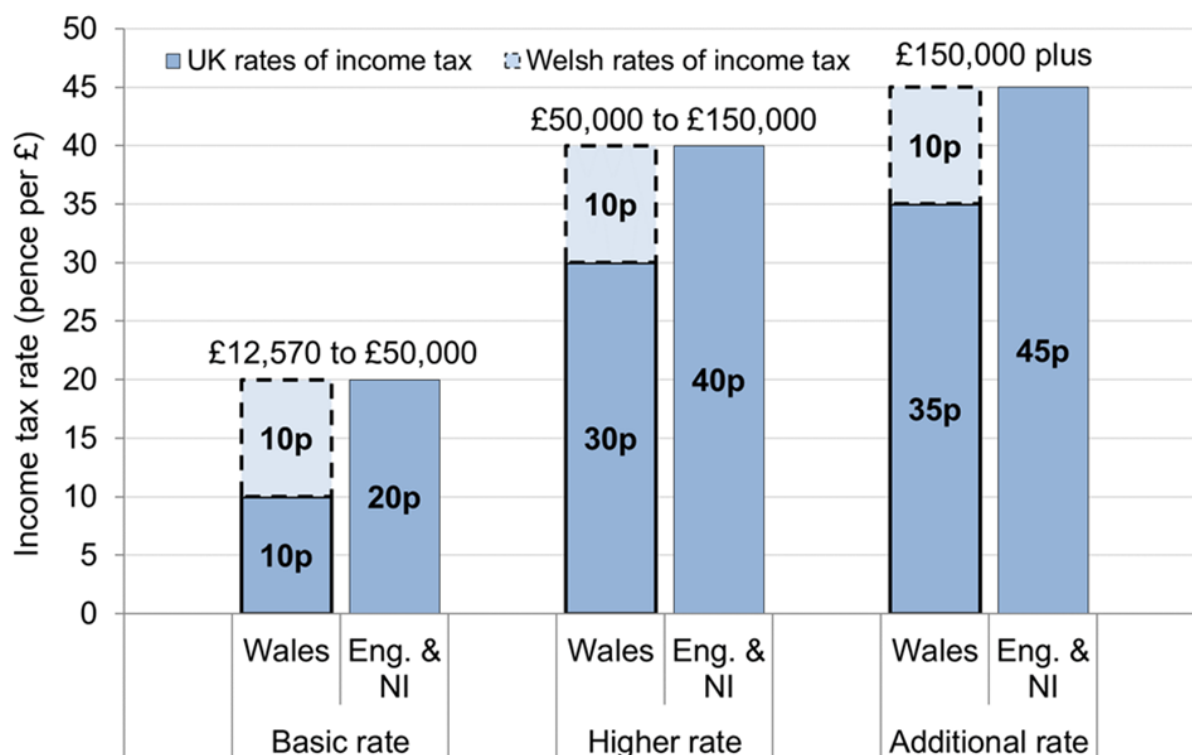
⁵<https://gov.wales/programme-government>

3.06 It is anticipated that further activity will emerge from scoping and other exploratory work including discussion with stakeholders and partners, undertaken as part of the process of developing some of the tax policy work streams. The publication of the five year work plan serves to enable all those with an interest to engage with the tax agenda in Wales, ensuring tax policy here is informed and evidence-based. The Welsh Government hosts an annual tax conference to provide a further vehicle through which to engage, educate and invite input into tax policy work. The last tax conference was held as a virtual event on 3 November 2021.

Welsh Rates of Income Tax (WRIT)

3.07 WRIT was introduced on 6 April 2019. Income tax is partially devolved to Wales, which means that while the Welsh Government is able to vary the three income tax rates (basic, higher and additional) for Welsh taxpayers, all other aspects of the tax remain the responsibility of the UK government, and HMRC continues to administer income tax in Wales⁶.

Chart 3.1: Income tax rates in Wales, 2021-22



⁶ In most cases, Welsh taxpayers are defined as people who live in Wales, however a full definition is provided under s.8 of the Wales Act 2014: <http://www.legislation.gov.uk/ukpga/2014/29/section/8/enacted>

3.08 The process for Wales involves the UK government reducing each of the three income tax rates for Welsh taxpayers by 10p. The Welsh Government then decides whether to set the Welsh rates at 10p, thereby retaining parity between Welsh and English taxpayers or to set different rates. 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 COVID 19 lasts, the Welsh Government proposes to set Welsh Rates of Income Tax for 2022-23 at 10p. This is illustrated in Chart 3.1, which shows that the combined UK and Welsh rate of income tax in each band in Wales is the same as the UK tax rate in England and Northern Ireland.

Other Welsh taxes

3.09 Land Transaction Tax (LTT) and Landfill Disposals Tax (LDT) are fully devolved to Wales. These two taxes were introduced on 1 April 2018 and are collected and managed by the Welsh Revenue Authority (WRA). LTT and LDT provide important levers through which the Welsh Government can, if appropriate, further other strategic government objectives, such as tackling the impact of the prevalence of second homes in Welsh communities or supporting the delivery of wider environmental objectives. In return for the tax revenue, the Welsh block grant has been reduced by an amount equivalent to what the previous UK taxes (stamp duty land tax and landfill tax) raised in Wales for the UK government. This means it is vital the two devolved taxes are operated efficiently and effectively, to generate the revenue needed to fund Wales' vital public services.

Land Transaction Tax (LTT)

3.10 Welsh Government is committed to exploring how changes to the higher rates of LTT could help give an advantage to people buying homes for permanent occupation. As part of this activity, we are consulting on the considerations relating to the local variation of LTT rates for purchases of second homes and holiday lets or additional residential properties. The consultation seeks views on types of areas in which there could be variation (local authority area wide, or more local communities), the mechanism to identify the areas in which rates would vary and the types of transaction to which locally varied rates should apply.

3.11 This draft Budget does not include any proposed changes to the LTT rates which have applied since July 2021. Subject to the outcome of the consultation, there may be local variation of the higher residential rates or new rates for second homes and holiday lets.

3.12 LTT will continue to have the highest starting threshold for the residential main rates in the UK, with the majority of homebuyers in Wales either paying the same or less tax compared to its predecessor, stamp duty land tax. LTT will also continue to have the highest starting threshold for non-residential property transactions in the UK.

Table 3.1: LTT Residential main rates (27 July to 31 March 2021 inclusive)

Price threshold	LTT rate
£0 to £180,000	0%
More than £180,000 to £250,000	3.5%
More than £250,000 to £400,000	5%
More than £400,000 to £750,000	7.5%
More than £750,000 to £1.5m	10%
More than £1.5m	12%

3.13 Higher rates residential property transactions will be subject to an additional 4 per cent on top of the main residential rate in each band.

Table 3.2: LTT non-residential main rates

Price threshold	LTT rate
£0 to £225,000	0%
More than £225,000 to £250,000	1%
More than £250,000 to £1m	5%
More than £1m	6%

Table 3.3: LTT non-residential lease rent

Price threshold	LTT rate
£0 to £225,000	0%
More than £225,000 to £2m	1%
More than £2m	2%

Landfill Disposals Tax (LDT)

3.14 The Welsh Government proposes to increase the LDT rates with forecast RPI inflation with effect from 1 April 2022. This continues the policy of maintaining consistency with the UK government's approach to landfill tax rates and increasing in line with inflation at the start of each financial year. The Welsh Government's approach to setting LDT rates is reviewed each year as part of the annual rate setting process where consideration is given to the benefits and dis-benefits of changing the rates in the future to advance wider environmental objectives.

3.15 Wales is at the forefront of waste policy and LDT is a useful additional lever to support Welsh Government waste policies and achieve the ambitious goal of a zero waste Wales. Some stakeholders have made the case for increasing the lower rate of LDT to encourage greater recycling, re-use and recovery of these materials, arguing that a marginal difference in rates could be tolerated by the market without increasing the risk of waste tourism. However, there is heightened uncertainty around the longer term outlook for waste. This is both as a result of behavioural change following the pandemic and as a result of the UK's exit from the EU.

- 3.16** The Welsh Government will continue to explore with stakeholders the future scope of LDT to deliver Welsh Government’s wider environmental objectives. An independent review of LDT has been commissioned for 2022-23 with the objective of reviewing the effectiveness of the tax. The LDT Communities Scheme was initiated in April 2018, and was supported by the allocation of £1.5m per annum for four years to support environmental and community projects in areas affected by the disposal of waste to landfill. The Landfill Disposals Tax (Wales) Act 2017 requires that the scheme be reviewed. This review commenced in August 2021 and is due to report in spring 2022. The outcome of the LDT Communities Scheme review together with the independent review of LDT will inform future ambitions for LDT policy.
- 3.17** The proposed rates for LDT, subject to approval by the Senedd, are set out in the table below.

Table 3.4: LDT rates, £ per tonne.

Price threshold	2020-21	2021-22	2022-23
Standard rate	£94.15	£96.70	£98.60
Lower rate	£3.00	£3.10	£3.15
Unauthorised disposals rate	£141.20	£145.05	£147.90

Non-domestic Rates (NDR)

- 3.18** We will continue to provide support for sectors most directly affected by the pandemic through a 2022-23 Retail Leisure and Hospitality Rates Relief (RLHRR) scheme. The scheme will provide an additional £116m package of non-domestic rates relief for eligible businesses.
- 3.19** Retail, leisure and hospitality ratepayers in Wales will receive 50% non-domestic rates relief for the duration of 2022-23. Like the equivalent scheme announced by the UK government, the Welsh Government’s RLHRR scheme will be capped at £110,000 per business across Wales. Our approach ensures that businesses in Wales will not be disadvantaged compared to other parts of the UK.
- 3.20** In addition to the RLHRR scheme, the non-domestic rates multiplier in Wales will not increase for 2022-23. The decision to freeze the multiplier will ensure, prior to applying any reliefs, that there will be no increase in the amount of rates which businesses and other ratepayers pay next year. The estimated cost of this measure is £35m in 2022-23.
- 3.21** Alongside this and as outlined in Chapter 4 we are also providing allocations to undertake NDR revaluation work up to 2024-25.

Independent tax revenue forecasts

3.22 This draft Budget is accompanied by independent forecasts of devolved tax revenue from the OBR. A separate Welsh Taxes Outlook report providing background and detail on the forecasts has been published on the OBR's website. The forecasts for the years covered by the draft Budget are shown in Table 3.5. As this is the first multi-year budget since tax devolution it is important to note that future forecasts will not only affect in-year budget management in 2022-23 but also the overall budgetary arithmetic for 2023-24 and 2024-25.

Table 3.5: Tax revenue forecasts £m

	2022-23	2023-24	2024-25
Land Transaction Tax	366	383	404
Landfill Disposals Tax	36	36	36
Welsh Rates of Income Tax	2,478	2,629	2,748

Block grant adjustment

3.23 Following the devolution of tax powers to Wales, the Welsh Government's block grant is reduced to reflect the fact that revenues from devolved and partially-devolved taxes now go directly to the Welsh Government rather than the UK Exchequer.

3.24 For the purposes of this draft Budget, the block grant adjustments for the fully-devolved taxes are consistent with OBR forecasts of the equivalent UK taxes based on the October 2021 Economic and Fiscal Outlook. In total, the block grant adjustments for the fully-devolved taxes are £319m, £331m, and £344m in 2022-23, 2023-24, and 2024-25 respectively.

3.25 The block grant adjustments for the Welsh Rates of Income Tax are driven by forecast growth in equivalent revenues in England and Northern Ireland in each income tax band, also using the OBR's October Economic and Fiscal Outlook. The block grant adjustments for income tax are £2,447m, £2,569m, and £2,660m over the three years.

Wales Reserve

3.26 The Wales Reserve was introduced in April 2018 as part of the fiscal framework arrangements to enable us to deal effectively with volatility arising from tax revenues by retaining unspent resources for use in future years. It replaced the previous budget exchange process.

3.27 The Wales Reserve can hold up to £350m. Annual drawdowns are limited to £125m for revenue spending and £50m for capital spending. There are no annual limits for payments into the reserve.

3.28 Unlike in previous years where spending plans have fully utilised the £125m annual drawdown limit, these spending plans do not assume full drawdown from the Welsh Reserve. As part of this multi-year budget a new fiscal strategy has been adopted to maximise available funding, from 2023-24 the Wales Reserve will be used to manage the in-year financial position without holding an unallocated DEL, with any drawdowns included within the appropriate supplementary budget.

Borrowing

3.29 This draft Budget reflects our plans to maximise our capital borrowing drawing the maximum annual drawdown of £150m a year, borrowing an additional £450m up to 2024-25 – the maximum that we can currently access within the fiscal framework. The limited capital settlement that Wales received from the 2021 Spending Review means that we must maximise the levers at our disposal in order to deliver our ambitious capital investments.

3.30 It remains the case capital borrowing is not a free source of additional money however and it must be repaid with interest.

3.31 It is important we manage our capital budget within the flexibilities that we currently have, but also that we continue to push to ensure that those flexibilities appropriately reflect the challenges we face in long-term infrastructure investments.

3.32 Within our existing framework, we will maintain our approach to funding investment by maximising the drawdown of the least expensive forms of capital first – typically our block grant settlement. We will only use more expensive forms of capital financing, such as borrowing, once we have exhausted these traditional sources. Innovative models, including private investment in projects, will only be considered on projects that are low risk and of the appropriate scale.

3.33 Further details of our approach are provided in the Infrastructure Finance Plan published alongside this draft Budget.

3.34 In our engagement with HM Treasury we will continue to push the case for the broader flexibilities that we need to manage our budget in the most effective way for the people of Wales. This includes continuing to press for increases to both the annual and aggregate limits on our access to capital borrowing, as well as for greater year-end carry forward and drawdown flexibilities within the Wales Reserve.

3.35 The Welsh Government will draw its borrowing capital from the National Loans Fund. Repayment forecasts for the period in which we have set capital plans can be found in Table 5.5. The repayment forecast is based on an assumption of a repayment period of 25 years and an interest rate of 1.2 per cent on borrowing in 2021-22 and 2022-23 and 1.3 per cent in 2023-24 and 2024-25.

Innovative finance

3.36 In addition to our core capital budgets and borrowing powers, we continue to make full use of innovative financing solutions to help deliver timely additional investment in vital economic and social infrastructure. An update on these schemes is provided in Annex E.

Sources of Finance for Welsh Government

- 3.37** The sources of finance for Welsh Government comprise block grant funding from the UK government, in conjunction with fully-devolved taxation, Welsh Rates of Income Tax and non-domestic rates. Table 3.6 sets out sources for resource and capital.

Table 3.6 SOURCES OF FINANCE FOR WELSH GOVERNMENT

2022-23 DRAFT BUDGET			
COMPONENTS OF WELSH FINANCING	2022-23 Draft Budget	2023-24 Indicative Draft Budget	2024-25 Indicative Draft Budget
	£000s		
RESOURCE FINANCING			
Departmental Expenditure Limit (DEL):			
Fiscal	15,065,110	15,349,944	15,638,809
Non-Fiscal	1,519,960	1,519,960	1,519,960
Drawdown from the Wales Reserve	67,000	38,000	48,000
Annually Managed Expenditure (AME):			
Fiscal	28,063	26,045	26,045
Non-Fiscal	191,034	235,641	18,717
Wales Devolved Financing:			
Non Domestic Rates	1,030,000	1,121,000	1,148,000
Welsh Rate of Income Tax	2,477,747	2,629,356	2,748,343
Land Transaction Tax	365,714	382,699	403,658
Landfill Disposals Tax	35,935	35,905	35,721
Principal repayment of borrowing	(7,656)	(12,962)	(18,272)
TOTAL RESOURCE FINANCING	20,772,907	21,325,588	21,568,981
CAPITAL FINANCING			
Departmental Expenditure Limit (DEL):			
General	2,377,963	2,514,687	2,503,138
Financial Transactions	265,026	95,754	90,386
Annually Managed Expenditure (AME):			
Capital	1,051,366	1,161,411	1,277,302
Wales Devolved Financing:			
Borrowing	150,000	150,000	150,000
TOTAL CAPITAL FINANCING	3,844,355	3,921,852	4,020,826
TOTAL WELSH FINANCING	24,617,262	25,247,440	25,589,807

Chapter 4: Investing in our Government's priorities

Overview

- 4.01 Our Budget preparations have once more been set against the ongoing backdrop of responding to and mitigating against the negative impacts of the pandemic, the UK's departure from the EU and the climate and nature emergency. Through it all we sought to make decisions in line with the progressive values of this Welsh Government.
- 4.02 This context has reinforced the importance of maintaining progress on maximising the impacts of our available funding. We have therefore undertaken the first multi-year Spending Review since 2015 underpinned by a new approach to align spending to our Programme for Government.
- 4.03 With the emergence of new variants, while we hope we are still on the path to recovery, public services still continue to stand at the forefront of the response, with those already most disadvantaged the worst impacted. The impacts of the pandemic are expected to be felt for some time to come we have continued to target investment where it can best prevent further harm. This budget prioritises funding for our NHS, social care and local authorities, including funding for education to respond to the wide reaching impacts of the pandemic while providing the foundations for the future.
- 4.04 We also recognise that we must respond to the longer term challenge of the climate and nature emergency. We have undertaken a fundamental zero-based approach of general capital expenditure to ensure our capital levers are best placed to respond to this context, underpinning the establishment of the new 10 year Wales Infrastructure Investment Strategy.
- 4.05 This Budget has been shaped to ensure Wales can respond to the ongoing challenges we face while delivering on the ambitious promises to the people of Wales contained within the Programme for Government. We will invest in a **stronger Wales** investing in people, services, infrastructure and businesses. A **fairer Wales** celebrating diversity, rebalancing wealth and finding our identity. And a **greener Wales**, creating behaviours that support biodiversity and tackling climate change, and encouraging all our partners to do the same. All of these ambitions were captured in our Programme for Government and we have provided increases in each portfolio in this Budget to deliver this bold agenda.
- 4.06 This chapter provides further details on our Budget commitments up to 2024-25. This document should be read in conjunction with the new Wales Infrastructure Investment Strategy and associated Infrastructure Finance Plan which provides further details on our planned general capital allocations.

Stronger

4.07 We are doing all we can to support our path to recovery, ensuring the stronger Wales which emerges from the pandemic and continues to place equality at its heart. Over the next three years we will continue to protect, rebuild and develop our public services, deliver for vulnerable people and communities across our country, invest in our rich heritage and culture and invest in a stronger, greener economy.

Providing effective, high quality and sustainable healthcare.

NHS

4.08 The pandemic continues to have a devastating impact on our NHS with over 8,900 people in Wales tragically dying as a result of contracting the virus. In the seven days up to 9 December on average 526 people were in general and acute hospital beds in Wales for COVID 19 related reasons. In response we are increasing our core investment in the NHS by almost an additional £1.3bn in this Budget, taking our total baseline investment in 2024-25 to £9.683bn. This significant increase will provide the foundation for the NHS in its ongoing response and to continue to address the legacy on health and wellbeing.

4.09 In September 2021, the number of patients waiting 36 weeks or more to start treatment was 240,306. Our highest priority is to address the backlog of treatments that have been delayed by the pandemic. We are confirming the allocation of an additional £170m a year to local health boards to support the implementation of plans to strengthen planned care services. In addition, we will be investing a further £20m a year to support the implementation of a value-based approach to recovery over the medium term, with a focus on improving outcomes that matter to patients. Taken together, this investment ensures we are on course to deliver against our commitment to invest £1bn for NHS recovery over the course of this Senedd.

4.10 We are committed to ensuring that NHS organisations maintain the financial stability they have worked hard to secure in recent years as they transform services for the future. We will allocate £180m recurrently from 2022-23 onwards to help the NHS manage the financial impact of the pandemic on their underlying financial position, including recognising the impact the pandemic has had on productivity and efficiency. We expect the NHS to return to pre-pandemic efficiency levels as the impact of COVID 19 on core services eases.

4.11 We will continue to maintain our direct COVID 19 response for as long as is necessary. We will continue to fund our Test, Trace and Protect (TTP) programme, including allocating £6.4m recurrently to Public Health Wales to maintain their increased testing capacity. We will also set aside funding to support future vaccination programmes, and to provide free PPE to health and social care for as long as is required.

- 4.12 We recognise the extreme pressure that the NHS workforce has been under over the last two years with the average NHS sickness absence rate growing since 2018 to 5.7% for the 12 months ending June 2021, alongside the reported negative impacts on mental health. We will be investing a further £31m in educating and training the workforce of the future and will continue to provide £7m towards meeting our commitment to establish a new medical school in North Wales.
- 4.13 We are also investing a total of over £800m general capital for Digital Infrastructure, NHS Equipment and NHS Infrastructure up to 2024-25. Having reliable, efficient equipment infrastructure is a key requirement to being able to address the patient backlog exacerbated by the pandemic. Our digital delivery of all NHS services has been a major feature of our pandemic response. This has included specific interventions for testing, contact tracing, vaccine delivery and variant genomic sequencing, as well as service support such as NHS remote working, video consultation and digital apps.

Mental Health

- 4.14 Throughout the pandemic people have been concerned about their mental health and wellbeing. Around a third of adults have reported that their mental health is worse than before the pandemic, with this worry greater in residents of more deprived communities, females and younger age groups.
- 4.15 We have allocated an additional £100m up to 2024-25 to prioritise mental health and well-being. This includes an additional £50m package in 2022-23, including £20m to support mental health service improvements and the implementation of the Mental Health Workforce Plan.
- 4.16 As a result of this investment, in 2022-23 alone, the ring-fenced mental health budget being provided to local health boards will be over £745m. Supporting front line mental health services is only one element of a wider system that supports primary prevention in public health, education, social services, substance misuse and other protective factors. We will continue to prioritise service redesign to improve prevention, tackle stigma and promote an approach to mental health support that ensures people will be directed to the right advice and support at the right time.
- 4.17 We particularly recognise the impact the pandemic has had on young people's mental health and the need to invest in preventative action alongside acute care. As part of our overall £100m investment we are therefore allocating an additional £10.5m up to 2024-25 directly in young people's mental health which will support our whole systems approach.

Social Care

- 4.18 The social care system is experiencing unprecedented and ongoing challenges resulting from the pandemic as well as needing to respond to Wales' ageing and changing population.
- 4.19 Compared to the UK as a whole, Wales is projected to continue having a higher share of older people in its population whilst its working age population is set to gradually decrease in the coming decades. Increases in life expectancy have also not translated to a higher healthy life expectancy which has decreased slightly in the past decade driven in part by inequalities faced by those living in the most deprived areas in Wales.

- 4.20 Our budget decisions have prioritised health and Local Government services. In addition to the significant increase to the core unhypothecated funding for Local Government to support social care and other essential services we are providing an additional £60m of specific grant funding up to 2024-25 to promote reform and improvement in social care. This will support reforms to improve delivery and increase the sustainability of services across the social care sector. To respond to ongoing recruitment and retention within the sector within this envelope we have included funding through the Local Government settlement to enable authorities to meet the additional costs of starting to pay the Real Living Wage of £9.90 an hour to social care workers from April 2022.
- 4.21 As outlined in our Infrastructure Finance Plan we are also investing significant capital funding in social care. Up to 2024-25 we will invest a total £110m of capital in primary and community care to support our vision for integrated and accessible infrastructure. We are also investing £180m to support a range of social care programmes to both invest in improving the residential care infrastructure and support investment in the new integrated health and social care hubs.
- 4.22 We are also investing to meet care needs of children with complex needs, older people and people with a physical or learning disability through £240m of capital up to 2024-25 in the Integrated Care Fund. This will continue to support more complex housing, health and care projects which involve co-location of housing with health and care services.

Protecting, re-building and developing our services for vulnerable people.

Local Government

- 4.23 Local Government underpin delivery of our Programme for Government, through education, social care, social housing, provision of vital services to communities and supporting our ambitions to tackle climate change and inequality across Wales. Local authorities have worked tirelessly throughout the pandemic to ensure support is available for the people who need it most, and this work continues.
- 4.24 It is right, therefore, that we provide the best possible settlement. Up to 2024-25 we will provide additional revenue funding of £743m, underpinning critical and valued local services, providing support for the ongoing response to the pandemic and prioritising schools and social care. As in previous years this funding accounts for the negative impact of the pandemic on non-domestic rates (NDR) collection and the freeze of the NDR multiplier by a compensating rise in the revenue support grant element of the settlement.
- 4.25 The core funding for Local Government is also supported by grants from policy areas for specific ambitions and interventions, particularly in education. In addition to the unhypothecated settlement we expect to provide over £1bn in revenue grants 2022-23, including some specific funding to support local authorities to continue to change services to respond to the nature and climate emergency.
- 4.26 Up to 2024-25 we are also investing £550m for Local Government general capital and supported borrowing to underpin the crucial role local authorities play in delivering infrastructure that not only enables local service delivery, but also contributes to our infrastructure ambitions across Wales.

Borrowing, Local Government and Tax Reforms

- 4.27 To ensure sustainable services for the future we are investing in a package of an additional £11m in Local Government and tax reforms up to 2024-25. Alongside investing in reforming Local Government elections this funding will ensure we can take forward our distinctive Welsh tax approach. The principles of embedding sustainability, fairness and equality will underpin our investment in council tax reforms, the NDR revaluation and our wider tax reforms.
- 4.28 While we remain committed to maximising our capital levers through the use of capital borrowing, it is also not a free source of additional money and it must be repaid with interest. To meet the costs of our existing and planned borrowing an additional £6m is required up to 2024-25.

Welsh Government and Sponsored Bodies

- 4.29 Alongside other public bodies there is a need to invest to ensure Welsh Government as an organisation remains sustainable into the future. Up to 2024-25, we are investing an additional £32m revenue and a total investment of £31m capital. This will increase funding for Ystadau Cymru, support associated costs of the UK leaving the EU, meet ongoing running costs and enable a sustainable organisation.
- 4.30 We are also providing a total capital investment of £0.9m in IT equipment and software across Qualifications Wales and Estyn ensuring they have appropriate and secure systems to continue their vital activity supporting our Education sector in Wales.

Push towards a million Welsh speakers, and enable our tourism, sports and arts industries to thrive.

Culture

- 4.31 Culture, including the Welsh language, arts and museums, the tourism and sport sectors have seen a disproportionate impact from the pandemic. We also recognise the positive effect these activities have on our mental health. The ability to exercise our mind and body can create more resilience when faced with difficult physical or mental health, can tackle social isolation, and is an opportunity to confront inequalities and improve access and participation.
- 4.32 We are investing an additional £14m up to 2024-25 which includes our shared ambitions with Plaid Cymru to create a new cultural strategy working closely with stakeholders in the arts, culture and heritage sectors. This funding also includes more than £1m to strengthen Welsh news and close the democratic deficit.
- 4.33 We also remain committed to tackling inequalities and eradicating discrimination. We have committed over £6m revenue to ensuring the history and culture of our Black, Asian, and Minority Ethnic communities are properly represented by investing further in our cultural sector and museum network.

- 4.34 We are also investing a total of £165m capital up to 2024-25 to enable our tourism, sports and arts industries to thrive. This will invest £127m in our theatres and museums, including Theatr Clwyd, the establishment of a Football Museum for Wales, a National Contemporary Art Gallery and a Museum for North Wales. These developments will significantly improve cultural access across Wales, enable better access to the national collection, help organisations to decarbonise, focus on digital delivery and ensure offers are more reflective of the diverse communities in Wales and more attractive to local, Welsh, UK and international audiences.
- 4.35 We also recognise the important physical and mental benefits delivered by participation and engagement in sport. With inequalities in sport participation widening during the pandemic we need to ensure these benefits are felt by all. We will invest a total £24m capital up to 2024-25 in providing equal access to sports, supporting our young and talented athletes and grassroots clubs and provide investment in new facilities to increase participation.

Welsh Language

- 4.36 We remain committed to pushing forward our commitment of a million Welsh speakers by 2050. The Welsh language continues to be an integral part of work across government and throughout the organisations and institutions we fund. As part of our Co-operation Agreement with Plaid Cymru we are investing an additional £4m to expand Arfor. This will facilitate new and innovative methods of supporting economic development that supports the Welsh language including through encouraging business growth in areas with a high proportion of Welsh speakers.
- 4.37 Recognising the important role of education in ensuring future generations of Welsh speakers, we are investing an extra £8m by 2024-25 in the Coleg Cymraeg Cenedlaethol and the National Centre for Learning Welsh to increase the proportion of apprenticeships and further education that are Welsh-medium, and to provide free Welsh language learning for 16-24 year olds.
- 4.38 We are also providing a £45m capital investment up to 2024-25 to increase opportunities for learners to be taught through the medium of Welsh, contributing towards reducing the current inequality of access to Welsh-medium education.

Build a stronger, greener economy as we make maximum progress towards decarbonisation.

- 4.39 Our economy continues to be impacted by the combined effects of the pandemic and impacts of the UK leaving the EU driving up inflation, affecting supply chains and causing labour shortages in some sectors. Alongside this, businesses need to adapt to climate change and respond to the rapid increases in digitisation and shifts in town centres driven by the pandemic.
- 4.40 While the loss of EU funding not repatriated by the UK government will unavoidably impact our ability to support businesses, we will maximise all levers at our disposal to build a stronger, greener economy.

- 4.41 We will continue to provide support for sectors most directly affected by the pandemic through a £116m Retail Leisure and Hospitality Rates Relief scheme and by not increasing the non-domestic rates multiplier in Wales for 2022-23, at an estimated cost of £35m, to ensure no increase in the amount of rates which businesses and other ratepayers pay next year.
- 4.42 We will invest an additional £100m a year up to 2024-25 to support public transport services whilst the pandemic continues to impact travel patterns and fare-box income, whilst also helping to deliver our longer term ambitions of improved public transport services leading to modal shift and decarbonisation within the sector. Within the overall settlement we are also pleased to be able to continue to maintain the budget envelopes for free Concessionary and Youth Discounted bus travel
- 4.43 We are also investing in an additional £10m package, which includes funding to implement a Community Food Strategy. This Strategy will support building short supply-chains and networks to create resilient communities, build capacity, improve local infrastructure and leadership of community hubs and utilise these networks to support the delivery of free primary school meals. The allocation also allows for additional funding to implement and deliver the Sustainable Farming scheme through ICT investment and support the development of a national model for regulation of animal welfare recently announced in the five-year Animal Welfare Plan for Wales.
- 4.44 We are also investing an additional £5m towards the Circular Economy that will continue to support improved economic resilience through the shortening of supply chains, taking advantage of our world class recycling and supporting businesses to use the recycled materials. The Circular Economy Fund for business has been expanded to £10m over the next three years to increase the support for these opportunities and is an example how circular economy action can deliver both economic benefit and skills opportunities in areas like resource efficiency, whilst also delivering environmental benefits crucial to tackling the climate and nature emergency.
- 4.45 We are also providing an additional £1m to take forward our digital strategy for Wales which aims to stimulate innovation in our economy and support businesses to develop the resilience they need to succeed.
- 4.46 We will also deploy our capital levers to build a stronger, greener economy. Of the close to £1.4bn we are investing up to 2024-25, this includes over £750m in rail and bus provision including delivery of the next stages of the South Wales Metro, £40m in digital infrastructure and the property sector and £66m in Welsh City and Growth Deals.
- 4.47 We continue to review our road programme. Underpinned by £500m, we will consider the carbon impact of every investment we make whilst also reflecting the continued need to maintain a safe and reliable the existing road network.

Lead Wales in a national civic conversation about our constitutional future, and give our country the strongest possible presence on the world stage.

- 4.48 The pandemic and the UK's departure from the EU has highlighted the importance of addressing Wales' constitutional future. For Welsh Government to deliver effectively for Wales, contribute to the well-being of the UK as a whole and deliver on the world stage, this is dependent on the allocation of powers and resources within Wales and the UK.

- 4.49 We are therefore allocating an additional £3m up to 2024-25 including support for wider constitutional and Senedd reforms, alongside the codification of Welsh laws. To ensure we all learn vitally important lessons from our response to the pandemic we are also investing an additional £2m.
- 4.50 Despite the challenges we have faced, Wales will continue to be an outward-looking, welcoming nation that values international collaboration and partnerships. We are allocating an additional £6.5m to deliver an International Learning Exchange Programme. This programme will support international mobility across all educational settings and across Wales, including youth work, and includes support for learners and staff at all levels.
- 4.51 As part of our £35m capital investment in our research and innovation programme, we recognise the role Wales can play on the world stage. We will provide support for new technology areas including renewable energy technology such as tidal energy, biodiversity related technologies as well as other societal challenges we face. This funding will also support proposals for UK and EU funding competitions and invest in knowledge transfer projects and support increased innovation in the delivery of public sector services through challenge-led procurements.

Fairer

- 4.52 Our Budget is underpinned by our values of social, economic and environmental justice, designed to create a Fairer Wales through tackling inequality in all of its forms. We will continue to respond to the devastating impacts of the pandemic in widening inequalities and continue to target our financial levers where they can have the greatest impact to tackle socio-economic disadvantage. The current context has also highlighted a range of structural inequalities that existed prior to the pandemic.
- 4.53 Further details on how we assessed the impacts of our decisions can be found within our Strategic Integrated Impact Assessment at Annex D.

Continuing our long-term programme of education reform, and ensure educational inequalities narrow and standards rise.

Investing in Early Years Children and Families

- 4.54 It remains the case that the best and most cost effective intervention at our disposal which also delivers the greatest positive impacts to tackle inequalities, intergenerational disadvantage and embed preventative actions is to invest early in people's lives. We acknowledge the indirect impacts of socio-economic harms as a result of the pandemic have been felt by groups that were already disadvantaged including children and young people, women, disabled people and ethnic minority groups.
- 4.55 Our commitment to early years encompasses both children's development and their learning, recognising that we need to ensure the highest quality offer to give the best start in life. We have provided an additional £40m revenue up to 2024-25 for early help and support including for Families First and Flying Start, in recognition of the importance of supporting more children and families across Wales.
- 4.56 This will support our flagship Flying Start programme which works closely with families through the provision of enhanced health visiting, funded part time high quality childcare, as well as support for parenting and speech, language and communication. Flying Start supports families with children under the age of four living in some of the most disadvantaged communities across Wales.
- 4.57 Alongside the impacts on early years we have also recognised the disproportionate effect on gender particularly linked to childcare. Our Childcare Offer already provides 30 hours of funded education and childcare to working parents of three and four year olds for 48 weeks a year. In line with our Programme for Government commitment we will invest an additional £30m up to 2024-25 in Early Years and Childcare which includes supporting more families with the costs of childcare where parents are in education and training, and to increasing early year's provision to include all two year olds, with a particular emphasis on strengthening Welsh medium provision.
- 4.58 Delivering our childcare and early years commitments also requires us to invest in appropriate facilities, in the right areas and maintained to a high standard. We will invest a total of £70m capital up to 2024-25 in Childcare Offer and Flying Start settings, including Welsh language medium settings.

Free School Meals

- 4.59 We are proud of our record on delivering free school meal provision for pupils in Wales and are committed to building on that. This has been a transformational intervention in tackling child poverty, raising the profile of healthy eating, improving social skills and helping improve behaviour and attainment.
- 4.60 As part of our shared agreement with Plaid Cymru we will extend free school meals to all primary school pupils over the lifetime of our agreement to ensure an additional 196,000 children will become eligible to take up the offer of a free school meal in Wales.
- 4.61 We are therefore investing an additional £90m up to 2024-25 to deliver this commitment in stages. This investment will also enable us to use public procurement to increase local food production and distribution, which will in turn benefit local economies, ecologies and communities.

Education Recovery and Reform

- 4.62 The draft Budget sets out the funding we are directing to COVID 19 recovery through our Renew and Reform plan published in June 2021. Whilst it is clear the pandemic has had a significant impact on our schools and settings and on our learners and communities, we must ensure that the emphasis placed on well-being, flexibility and digital in the education system over the last year is built on and closely aligned with our exciting new curriculum. Alongside the significant funding we are providing to Local Government we are providing a package of an additional £64.5m up to 2024-25 in education for learners up to age 16. This includes funding to support the continuation of the Recruit, Recover and Raise Standards (RRRS) Programme, supporting learner well-being and progression as we work through the implications of the pandemic and into curriculum reform, and Additional Learning Needs as part of our long-term programme of education reform
- 4.63 Through building greater equity within our education system, we are also ensuring that each and every learner has the opportunity to achieve their full potential. We are investing an additional £20m in the Pupil Development Grant (PDG) which plays an essential role in supporting pupils eligible for free schools meals, including looked after children, taking total investment to more than £130m per annum. This includes funding for PDG Access to continue to help families of disadvantaged and vulnerable learners meet the everyday costs associated with the school day including school uniform, equipment for sports and extracurricular activities.
- 4.64 Our flagship 21st Century Schools and Colleges Programme has provided almost £1bn in capital investment to support the delivery of 180 projects to improve schools and colleges, or to build new ones. At the heart of our new curriculum is our aim to support learners to become ethical, informed citizens who are committed to the sustainability of the planet. Through an additional £12m revenue and total £900m capital up to 2024-25, we will ensure our educational estate is in the right location for local needs, develops net-zero carbon schools and colleges, link up with active and sustainable travel routes, makes a positive contribution to the nature emergency and is of the right size and type to reflect learner numbers and business opportunities to support communities.

Post 16 Provision

- 4.65 Alongside funding for schools we are also providing an additional £63.5m of additional funding for post-16 provision up to 2024-25, covering 16-19 provision in local authority sixth forms and Further Education colleges, as well as lifelong learning provision for those over the age of 19 in Further Education colleges and local authority Adult Community Learning Centres. This includes reviewing adult education to increase the numbers of adults learning in Wales. This will also support Renew and Reform funding aimed at ensuring the impacts of the pandemic do not have a negative impact on NEETs numbers and allowing learners to reach their full potential.
- 4.66 This package will meet the demographic pressures for 16-19 year olds whilst also offering the best opportunities to minimise the impacts of potential NEET following a difficult two years in post compulsory education.
- 4.67 We are also providing a total capital investment of £60m in Welsh Higher Education institutions to continue our long-term programme of education reform, and ensure educational inequalities narrow and standards rise.

Celebrate diversity and move to eliminate inequality in all of its forms

- 4.68 As outlined within our SIIA at Annex D, we recognise the disproportionate and devastating impacts of the pandemic and the vital need to respond to the structural inequalities in our society, to ensure that no matter your background or where you live in Wales, you can maximise your potential.
- 4.69 We are investing an additional £16.5m in a range of targeted interventions up to 2024-25 to tackle inequality, to advance and strengthen equality and human rights, improving outcomes for people and contributing to a more equal Wales. This includes funding actions within the Race Equality Action Plan, the Disability Rights Taskforce, the LGBTQ+ Action Plan and commitments to further embed Period Dignity. This funding will also support our commitment to introduce legislation taking specific actions around banning conversion therapy and devolution of the Gender Recognition Act.
- 4.70 As a government we recognise the potential for basic income to better address health inequities. The pandemic is having a particular impact on young people leaving the care system so by targeting additional support this could provide a more solid foundation for care-experienced young people to build their adult lives from. We are therefore investing an additional £10m up to 2024-25 in a basic income pilot involving a cohort of care experienced young people from across Wales to test the benefits of addressing poverty and unemployment, and improving health and financial wellbeing. Further information is provided at Annex D.
- 4.71 With individuals continuing to be affected by the pandemic and changes to Universal Credit, vulnerable people and families across Wales are turning to the Discretionary Assistance Fund for additional support. We have seen the number of people receiving support through the Fund increase significantly, with over 200,000 COVID 19 related Emergency Assistance Payments, with almost £14m paid out between March 2020 and May 2021. We will invest an additional £7m to meet this ongoing demand providing support for those most in need.

- 4.72 We are investing an additional £3m up to 2024-25 to improve evidence, in part to aid our assessments of the impacts of budget decisions. This includes boosting the Family Resources Survey, helping us better understand incomes and living circumstances of households across Wales in order to better tackle inequality and poverty. This will also provide opportunities to improve the distributional impact analysis within our Budget Improvement Plan
- 4.73 We are also investing a total of £63m capital up to 2024-25 in community infrastructure, Ystadau Cymru and Invest to Save schemes which includes community owned infrastructure covering a wide range of programmes which build on our values of community, equality and social justice including supporting the creation of a Community Bank for Wales. It also includes actions focusing on violence against women in the street, workplace and the home to make Wales the safest place in Europe to be a woman.

Build an economy based on the principles of fair work, sustainability and the industries and services of the future

- 4.74 The pandemic has brought into sharp focus how potentially unbalanced the workplace can be in respect to being rewarded, heard, and represented. While in-work poverty is a significant concern, skills and qualifications remains the biggest single influence on a person's chance of being in employment, earning a good income and offering a route out of poverty and protection against it.
- 4.75 We will invest an additional £30m up to 2024-25 in employability support including delivery of the Young Person's Guarantee as our key priority to help ensure there is no lost generation following the pandemic. Through this investment we will give everyone aged 16-24 the offer of support linked to work, education, training or self-employment. This will bring together Jobs Growth Wales Plus to provide individualised packages of support to help young people reach their full potential and take their first steps into the world of work alongside ReAct Plus which will remove barriers to employment. We will also take forward gender budgeting approaches as part of this work to better understand the intersectional impacts of this policy so as to better target funding and mitigate against unintended impacts.
- 4.76 While we cannot escape the impacts of the loss of EU funding to Wales we will invest an additional £30m up to 2024-25 to ensure ongoing delivery of our all-age apprenticeship programme, as well as support for the expansion of Shared Apprenticeships and Degree Apprenticeships. Through our apprenticeship programme we will increase opportunities for people of all ages and background to develop transferable skills in the workplace and increase their life chances. We will also invest more in supporting people with disabilities to take up apprenticeship opportunities. This will support our commitment to eradicate the gap between the employment rate in Wales and the UK by 2050 with a focus on Fair Work and raising labour market participation of under-represented groups.

- 4.77 We are also providing an additional £1m up to 2024-25 in Personal Learning Accounts which provide support across Wales for employed people on below average salaries to gain higher level skills to help them to access a wider range of job opportunities and/or gain employment at a higher level. As our first gender budgeting pilot, Personal Learning Accounts meet evolving regional skills needs and continue to address skills gaps. Funding is specifically targeted at labour shortages and skills gaps in priority sectors such as health and social care, logistics, green construction and renewable energy.
- 4.78 We are also providing total investment of over £100m capital up to 2024-25 in a range of economic support over the next three years to continue our funding of businesses across Wales.

Make our cities, towns and villages even better places in which to live and work

Regeneration and Community Safety

- 4.79 The trend to “remote” economic activity, particularly working from home, has accelerated as a result of the pandemic, with consequences for both the labour market and for the fortunes of the centres of our towns and cities. The pandemic has hit the retail sector particularly hard with large retailers closing units leaving gaping holes behind, but we see this as an opportunity to change. We want to invest and find what makes each place different, finding solutions to make our cities, towns and villages even better places in which to live and work.
- 4.80 We will invest an additional £3m revenue and a total £100m capital up to 2024-25 to support the sustainable growth of towns and cities and their transformation into places of living, working, learning and leisure. As outlined in our Programme for Government we are committed to our town centres, with a clear focus on enabling them to more economically agile and expanding arrangements to create or significantly enhance green space. This funding will enable both the delivery and accessibility of key public services and at the same time, drive business development and job creation opportunities. In this way, town centres can be the focal point of communities.
- 4.81 With growing evidence that women are less likely to say they feel safe in their community we will ensure everyone has a right to feel safe. We will invest close to an additional £4m up to 2024-25 to deliver our commitment to fund 600 Police Community Support Officers throughout Wales to tackle crime and support communities.

Housing and Homelessness

- 4.82 It remains our belief that everyone in Wales should have a decent place to call home and nobody should be homeless; funding in housing and homelessness continue to be crucial areas of investment to help protect the most vulnerable in society.
- 4.83 Central to this commitment is a total investment of over £1bn capital up to 2024-25 to support delivery of our key commitment to build 20,000 low carbon social homes for rent, to tackle both a housing shortage and the nation's greenhouse gas emissions.

- 4.84 Alongside this we are providing total capital investments up to 2024-25 of £60m in Market Housing to address housing needs and boost house building; £8.5m in Homebuy to support shared equity home ownership; and £3.5m investment to lease properties in the Private Rental Sector for use by local authorities to discharge their homelessness duties. Further details can be found within our Infrastructure Finance Plan.
- 4.85 This will be supported by an additional package of £27.5m revenue up to 2024-25 to boost investment in Homelessness Prevention and Housing Support across Wales. This includes work to meet our objective to fundamentally reform homelessness services to focus on prevention and rapid rehousing.
- 4.86 We have also allocated an additional £1m revenue as part of the Plaid Cymru Co-operation Agreement to establish Unnos, a national construction company to support councils and social landlords to improve the supply of social and affordable housing.
- 4.87 One of the key factors for living in our town centres is ease of access to retail, services and transport, but they must be safe places to live. High rise residential buildings continue to face a range of systemic building safety weaknesses and the shadow of the Grenfell Tower tragedy continues to loom large. Where it is right for government to provide support to ensure the safety of people's homes, we remain committed to doing so.
- 4.88 We will invest an additional £6.5m revenue and a total of £375m capital up to 2024-25. This funding will enable long term investment in remediation of blocks of flats through a second phase of the Welsh Building Safety Fund, alongside supporting delivery of the Building Safety Passport Scheme, establishment of the Joint Inspection Team and supporting work on long term reform and remediation.

Greener

- 4.89 Global temperatures have been steadily increasing over the past few decades – nine of the 10 warmest years have been recorded since 2010. Climate change is widely expected to continue increasing the frequency, intensity, and impacts of extreme weather events. In Wales, there is a high probability that unprecedented weather events including coastal storms, flooding, heatwaves and droughts will increase in the years ahead. At the same time biodiversity loss is accelerating both globally and in Wales at an unprecedented rate.
- 4.90 It is clear that we face a climate and nature emergency and Wales will play our part to deliver a greener future. Alongside a targeted package of an additional £160m up to 2024-25, we have undertaken a fundamental zero-based review of capital expenditure. Through our new three year Infrastructure Finance Plan underpinned by £8bn of capital expenditure we have set out how we have considered the carbon impact of all of our investments aligned to our Net Zero Wales Plan, with a £1.8bn targeted investment in our response to the climate and nature emergency.

Embed our response to the climate and nature emergency in everything we do.

National Forest and Welsh Timber

- 4.91 We recognise the value of nature and the wider benefits it brings as a natural infrastructure. Alongside tackling the climate emergency and halting the decline of biodiversity we recognise the health and wellbeing benefits to people as well as the economic benefits of investing in trees.
- 4.92 We are investing an additional £12m of revenue and a total capital investment of £57m in the National Forest and Welsh Timber Strategy up to 2024-25 which will support delivery of a National Forest extending from the north of Wales to the south. This will also support communities to create 30 new woodlands, connect habitats and protect ancient woodlands, as well as creating a timber industrial strategy. Further information is outlined in Annex D

Biodiversity and Green Spaces

- 4.93 Nature is intrinsically linked to our health and well-being, from the food we eat through to the development of new technologies and medicines alongside the direct physical and mental health benefits. Alongside our National Forest we are investing an additional £9m revenue and close to £90m capital up to 2024-25 to enhance green spaces at all scales and to ensure we meet our existing and emerging international biodiversity. This includes a new National Park, the Nature Networks programme, Local Places for Nature, the National Peatlands Action programme, Natur am Byth and our Sustainable Landscapes, Sustainable Places capital programme to ensure that our most precious habitats and species are able to thrive, while also helping to deliver nature to wherever people live through engagement with local communities.
- 4.94 We are also providing a total £7.2m capital for Natural Resources Wales up to 2024-25 to provide updated operational ICT infrastructure to enable more efficient and resilient delivery of its core activities in support of our priorities.

Energy

- 4.95 The amount of renewable electricity generated is just over half of the electricity consumed in Wales, but we have committed to go further with an additional 100 MW of renewable generation owned by communities and public bodies by 2025. We are investing an additional £8m revenue and close to a total £90m capital up to 2024-25 to deliver our renewable energy ambitions, including exploring opportunities to develop the marine energy sector. Through our Co-operation Agreement with Plaid Cymru will establish a publicly owned energy company for Wales, Ynni Cymru, in order to expand community owned renewable energy generation. We are also reviewing the provision in the Welsh Government Energy Service for support for communities and public bodies to develop their own energy projects.

Decarbonising Housing and Fuel Poverty

- 4.96 It is estimated that the current housing stock in Wales is responsible for 27 per cent of all energy consumed in Wales and 15 per cent of all our demand-side greenhouse gas emissions. Since 2005, the introduction of energy efficiency measures in Wales has led to a reduction in energy use and we will invest to go further. We will invest £580m capital up to 2024-25 to drive decarbonisation of our social housing stock. This includes funding of our flagship Optimised Retrofit Programme, designed to improve the energy efficiency of our existing social housing stock.
- 4.97 We also recognise the importance of investing in Fuel Poverty and Warm Homes. With a total planned capital investment of £100m up to 2024-25 to continue delivery of the Warm Homes Nest and successor schemes. Alongside continuing to improve the energy efficiency of around 6,000 homes per year, thereby reducing carbon emissions, this programme also creates jobs, training opportunities and supply chains alongside supporting wider wellbeing as better-insulated homes improve educational outcomes for children, decrease mortality from respiratory illnesses, and give people a higher quality of life.
- 4.98 By actively targeting the homes in greatest need, the worst fabric, and the lowest incomes, we will positively benefit black and Asian communities and disabled people. The programme will also help those from lower-socio-economic backgrounds and people with protected characteristics.

Transport

- 4.99 One of the largest sources of greenhouse gas emissions and air pollution in Wales is transportation. While car emissions have fallen by nine per cent in the last decade, overall surface transport emissions have remained mostly unchanged from 1990 levels. Based on current trajectories, car and van traffic in Wales is increasing, rail has seen significant increases, whereas bus travel has decreased. Cycling demand has more than doubled in the past decade, but still accounts for a very small share of overall travel. The popularity of electric vehicles has also risen sharply across the UK in recent years which could reduce overall car emissions.
- 4.100 Llwybr Newydd, our Wales Transport Strategy, and Net Zero Wales set out a broad range of actions needed to facilitate modal shift.

- 4.101 We know that investment in charging infrastructure is crucial to ensure that, by 2025, all electric car and van users in Wales are confident they can access electric vehicle charging infrastructure when and where they need it. We are investing £43m capital up to 2024-25 to kick-start charging and fleet replacement initiatives and promote collaboration within delivery groups alongside financing a Welsh Government Ultra Low Emissions Vehicle Transformation Fund.
- 4.102 We know that investment in Active Travel infrastructure has the potential to deliver against a broad range of the outcomes, from health and well-being benefits to promoting and enabling sustainable forms of travel. To support our target of 45 per cent of journeys being made by sustainable modes by 2040, we are providing a total investment of £220m of capital in Active Travel infrastructure programmes up to 2024-25. To evaluate the impact of this investment on different groups we are also taking forward a gender budgeting pilot in this area as outlined in our Budget Improvement Plan.
- 4.103 We also recognise the importance of investing in sustainable and resilient local transport solutions. We are investing a total of £107.5m capital investment up to 2024-25 to continue to finance local transport initiatives to deliver our ambitions for a sustainable transport system, including supporting the roll out of our 20mph speed limit reduction.

Circular Economy

- 4.104 Wales is now recognised as having the highest municipal waste recycling rate in the UK, the second highest in Europe and the 4th highest around the world, but we continue to use up resources unsustainably. We are investing an additional £5m in 2022-23 to ensure we can sustain and build on this progress. Alongside this we are investing £0.5m to legislate to abolish more commonly littered single use plastic items to support the reduction in plastic consumption and the development of a circular economy in Wales.
- 4.105 With 45 per cent of our consumption emissions resulting from the goods and products that we use every day, we must transition to a circular economy where we keep resources in use for as long as possible and avoid all waste. We are investing a total of £160m capital up to 2024-25 in our circular economy, including delivery of 80 re-use and repair hubs in town centres to keep materials in use within our communities, support footfall back into our town centres and build upon our recycling success.

Flooding and Coal Tips

- 4.106 As well as investing in preventative action, responding to climate change also requires us to respond to its effects. The latest flood risk assessment shows that around 245,000 Welsh properties are at risk of flooding from seas, rivers and surface water. We are investing an additional £24m revenue and a total £102m capital up to 2024-25 to provide additional flood protection for more than 45,000 homes, to deliver nature based solutions across Wales and to establish targeted support for restoration of seagrass and saltmarsh habitats along our coastline. This funding also supports the Coastal Risk Management Programme which once complete will reduce current and future flood and coastal erosion risk to over 17,400 properties.

4.107 Wales has a legacy of over 2,500 coal tips pre-dating devolution. Due to the growing impacts of climate change these tips are now exposed to increased risks of slippage requiring urgent action to reduce future landslides, help prevent risk to life and limb, harm to properties and to critical infrastructure as well as to the environment. We are investing an additional £4.5m and a total capital investment of £44.4m to support essential maintenance works. Alongside developing the future reclamation programme, this funding will also support the development and implementation of a legislation which will include new oversight and monitoring requirements and address resourcing issues within local authorities.

Air and Water Quality

4.108 Public Health Wales estimates that up to 1,400 deaths each year can be attributed to air pollution. While some areas of Wales benefit from some of the best air quality in the UK, south Wales has some of the worst levels of air pollution. While the quality of water in Wales - whether in seas, rivers, streams or the ground is generally improving, pollution is severely damaging biodiversity and ecosystems, leading to eutrophication and acidification of waterways and soils.

4.109 We are investing an additional £4.5m revenue and close to a total of £50m capital up to 2024-25 in air and water quality. Funding will support the introduction of a Clean Air Act for Wales, enable the roll out of an enhanced air quality monitoring and assessment service. It will also begin to designate Wales' inland waters for recreation, improving water quality monitoring and legislate to strengthen the requirements for the use of sustainable drainage systems that provide wildlife habitat.

Farming and Fisheries

4.110 With over 80 per cent of land in Wales used for agricultural purposes and nitrogen-based pollution from agriculture damaging biodiversity and ecosystems it is vital we work with farmers and land managers. We are investing over £1bn in farming and rural development up to 2024-25, which will support environmental improvements, land management and our rural communities.

4.111 This includes an additional £85m revenue and a total £90m capital, ring-fencing the farm funding we have received following the UK's departure from the EU. This will underpin our commitment to net zero Wales and to create a new system of farm support that will maximise the protective power of nature through farming, recognising the particular needs of family farms in Wales and acknowledging ecologically sustainable local food production through funding a series of pilots and projects preparing farmers for entry into the new Sustainable Farming Scheme. This will be supported by an £18m capital investment to facilitate a Rural Payment Wales change programme, and enhancements to the IT system.

4.112 We are also investing £400k capital to fulfil our residual statutory commitments until 2024 on the European Maritime & Fisheries Fund which contributes to the improvement of the economic, environmental and social performance of the European Fisheries.

4.113 We also need to respond to the impacts on animal health. We are providing an additional £5m revenue to support our TB Eradication Programme, which has already resulted in a 48 per cent decrease in new incidents since the programme started in 2009 which is crucial to maintain our progress towards our TB Eradication targets.

Behavioural Change

4.114 All of us as individuals will need to play our part. We are investing an additional £3.5m up to 2024-25 in research, behavioural and social science to help the people of Wales engage in conversations on climate change. Funding will also support building and content development for a new Wales Climate Change Information Hub as a focal point for sharing case studies, information, toolkits and content with stakeholders and the public to improve carbon literacy, engage, inspire and encourage action.

Chapter 5: Welsh Government spending plans

Wales' expenditure Budget

- 5.01** Devolved expenditure in Wales for 2022-23 comprises allocations to Welsh Government Main Expenditure Groups (MEGs) of £20bn and indicative plans of £21bn in 2023-24 and £22bn in 2024-25. Indicative Plans for 2023-24 and 2024-25 will be revisited in subsequent annual budget rounds.
- 5.02** Table 5.1 shows the components of the Wales expenditure budget, broken down by MEG and indicative budgets for the Senedd Commission, the Auditor General for Wales and the Public Services Ombudsman for Wales. The table also shows unallocated reserves funding. The MEG allocations reflect the high-level priorities set out in Chapter 4 and form our control totals for managing the Budget throughout the year.

Table 5.1 Allocation of the Wales Budget

MAIN EXPENDITURE GROUPS (MEGs)		2022-23 Draft Budget	2023-24 Indicative Draft Budget	2024-25 Indicative Draft Budget
		£000s		
Health and Social Services		10,323,198	10,654,035	10,830,950
Finance and Local Government		5,639,245	5,879,245	6,016,245
Education and the Welsh Language		3,436,100	3,646,445	3,792,536
Climate Change		2,856,043	2,924,148	2,792,390
Economy		572,446	591,946	610,946
Rural Affairs		393,162	456,162	477,962
Social Justice		155,418	165,400	168,400
Central Services and Administration		356,995	359,995	360,995
Total Allocations to Welsh Government MEGs		23,732,607	24,677,376	25,050,424
Unallocated Resource	Fiscal Resource	99,638	562	665
	Non-Fiscal Resource	520,374	491,789	465,458
Unallocated Capital	Financial Transactions	265,026	95,754	90,386
General Capital Over Allocation		(79,715)	(98,541)	(98,840)
Senedd Commission		62,942	64,245	65,444
Public Services Ombudsman for Wales		5,354	5,354	5,354
Wales Audit Office		8,888	8,888	8,888
Electoral Commission		1,400	1,250	1,250
Direct Charges to the Welsh Consolidated Fund		748	763	778
TOTAL WELSH BUDGET		24,617,262	25,247,440	25,589,807

Categories of expenditure

5.03 Within the MEG allocations there are different types of expenditure which are used for different purposes:

- Fiscal resource
- Non-fiscal resource
- General capital
- Financial transactions
- Annually Managed Expenditure

5.04 Tables 5.2a and 5.2b set out the MEG allocations by these categories which reflect that there are currently no Financial Transactions Capital allocations which will be made as part of our 2022-23 Final Budget preparations.

Table 5.2a - Summary of the Welsh Government MEG Total Allocations 2022-23

2022-23 TOTAL MEG ALLOCATIONS										
£000s										
MAIN EXPENDITURE GROUPS (MEGs)	Resource			Capital			AME			TOTAL MEG ALLOCATION
	Fiscal	Non-Fiscal	Resource Total	General	Financial Transactions ⁷	Capital Total	Resource	Capital	AME Total	
Health and Social Services	9,543,822	257,956	9,801,778	335,000	—	335,000	186,420	—	186,420	10,323,198
Finance and Local Government	4,456,961	421	4,457,382	151,863	—	151,863	1,030,000	—	1,030,000	5,639,245
Education and the Welsh Language	1,715,843	459,895	2,175,738	355,300	—	355,300	(146,304)	1,051,366	905,062	3,436,100
Climate Change	940,529	239,121	1,179,650	1,576,000	—	1,576,000	100,393	—	100,393	2,856,043
Economy	390,823	11,598	402,421	124,500	—	124,500	45,525	—	45,525	572,446
Rural Affairs	345,145	10,817	355,962	37,200	—	37,200	—	—	—	393,162
Social Justice	110,177	178	110,355	17,000	—	17,000	28,063	—	28,063	155,418
Central Services and Administration	326,795	17,000	343,795	10,000	—	10,000	3,200	—	3,200	356,995
Total Allocations to Welsh Government MEGs	17,830,095	996,986	18,827,081	2,606,863	0	2,606,863	1,247,297	1,051,366	2,298,663	23,732,607

⁷As set out in Chapter 1 paragraphs 1.22 and 1.23, Financial Transactions capital will be allocated in the final Budget 2022-23.

Table 5.2b - Summary of the Welsh Government MEG Indicative Total Allocations 2023-24

2023-24 INDICATIVE TOTAL MEG ALLOCATIONS										
£000s										
MAIN EXPENDITURE GROUPS (MEGs)	Resource			Capital			AME			TOTAL MEG ALLOCATION
	Fiscal	Non-Fiscal	Resource Total	General	Financial Transactions ⁸	Capital Total	Resource	Capital	AME Total	
Health and Social Services	9,830,822	257,956	10,088,778	375,000	—	375,000	190,257	—	190,257	10,654,035
Finance and Local Government	4,555,961	421	4,556,382	201,863	—	201,863	1,121,000	—	1,121,000	5,879,245
Education and the Welsh Language	1,765,843	488,480	2,254,323	360,300	—	360,300	(129,589)	1,161,411	1,031,822	3,646,445
Climate Change	929,529	239,121	1,168,650	1,631,050	—	1,631,050	124,448	—	124,448	2,924,148
Economy	404,823	11,598	416,421	130,000	—	130,000	45,525	—	45,525	591,946
Rural Affairs	408,145	10,817	418,962	37,200	—	37,200	0	—	—	456,162
Social Justice	122,177	178	122,355	17,000	—	17,000	26,045	—	26,045	165,400
Central Services and Administration	329,795	17,000	346,795	10,000	—	10,000	3,200	—	3,200	359,995
Total Allocations to Welsh Government MEGs	18,347,095	1,025,571	19,372,666	2,762,413	0	2,762,413	1,380,886	1,161,411	2,542,297	24,677,376

⁸As set out in Chapter 1 paragraphs 1.22 and 1.23, Financial Transactions capital will be allocated in the final Budget 2022-23.

Table 5.2c - Summary of the Welsh Government MEG Indicative Total Allocations 2024-25

2024-25 INDICATIVE TOTAL MEG ALLOCATIONS										
£000s										
MAIN EXPENDITURE GROUPS (MEGs)	Resource			Capital			AME			TOTAL MEG ALLOCATION
	Fiscal	Non-Fiscal	Resource Total	General	Financial Transactions ⁹	Capital Total	Resource	Capital	AME Total	
Health and Social Services	10,050,822	257,956	10,308,778	395,000	—	395,000	127,172	—	127,172	10,830,950
Finance and Local Government	4,665,961	421	4,666,382	201,863	—	201,863	1,148,000	—	1,148,000	6,016,245
Education and the Welsh Language	1,803,843	514,811	2,318,654	360,300	—	360,300	(163,720)	1,277,302	1,113,582	3,792,536
Climate Change	951,529	239,121	1,190,650	1,597,000	—	1,597,000	4,740	—	4,740	2,792,390
Economy	420,823	11,598	432,421	133,000	—	133,000	45,525	—	45,525	610,946
Rural Affairs	430,145	10,817	440,962	37,000	—	37,000	—	—	—	477,962
Social Justice	125,177	178	125,355	17,000	—	17,000	26,045	—	26,045	168,400
Central Services and Administration	330,795	17,000	347,795	10,000	—	10,000	3,200	—	3,200	360,995
Total Allocations to Welsh Government MEGs	18,779,095	1,051,902	19,830,997	2,751,163	0	2,751,163	1,190,962	1,277,302	2,468,264	25,050,424

⁹As set out in Chapter 1 paragraphs 1.22 and 1.23, Financial Transactions capital will be allocated in the final Budget 2022-23..

Table 5.3a - Welsh Government Fiscal Resource DEL Allocations

FISCAL ALLOCATIONS				
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Final Budget Revised Baseline ¹⁰	2022-23 Draft Budget	2023-24 Indicative Draft Budget	2024-25 Indicative Draft Budget
	£000s			
Health and Social Services	8,596,822	9,543,822	9,830,822	10,050,822
Finance and Local Government	3,910,961	4,456,961	4,555,961	4,665,961
Education and the Welsh Language	1,527,843	1,715,843	1,765,843	1,803,843
Climate Change	742,529	940,529	929,529	951,529
Economy	342,823	390,823	404,823	420,823
Rural Affairs	330,145	345,145	408,145	430,145
Social Justice	88,177	110,177	122,177	125,177
Central Services and Administration	291,795	326,795	329,795	330,795
Total Fiscal Allocations to Welsh Government MEGs	15,831,095	17,830,095	18,347,095	18,779,095

Table 5.3b - Welsh Government Non-Fiscal Resource DEL Allocations

NON-FISCAL ALLOCATIONS				
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Final Budget	2022-23 Draft Budget	2023-24 Indicative Draft Budget	2024-25 Indicative Draft Budget
	£000s			
Health and Social Services	186,137	257,956	257,956	257,956
Finance and Local Government	212	421	421	421
Education and the Welsh Language	111,168	459,895	488,480	514,811
Climate Change	201,121	239,121	239,121	239,121
Economy	11,598	11,598	11,598	11,598
Rural Affairs	11,554	10,817	10,817	10,817
Social Justice	169	178	178	178
Central Services and Administration	16,000	17,000	17,000	17,000
Total Non-Fiscal Allocations to Welsh Government MEGs	537,959	996,986	1,025,571	1,051,902
Total Resource Allocations to Welsh Government MEGs	16,369,054	18,827,081	19,372,666	19,830,997

¹⁰This revised baseline represents the final Budget less temporary COVID 19 funding and minor baseline adjustments.

Table 5.3c - Welsh Government Capital DEL - General Capital (excluding Financial Transactions)

GENERAL CAPITAL ALLOCATIONS				
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Final Budget	2022-23 Draft Budget	2023-24 Indicative Draft Budget	2024-25 Indicative Draft Budget
	£000s			
Health and Social Services	387,600	335,000	375,000	395,000
Finance and Local Government	209,197	151,863	201,863	201,863
Education and the Welsh Language	267,812	355,300	360,300	360,300
Climate Change	1,371,116	1,576,000	1,631,050	1,597,000
Economy	124,528	124,500	130,000	133,000
Rural Affairs	14,606	37,200	37,200	37,000
Social Justice	13,411	17,000	17,000	17,000
Central Services and Administration	13,579	10,000	10,000	10,000
Total General Capital Allocations to Welsh Government MEGs	2,401,849	2,606,863	2,762,413	2,751,163

Table 5.3e - Welsh Government AME Budget - Resource allocations

RESOURCE ALLOCATIONS				
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Final Budget	2022-23 Draft Budget	2023-24 Indicative Draft Budget	2024-25 Indicative Draft Budget
	£000s			
Health and Social Services	148,403	186,420	190,257	127,172
Finance and Local Government	1,101,000	1,030,000	1,121,000	1,148,000
Education and the Welsh Language	(148,386)	(146,304)	(129,589)	(163,720)
Climate Change	96,592	100,393	124,448	4,740
Economy	48,525	45,525	45,525	45,525
Rural Affairs	—	—	—	—
Social Justice	27,915	28,063	26,045	26,045
Central Services and Administration	3,000	3,200	3,200	3,200
Total Resource AME Allocations to Welsh Government MEGs	1,277,049	1,247,297	1,380,886	1,190,962

Table 5.3f - Welsh Government AME Budget - Capital allocations

CAPITAL ALLOCATIONS				
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Final Budget	2022-23 Draft Budget	2023-24 Indicative Draft Budget	2024-25 Indicative Draft Budget
	£000s			
Health and Social Services	—	—	—	—
Finance and Local Government	—	—	—	—
Education and the Welsh Language	968,961	1,051,366	1,161,411	1,277,302
Climate Change	—	—	—	—
Economy	—	—	—	—
Rural Affairs	—	—	—	—
Social Justice	—	—	—	—
Central Services and Administration	—	—	—	—
Total Capital AME Allocations to Welsh Government MEGs	968,961	1,051,366	1,161,411	1,277,302
Total AME Allocations to Welsh Government MEGs	2,246,010	2,298,663	2,542,297	2,468,264

Table 5.4 – Direct borrowing for capital purposes

	2022-2023 (£000s)	2023-2024 (£000s)	2023-2024 (£000s)
Total borrowing outstanding as at 1 April (principal)	220,083	362,427	499,465
Proposed capital borrowing to be drawn in-year	150,000	150,000	150,000
Repayment of principal in-year	7,656	12,962	18,272
Aggregate capital borrowing outstanding as at 31 March	362,427	499,465	631,193
Interest payments due in-year	4,160	5,834	7,591

Table 5.5a – Direct borrowing for capital purposes, repayment schedule 2022-23

Repayment schedule based on borrowing at levels detailed above			2022-23 (£000s)
	Amounts falling due within 1 year	Amounts falling due within 1 – 5 years	Amounts falling due after 5 years
Interest	4,160	22,145	49,637
Principal	7,656	53,043	309,384

Table 5.5b – Direct borrowing for capital purposes, repayment schedule 2023-24

Repayment schedule based on borrowing at levels detailed above			2023-24 (£000s)
	Amounts falling due within 1 year	Amounts falling due within 1 – 5 years	Amounts falling due after 5 years
Interest	5,834	28,719	63,886
Principal	12,962	74,734	424,730

Table 5.5c – Direct borrowing for capital purposes, repayment schedule 2024-25

Repayment schedule based on borrowing at levels detailed above			2024-25 (£000s)
	Amounts falling due within 1 year	Amounts falling due within 1 – 5 years	Amounts falling due after 5 years
Interest	7,591	34,986	76,685
Principal	18,272	96,732	534,460

5.05 The figures in Table 5.4 and Tables 5.5a to 5.5c are based on the assumption of borrowing levels being set at £150m per annum from 2021-22, up to, and including, 2024-25. Additionally, it should be noted that the repayment amounts shown will also be subject to fluctuations in interest rates.

Annex A: Mapping of Capital Budget Allocations to Investment Areas and Sectors

MAIN EXPENDITURE GROUPS (MEGs)	ACTION	BUDGET EXPENDITURE LINE	CAPITAL BUDGET ALLOCATIONS			INVESTMENT AREA	SECTOR
			£000s				
			2022-23	2023-24	2024-25		
Health and Social Services	Delivery of Core NHS Services	Core NHS Allocations	279,908	309,908	319,908	Health and Social Care	Digital Infrastructure NHS Equipment NHS Infrastructure Primary & Community Care
	Deliver the Substance Misuse Strategy	Substance Misuse Action Plan Fund	5,072	5,072	5,072		NHS Infrastructure
	Social Care Wales	Social Care Wales	20	20	20		Social Care
	Sustainable Social Services	Sustainable Social Services	50,000	60,000	70,000		
Health and Social Services Totals			335,000	375,000	395,000		
Finance and Local Government	Local Government General Capital Funding	Local Government General Capital Funding	150,000	200,000	200,000	Local Government	Local Government
	Estyn	Estyn - Programme Expenditure	250	250	250	Communities	Welsh Government Sponsored Bodies
	Ystadau Cymru	Ystadau Cymru	1,000	1,000	1,000	Administration	Central Finance and Capital Investment - Ystadau Cymru & Invest to Save
	Fiscal Responsibilities	Welsh Revenue Authority	75	75	120	Communities	Welsh Government Sponsored Bodies
	Care Inspectorate Wales	Care Inspectorate Wales	50	50	20		
	Healthcare Inspectorate Wales	Healthcare Inspectorate Wales	25	25	10		

MAIN EXPENDITURE GROUPS (MEGs)	ACTION	BUDGET EXPENDITURE LINE	CAPITAL BUDGET ALLOCATIONS			INVESTMENT AREA	SECTOR
			£000s				
			2022-23	2023-24	2024-25		
		Invest to Save	3,000	3,000	3,000	Administration	Central Finance and Capital Investment - Ystadau Cymru & Invest to Save
	Invest to Save	Invest to Save Fund Repayment	(2,537)	(2,537)	(2,537)		
Finance and Local Government Totals			151,863	201,863	201,863		
Education and the Welsh Language	Estate and IT Provision	Education Infrastructure	352,400	357,400	357,400	Education Infrastructure	21st Century Schools and Colleges Programme Flying Start, Childcare and Early Years Provision HE Capital Support Welsh Medium Capital Programme.
	Post-16 Learner Support	Student Loans Company / HMRC Administration Costs	2,500	2,500	2,500		HE Capital Support
	Higher Education	HEFCW Programme Expenditure	100	100	100		Welsh Government Sponsored Bodies - Qualifications Wales & Welsh Language Commissioner
	Qualifications	Qualifications Wales	250	250	250		
	Welsh Language	Welsh Language Commissioner	50	50	50		
Education and the Welsh Language Totals			355,300	360,300	360,300		

MAIN EXPENDITURE GROUPS (MEGs)	ACTION	BUDGET EXPENDITURE LINE	CAPITAL BUDGET ALLOCATIONS			INVESTMENT AREA	SECTOR
			£000s				
			2022-23	2023-24	2024-25		
Climate Change	Fuel Poverty Programme	Fuel Poverty Programme	30,000	35,000	35,000	Decarbonisation	Fuel Poverty Warm Homes
	Develop and implement climate change policy, energy efficiency, Green Growth and environmental protection	Welsh Government Energy Service	15,000	25,000	25,000		Welsh Government Energy Service and Smart Living
		Radioactivity & Pollution Prevention	5,000	2,150	300	Nature and Environment	Air Quality
	Develop and implement flood and coastal risk, water and sewage policy and legislation	Flood Risk Management & Water Revenue	67,100	60,000	59,300	Flooding	Coal Tip Safety Flood and Coastal Risk Management Water Quality
	Deliver nature conservation and forestry policies and local environment improvement	Enabling Natural Resources	2,000	2,000	500	Nature and Environment	Environmental Grants
		Biodiversity, Evidence and Plant Health	20,000	25,000	25,000		Biodiversity
		Forestry	9,000	23,000	25,000		National Forest & Timber Industrial
	Sponsor and manage delivery bodies	Natural Resources Wales	2,400	2,400	2,400		NRW - GIA
	Increase Resource Efficiency and Support Transition to a Circular	Resource Efficiency and Circular Economy	40,000	60,000	60,000	Circular Economy	Circular Economy
	Promote and support protected landscapes, wider access to green space	Landscape & Outdoor Recreation	5,000	5,000	5,000	Nature and Environment	Landscape and Outdoor Recreation

MAIN EXPENDITURE GROUPS (MEGs)	ACTION	BUDGET EXPENDITURE LINE	CAPITAL BUDGET ALLOCATIONS			INVESTMENT AREA	SECTOR	
			£000s					
			2022-23	2023-24	2024-25			
	Housing Policy	Rapid Response Adaption Programme	17,660	17,660	17,660	Housing	Integrated Care Fund & Adaptations	
		Private Rented Sector	500	1,500	1,500		Private Rented Sector Supply	
	Integrated Care Fund	Integrated Care Fund	62,340	62,340	62,340		Integrated Care Fund & Adaptations	
	Achieve Quality Housing	Major Repairs Allowance and Dowry Gap Funding	108,000	108,000	108,000		Decarbonisation of Welsh Homes	
		Residential Decarbonisation & Quality	72,000	92,000	92,000			
	Increase the Supply and Choice of Affordable Housing	Social Housing Grants (SHG)	310,000	330,000	325,000		Social Housing	
		Land for Housing	10,000	10,000	15,000			
	Building Safety	Building Safety	75,000	135,000	165,000		Building Safety	
	Increase the Supply and Choice of Market Housing	Market Housing and Other Schemes	10,000	25,000	25,000		Market Housing	
		Homebuy	2,000	2,500	4,000		Homebuy	
	Land Division	Land Release Fund	10,000	10,000	10,000		Social Housing	
	Regeneration	Regeneration	20,000	40,000	40,000		Transforming Towns	
	Strategic Infrastructure	Strategic Infrastructure Development	5,000	5,000	5,000		Economic Development	Strategic Infrastructure A
		ICT Infrastructure Operations	15,000	(26,500)	20,000			Digital Infrastructure

MAIN EXPENDITURE GROUPS (MEGs)	ACTION	BUDGET EXPENDITURE LINE	CAPITAL BUDGET ALLOCATIONS			INVESTMENT AREA	SECTOR	
			£000s					
			2022-23	2023-24	2024-25			
	Motorway & Trunk Road Operations	Network Operations	125,000	190,000	185,000	Roads	Roads & Road Safety Grants - Roads	
	Road, Rail, Air and Sea Services and Investment	Aviation	7,212	13,328	1,783	Public Transport A	Strategic Infrastructure A	
		Transport for Wales	400,000	150,000	35,000		Rail	
		Marine Energy	4,000	10,000	10,000	Economic Development	Strategic Infrastructure B (Marine Energy)	
	Sustainable Travel	Bus Support	25,000	80,000	80,000	Public Transport A	Bus	
		Local Transport Priorities	17,500	40,000	50,000	Active & Sustainable Travel	Local Transport Fund	
		Sustainable and Active Travel	67,788	91,672	103,217		Active Travel EV Infrastructure	
	Improve Road Safety	Road Safety	16,500	4,000	4,000	Roads	Roads & Road Safety Grants - Road Safety Grants	
	Climate Change Totals			1,576,000	1,631,050	1,597,000		
	Economy	Business Wales / Entrepreneurship and Regional Economy	Business and Regional Economic Development	27,230	23,850	18,650	Economic Development	Business Support
Tech Valleys			5,000	5,000	5,000	Business Support - Tech Valleys		
City and Growth Deals			22,000	22,000	22,000	City and Growth Deals		
Economic Infrastructure Development		Property Infrastructure	10,000	10,000	10,000	Property Sector		

MAIN EXPENDITURE GROUPS (MEGs)	ACTION	BUDGET EXPENDITURE LINE	CAPITAL BUDGET ALLOCATIONS			INVESTMENT AREA	SECTOR
			£000s				
			2022-23	2023-24	2024-25		
	Employment and Skills	Employability Including Young Persons Guarantee	1,920	2,000	2,000		Business Support - Careers Wales & WGSB
	Innovation	Business Innovation	5,000	5,000	10,000		Science & Innovation - Innovation
	Science	Science	5,000	5,000	5,000		Science & Innovation - Ser Cymru
	Promote and Protect Wales' Place in the	Tourism	5,000	5,000	5,000		Tourism
	Support for Culture and the Arts	Arts Council of Wales	400	400	400	Culture, Tourism & Sport	Arts, Culture & Heritage
		Amgueddfa Cymru - National Museums of	4,500	5,000	5,000		
		National Library of Wales	2,500	2,000	2,000		
		Support for Local Culture and Sport	11,700	21,500	24,700		
		Creative Wales	5,000	5,000	5,000		
	Support the Historic Environment	Cadw	10,000	10,000	10,000		Arts, Culture & Heritage - Cadw
		National Botanic Garden of Wales	1,200	200	200		Arts, Culture & Heritage
		Royal Commission on the Ancient and Historical Monuments of Wales	50	50	50		
	Sports and Physical Activity	Sport Wales	8,000	8,000	8,000		Sport
Economy Totals			124,500	130,000	133,000		

MAIN EXPENDITURE GROUPS (MEGs)	ACTION	BUDGET EXPENDITURE LINE	CAPITAL BUDGET ALLOCATIONS			INVESTMENT AREA	SECTOR
			£000s				
			2022-23	2023-24	2024-25		
Rural Affairs	Develop and deliver overarching policy and programmes on Agriculture, Food and Marine	Livestock Identification	1,000	1,000	1,000	Agriculture & Fisheries	Livestock identification & Movement and Borders
	CAP Administration and making payments according to EU and WG rules	Common Agriculture Policy IT	6,000	6,000	6,000		Rural Payments Wales ICT
	Welsh Government Rural Communities: Delivering the	Rural Economic and Sustainability Programme	9,500	9,500	0		WG Rural Communities - RDP
	Rural Economic and Sustainability Programme	Rural Development Plan 2014-20	20,500	20,500	30,000		
	Developing and managing Welsh Marine, fisheries and	EU Funded Fisheries Schemes	200	200	0		Marine & Fisheries
Rural Affairs Totals			37,200	37,200	37,000		
Social Justice	Supporting Communities	Community Bank	1,500	1,500	1,750	Communities	Community Infrastructure
		Supporting Communities	1,000	1,000	1,000		
	Fire and Rescue Services and Resilience	Fire & Rescue Services	1,000	1,500	1,000		
		Fire & Rescue Services - Communication Systems	210	210	210		
		Community Fire Safety	900	900	900		

MAIN EXPENDITURE GROUPS (MEGs)	ACTION	BUDGET EXPENDITURE LINE	CAPITAL BUDGET ALLOCATIONS			INVESTMENT AREA	SECTOR
			£000s				
			2022-23	2023-24	2024-25		
	Violence against Women, Domestic Abuse and Sexual	Violence against Women, Domestic Abuse and Sexual Violence	2,200	2,200	2,200		
	Gypsy Traveller Sites	Gypsy Traveller Sites	3,690	3,190	3,440		
	Community Facilities	Community Facilities Programme	6,500	6,500	6,500		
Social Justice Totals			17,000	17,000	17,000		
Central Services and Administration	General Administration	General Administration Expenditure	10,000	10,000	10,000	Administration	Central Running Costs
Central Services and Administration Totals			10,000	10,000	10,000		
WELSH GOVERNMENT TOTALS			2,606,863	2,762,413	2,751,163		

Annex B: Reconciliation of administrative budget and resource allocations in the annual Budget motion

2022-23 DRAFT BUDGET									
£000s									
MAIN EXPENDITURE GROUPS (MEGs)	Health and Social Services	Finance and Local Government	Education	Climate Change	Economy	Rural Affairs	Social Justice	Central Services and Administration	TOTAL
Resource	9,801,778	4,457,382	2,175,738	1,179,650	402,421	355,962	110,355	343,795	18,827,081
Capital	335,000	151,863	355,300	1,576,000	124,500	37,200	17,000	10,000	2,606,863
Resource AME	186,420	1,030,000	(146,304)	100,393	45,525	—	28,063	3,200	1,247,297
Capital AME	—	—	1,051,366	—	—	—	—	—	1,051,366
TOTAL MANAGED EXPENDITURE	10,323,198	5,639,245	3,436,100	2,856,043	572,446	393,162	155,418	356,995	23,732,607
Reconciliation to Resources									
Resource Consumption – Welsh Government Sponsored Bodies	(230)	(200)	(470)	(10,000)	(20,548)	—	(9)	—	(31,457)
Supported Borrowing	—	(88,800)	—	—	—	—	—	—	(88,800)
National Insurance Fund Receipts Collection Costs	(906)	—	—	—	—	—	—	—	(906)
National Non-Domestic Rates Payable (and Collection Costs)	—	(1,035,172)	—	—	—	—	—	—	(1,035,172)
Interest Repayments on Borrowing	—	(4,160)	—	—	—	—	—	—	(4,160)
PFI	—	—	—	(9,786)	—	—	—	—	(9,786)
RESOURCES REQUESTED	10,322,062	4,510,913	3,435,630	2,836,257	551,898	393,162	155,409	356,995	22,562,326

2023-24 INDICATIVE DRAFT BUDGET									
£000s									
MAIN EXPENDITURE GROUPS (MEGs)	Health and Social Services	Finance and Local Government	Education	Climate Change	Economy	Rural Affairs	Social Justice	Central Services and Administration	TOTAL
Resource	10,088,778	4,556,382	2,254,323	1,168,650	416,421	418,962	122,355	346,795	19,372,666
Capital	375,000	201,863	360,300	1,631,050	130,000	37,200	17,000	10,000	2,762,413
Resource AME	190,257	1,121,000	(129,589)	124,448	45,525	0	26,045	3,200	1,380,886
Capital AME	—	—	1,161,411	—	—	—	—	—	1,161,411
TOTAL MANAGED EXPENDITURE	10,654,035	5,879,245	3,646,445	2,924,148	591,946	456,162	165,400	359,995	24,677,376
Reconciliation to Resources									
Resource Consumption – Welsh Government Sponsored Bodies	(230)	(200)	(470)	(10,000)	(20,548)	—	(9)	—	(31,457)
Supported Borrowing	—	(88,800)	—	—	—	—	—	—	(88,800)
National Insurance Fund Receipts Collection Costs	(906)	—	—	—	—	—	—	—	(906)
National Non-Domestic Rates Payable (and Collection Costs)	—	(1,126,172)	—	—	—	—	—	—	(1,126,172)
Interest Repayments on Borrowing	—	(5,834)	—	—	—	—	—	—	(5,834)
PFI	—	—	—	(10,070)	—	—	—	—	(10,070)
RESOURCES REQUESTED	10,652,899	4,658,239	3,645,975	2,904,078	571,398	456,162	165,391	359,995	23,414,137

2024-25 INDICATIVE DRAFT BUDGET

£000s

MAIN EXPENDITURE GROUPS (MEGs)	Health and Social Services	Finance and Local Government	Education	Climate Change	Economy	Rural Affairs	Social Justice	Central Services and Administration	TOTAL
Resource	10,308,778	4,666,382	2,318,654	1,190,650	432,421	440,962	125,355	347,795	19,830,997
Capital	395,000	201,863	360,300	1,597,000	133,000	37,000	17,000	10,000	2,751,163
Resource AME	127,172	1,148,000	(163,720)	4,740	45,525	0	26,045	3,200	1,190,962
Capital AME	—	—	1,277,302	—	—	—	—	—	1,277,302
TOTAL MANAGED EXPENDITURE	10,830,950	6,016,245	3,792,536	2,792,390	610,946	477,962	168,400	360,995	25,050,424
Reconciliation to Resources									
Resource Consumption – Welsh Government Sponsored Bodies	(230)	(200)	(470)	(10,000)	(20,548)	—	(9)	—	(31,457)
Supported Borrowing	—	(88,800)	—	—	—	—	—	—	(88,800)
National Insurance Fund Receipts Collection Costs	(906)	—	—	—	—	—	—	—	(906)
National Non-Domestic Rates Payable (and Collection Costs)	—	(1,153,172)	—	—	—	—	—	—	(1,153,172)
Interest Repayments on Borrowing	—	(7,591)	—	—	—	—	—	—	(7,591)
PFI	—	—	—	(10,362)	—	—	—	—	(10,362)
RESOURCES REQUESTED	10,829,814	4,766,482	3,792,066	2,772,028	590,398	477,962	168,391	360,995	23,758,136

Annex C: Year-on-Year Changes

TOTAL – Year-on-Year Percentage Change							
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Final Budget Revised Baseline	2022-23 Draft Budget		2023-24 Indicative Draft Budget		2024-25 Indicative Draft Budget	
	£000s	£000s	% Change	£000s	% Change	£000s	% Change
Health and Social Services	9,318,962	10,323,198	10.78%	10,654,035	3.20%	10,830,950	1.66%
Finance and Local Government	5,221,370	5,639,245	8.00%	5,879,245	4.26%	6,016,245	2.33%
Education and the Welsh Language	2,729,366	3,436,100	25.89%	3,646,445	6.12%	3,792,536	4.01%
Climate Change	2,488,822	2,856,043	14.75%	2,924,148	2.38%	2,792,390	(4.51%)
Economy	527,859	572,446	8.45%	591,946	3.41%	610,946	3.21%
Rural Affairs	356,305	393,162	10.34%	456,162	16.02%	477,962	4.78%
Social Justice	133,148	155,418	16.73%	165,400	6.42%	168,400	1.81%
Central Services and Administration	324,374	356,995	10.06%	359,995	0.84%	360,995	0.28%
Total Allocations to Welsh Government MEGs	21,100,206	23,732,607	12.48%	24,677,376	3.98%	25,050,424	1.51%

TOTAL – Year-on-Year Percentage Change – Real Terms							
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Final Budget Revised Baseline	2022-23 Draft Budget		2023-24 Indicative Draft Budget		2024-25 Indicative Draft Budget	
	£000s	£000s	% Change	£000s	% Change	£000s	% Change
Health and Social Services	9,318,962	10,323,198	7.86%	10,654,035	0.99%	10,830,950	(0.22%)
Finance and Local Government	5,221,370	5,639,245	5.16%	5,879,245	2.01%	6,016,245	0.44%
Education and the Welsh Language	2,729,366	3,436,100	22.58%	3,646,445	3.84%	3,792,536	2.08%
Climate Change	2,488,822	2,856,043	11.73%	2,924,148	0.18%	2,792,390	(6.27%)
Economy	527,859	572,446	5.59%	591,946	1.18%	610,946	1.30%
Rural Affairs	356,305	393,162	7.44%	456,162	13.53%	477,962	2.84%
Social Justice	133,148	155,418	13.65%	165,400	4.13%	168,400	(0.07%)
Central Services and Administration	324,374	356,995	7.16%	359,995	(1.33%)	360,995	(1.58%)
Total Allocations to Welsh Government MEGs	21,100,206	23,732,607	9.51%	24,677,376	1.74%	25,050,424	(0.37%)

FISCAL RESOURCE – Year-on-Year Percentage Change							
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Final Budget Budget Revised Baseline	2022-23 Draft Budget		2023-24 Indicative Draft Budget		2024-25 Indicative Draft Budget	
	£000s	£000s	% Change	£000s	% Change	£000s	% Change
Health and Social Services	8,596,822	9,543,822	11.02%	9,830,822	3.01%	10,050,822	2.24%
Finance and Local Government	3,910,961	4,456,961	13.96%	4,555,961	2.22%	4,665,961	2.41%
Education and the Welsh Language	1,527,843	1,715,843	12.30%	1,765,843	2.91%	1,803,843	2.15%
Climate Change	742,529	940,529	26.67%	929,529	(1.17%)	951,529	2.37%
Economy	342,823	390,823	14.00%	404,823	3.58%	420,823	3.95%
Rural Affairs	330,145	345,145	4.54%	408,145	18.25%	430,145	5.39%
Social Justice	88,177	110,177	24.95%	122,177	10.89%	125,177	2.46%
Central Services and Administration	291,795	326,795	11.99%	329,795	0.92%	330,795	0.30%
Total Allocations to Welsh Government MEGs	15,831,095	17,830,095	12.63%	18,347,095	2.90%	18,779,095	2.35%

FISCAL RESOURCE – Year-on-Year Percentage Change – Real Terms							
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Final Budget Budget Revised Baseline	2022-23 Draft Budget		2023-24 Indicative Draft Budget		2024-25 Indicative Draft Budget	
	£000s	£000s	% Change	£000s	% Change	£000s	% Change
Health and Social Services	8,596,822	9,543,822	8.09%	9,830,822	0.79%	10,050,822	0.35%
Finance and Local Government	3,910,961	4,456,961	10.96%	4,555,961	0.02%	4,665,961	0.52%
Education and the Welsh Language	1,527,843	1,715,843	9.35%	1,765,843	0.70%	1,803,843	0.26%
Climate Change	742,529	940,529	23.33%	929,529	(3.30%)	951,529	0.47%
Economy	342,823	390,823	11.00%	404,823	1.35%	420,823	2.03%
Rural Affairs	330,145	345,145	1.79%	408,145	15.71%	430,145	3.44%
Social Justice	88,177	110,177	21.66%	122,177	8.51%	125,177	0.56%
Central Services and Administration	291,795	326,795	9.04%	329,795	(1.25%)	330,795	(1.55%)
Total Allocations to Welsh Government MEGs	15,831,095	17,830,095	9.66%	18,347,095	0.69%	18,779,095	0.46%

NON-FISCAL RESOURCE – Year-on-Year Percentage Change							
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Final Budget	2022-23 Draft Budget		2023-24 Indicative Draft Budget		2024-25 Indicative Draft Budget	
	£000s	£000s	% Change	£000s	% Change	£000s	% Change
Health and Social Services	186,137	257,956	38.58%	257,956	0.00%	257,956	0.00%
Finance and Local Government	212	421	98.58%	421	0.00%	421	0.00%
Education and the Welsh Language	111,168	459,895	313.69%	488,480	6.22%	514,811	5.39%
Climate Change	201,121	239,121	18.89%	239,121	0.00%	239,121	0.00%
Economy	11,598	11,598	0.00%	11,598	0.00%	11,598	0.00%
Rural Affairs	11,554	10,817	(6.38%)	10,817	0.00%	10,817	0.00%
Social Justice	169	178	5.33%	178	0.00%	178	0.00%
Central Services and Administration	16,000	17,000	6.25%	17,000	0.00%	17,000	0.00%
Total Allocations to Welsh Government MEGs	537,959	996,986	85.33%	1,025,571	2.87%	1,051,902	2.57%

NON-FISCAL RESOURCE – Year-on-Year Percentage Change – Real Terms							
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Final Budget	2022-23 Draft Budget		2023-24 Indicative Draft Budget		2024-25 Indicative Draft Budget	
	£000s	£000s	% Change	£000s	% Change	£000s	% Change
Health and Social Services	186,137	257,956	34.93%	257,956	(2.15%)	257,956	(1.85%)
Finance and Local Government	212	421	93.35%	421	(2.15%)	421	(1.85%)
Education and the Welsh Language	111,168	459,895	302.80%	488,480	3.93%	514,811	3.44%
Climate Change	201,121	239,121	15.76%	239,121	(2.15%)	239,121	(1.85%)
Economy	11,598	11,598	(2.63%)	11,598	(2.15%)	11,598	(1.85%)
Rural Affairs	11,554	10,817	(8.84%)	10,817	(2.15%)	10,817	(1.85%)
Social Justice	169	178	2.55%	178	(2.15%)	178	(1.85%)
Central Services and Administration	16,000	17,000	3.45%	17,000	(2.15%)	17,000	(1.85%)
Total Allocations to Welsh Government MEGs	537,959	996,986	80.45%	1,025,571	0.65%	1,051,902	0.67%

GENERAL CAPITAL – Year-on-Year Percentage Change							
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Final Budget	2022-23 Draft Budget		2023-24 Indicative Draft Budget		2024-25 Indicative Draft Budget	
	£000s	£000s	% Change	£000s	% Change	£000s	% Change
Health and Social Services	387,600	335,000	(13.57%)	375,000	11.94%	395,000	5.33%
Finance and Local Government	209,197	151,863	(27.41%)	201,863	32.92%	201,863	0.00%
Education and the Welsh Language	267,812	355,300	32.67%	360,300	1.41%	360,300	0.00%
Climate Change	1,371,116	1,576,000	14.94%	1,631,050	3.49%	1,597,000	(2.09%)
Economy	124,528	124,500	(0.02%)	130,000	4.42%	133,000	2.31%
Rural Affairs	14,606	37,200	154.69%	37,200	0.00%	37,000	(0.54%)
Social Justice	13,411	17,000	26.76%	17,000	0.00%	17,000	0.00%
Central Services and Administration	13,579	10,000	(26.36%)	10,000	0.00%	10,000	0.00%
Total Allocations to Welsh Government MEGs	2,401,849	2,606,863	8.54%	2,762,413	5.97%	2,751,163	(0.41%)

GENERAL CAPITAL – Year-on-Year Percentage Change – Real Terms							
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Final Budget	2022-23 Draft Budget		2023-24 Indicative Draft Budget		2024-25 Indicative Draft Budget	
	£000s	£000s	% Change	£000s	% Change	£000s	% Change
Health and Social Services	387,600	335,000	(15.85%)	375,000	9.53%	395,000	3.38%
Finance and Local Government	209,197	151,863	(29.32%)	201,863	30.07%	201,863	(1.85%)
Education and the Welsh Language	267,812	355,300	29.17%	360,300	(0.77%)	360,300	(1.85%)
Climate Change	1,371,116	1,576,000	11.92%	1,631,050	1.27%	1,597,000	(3.90%)
Economy	124,528	124,500	(2.66%)	130,000	2.17%	133,000	0.41%
Rural Affairs	14,606	37,200	147.98%	37,200	(2.15%)	37,000	(2.38%)
Social Justice	13,411	17,000	23.42%	17,000	(2.15%)	17,000	(1.85%)
Central Services and Administration	13,579	10,000	(28.30%)	10,000	(2.15%)	10,000	(1.85%)
Total Allocations to Welsh Government MEGs	2,401,849	2,606,863	5.68%	2,762,413	3.69%	2,751,163	(2.25%)

AME RESOURCE – Year-on-Year Percentage Change							
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Final Budget	2022-23 Draft Budget		2023-24 Indicative Draft Budget		2024-25 Indicative Draft Budget	
	£000s	£000s	% Change	£000s	% Change	£000s	% Change
Health and Social Services	148,403	186,420	25.62%	190,257	2.06%	127,172	(33.16%)
Finance and Local Government	1,101,000	1,030,000	(6.45%)	1,121,000	8.83%	1,148,000	2.41%
Education and the Welsh Language	(148,386)	(146,304)	1.40%	(129,589)	11.42%	(163,720)	(26.34%)
Climate Change	96,592	100,393	3.94%	124,448	23.96%	4,740	(96.19%)
Economy	48,525	45,525	6.18%	45,525	0.00%	45,525	0.00%
Rural Affairs	—	—	0.00%	—	0.00%	—	0.00%
Social Justice	27,915	28,063	0.53%	26,045	(7.19%)	26,045	0.00%
Central Services and Administration	3,000	3,200	6.67%	3,200	0.00%	3,200	0.00%
Total Allocations to Welsh Government MEGs	1,277,049	1,247,297	(2.33%)	1,380,886	10.71%	1,190,962	(13.75%)

AME RESOURCE – Year-on-Year Percentage Change – Real Terms							
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Final Budget	2022-23 Draft Budget		2023-24 Indicative Draft Budget		2024-25 Indicative Draft Budget	
	£000s	£000s	% Change	£000s	% Change	£000s	% Change
Health and Social Services	148,403	186,420	22.31%	190,257	(0.14%)	127,172	(34.39%)
Finance and Local Government	1,101,000	1,030,000	(8.91%)	1,121,000	6.49%	1,148,000	0.51%
Education and the Welsh Language	(148,386)	(146,304)	(4.00%)	(129,589)	(13.33%)	(163,720)	24.00%
Climate Change	96,592	100,393	1.20%	124,448	21.29%	4,740	(96.26%)
Economy	48,525	45,525	(8.65%)	45,525	(2.15%)	45,525	(1.85%)
Rural Affairs	—	—	0.00%	—	0.00%	—	0.00%
Social Justice	27,915	28,063	(2.12%)	26,045	(9.19%)	26,045	(1.85%)
Central Services and Administration	3,000	3,200	3.86%	3,200	(2.15%)	3,200	(1.85%)
Total Allocations to Welsh Government MEGs	1,277,049	1,247,297	(4.90%)	1,380,886	8.33%	1,190,962	(15.35%)

AME CAPITAL – Year-on-Year Percentage Change							
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Final Budget	2022-23 Draft Budget		2023-24 Indicative Draft Budget		2024-25 Indicative Draft Budget	
	£000s		% Change	£000s	% Change	£000s	% Change
Health and Social Services	—	—	0.00%	—	0.00%	—	0.00%
Finance and Local Government	—	—	0.00%	—	0.00%	—	0.00%
Education and the Welsh Language	968,961	1,051,366	8.50%	1,161,411	10.47%	1,277,302	9.98%
Climate Change	—	—	0.00%	—	0.00%	—	0.00%
Economy	—	—	0.00%	—	0.00%	—	0.00%
Rural Affairs	—	—	0.00%	—	0.00%	—	0.00%
Social Justice	—	—	0.00%	—	0.00%	—	0.00%
Central Services and Administration	—	—	0.00%	—	0.00%	—	0.00%
Total Allocations to Welsh Government MEGs	968,961	1,051,366	8.50%	1,161,411	10.47%	1,277,302	9.98%

AME CAPITAL – Year-on-Year Percentage Change – Real Terms							
MAIN EXPENDITURE GROUPS (MEGs)	2021-22 Final Budget	2022-23 Draft Budget		2023-24 Indicative Draft Budget		2024-25 Indicative Draft Budget	
	£000s		% Change	£000s	% Change	£000s	% Change
Health and Social Services	—	—	0.00%	—	0.00%	—	0.00%
Finance and Local Government	—	—	0.00%	—	0.00%	—	0.00%
Education and the Welsh Language	968,961	1,051,366	5.65%	1,161,411	8.09%	1,277,302	7.94%
Climate Change	—	—	0.00%	—	0.00%	—	0.00%
Economy	—	—	0.00%	—	0.00%	—	0.00%
Rural Affairs	—	—	0.00%	—	0.00%	—	0.00%
Social Justice	—	—	0.00%	—	0.00%	—	0.00%
Central Services and Administration	—	—	0.00%	—	0.00%	—	0.00%
Total Allocations to Welsh Government MEGs	968,961	1,051,366	5.65%	1,161,411	8.09%	1,277,302	7.94%

Annex D: Strategic Integrated Impact Assessment

Introduction

1. We remain a government committed to assessing and understanding the impacts of our spending decisions. Embedded at the heart of our budget process is the recognition that people are not averages and the needs of Wales are not uniform. To ensure we maximise the impacts of available funding we continue to acknowledge the importance of an integrated approach considering all aspects of social, cultural, environmental and economic well-being.
2. Through this approach we are seeking to understand how we can better target funding to deliver greater outcomes through understanding how different needs and areas of impacts intersect, particularly for those with protected characteristics, while at the same time seeking to understand and mitigate against unintended impacts.
3. Our preparations have been undertaken in the context of the ongoing impacts of the pandemic highlighting and widening inequalities in our society, the ongoing impacts of the UK leaving the EU and wider shocks driving rapid changes in our economy and communities, and the urgent need to respond to the visible impacts of the climate and nature emergency. Therefore, undertaking such an approach has never been more important.
4. To outline the process we have undertaken we have again included details of the impacts of spending decisions as part of the main narrative in Chapter 4, with this annex providing an overview of the strategic evidence which has informed our spending decisions, in line with our priorities for a stronger, fairer and a greener Wales. This annex should be read alongside Chapter 2 of the main Budget narrative and the Chief Economist's Report which separately outline the financial and economic context that has shaped this Budget.
5. We have also included case studies on the impacts of specific spending decisions within this annex to better demonstrate how assessment is undertaken in more detail.
6. It also remains the case that the pandemic has continued to have an impact on our ability to draw on official sources of evidence. Some data collections have been delayed and others have had to change approach to accommodate the challenges posed by the pandemic. Data for some national indicators do not yet cover the pandemic period. Where data has continued to be available, the trends understandably look very different this year for some topics, and this is more pronounced for some groups in society than others. This all adds to the complexity of interpreting Wales's longer term progress towards the well-being goals, with the full impact of the pandemic likely to play out over a number of years to come.

Evolving our approach to assessing impacts

7. We have also published an updated Budget Improvement Plan as part of the 2022-23 draft Budget. This includes updates on the actions we have taken to evolve our approach to assessing impacts, alongside our longer term ambitions (See Annex F for more details).

8.

Health Impacts

9. As at end November 2021 over 500,000 people have been infected with COVID 19 in Wales and ONS statistics published on 1 December, show that up to 19 November 2021 8,925 Welsh residents have tragically died as a result of contracting it. We are now seeing the worrying rise of the Omicron variant with health services facing ongoing pressures resulting from the pandemic. As at November 2021 there is an estimated infection rate of 2.11 per cent of the community population and 616 beds in NHS Wales occupied with COVID 19 related patients (confirmed, suspected and recovering), representing 7.2 per cent of all hospitalisations.
10. The longer term health impacts are likely to be felt for many years after the virus has been brought under control with pressures to deal with the backlog of care. While limited formal research has been carried out to understand the full implications of the pandemic on health and social care workers, a rapid review of the impact of the COVID 19 pandemic concluded that there was a substantial adverse impact on the mental health of health and social care workers during the first wave. This evidence linked with that from previous outbreaks indicates a likely increase in mental health problems such as depression, substance misuse and post-traumatic stress disorder for front line health workers.
11. The pandemic has also highlighted existing inequalities with concerning instances of this having widened. Older people, men and people in ethnic minority groups were more at risk of becoming seriously ill with COVID 19. There has been a disproportionate impact on groups that were already disadvantaged including people in low paid jobs, in less secure employment, young people and people reaching the end of their working lives.

Social Care

12. The social care system is experiencing unprecedented and ongoing challenges resulting from the pandemic as well as needing to respond to Wales' ageing population. The proportion of older people over the age of 75 in Wales is projected to increase by more than 53 per cent by 2040. Although future demand for formal care cannot simply be linked to an ageing population, the projected growth in the numbers of older people with complex care needs (including severe dementia) is likely to result in increased pressure on formal care services – for example, the number of older adults living with severe dementia is predicted to double to 53,700 by 2040.
13. It is widely reported that across social care there is an ongoing recruitment and retention issue alongside the impacts on mental health outlined above. Alongside historical understaffing and low pay many social care workers are leaving the sector completely. There are concerns that this will lead to an issue with quality of care and the number of care places available to people in the community to allow them to move from NHS care.

Mental Health

14. We know that the self-reported prevalence of common mental health problems has increased since the pandemic. Data from a Public Health Wales survey on a list of priority policy areas over the next 12 months, mental health comes third behind NHS waiting lists and COVID 19.

15. We know that the impacts of mental health are not felt equally. Wales' most deprived communities have the poorest mental health and well-being and the pandemic is likely to have worsened this further. The impact of COVID19 is likely to create high pressures on mental health services over the coming years. Prior to the pandemic just over 10 per cent of people in Wales reported mental health issues. This almost tripled to just under 30 per cent during the first lockdown. The worsening of mental health was more marked for younger people, for women and for those of Black, Asian and minority ethnic backgrounds. In addition, the mental health gap between the highest and lowest income quintiles widened significantly. Whilst some of the differences have been triggered by temporary events such as furlough and isolation, it is likely that the increase in mental health issues will persist.

Economic impacts

16. Economic prospects are highly uncertain due to the continuing presence of the COVID 19 pandemic and the ongoing impacts of the UK adopting new trading relationship with the EU. Over the longer term, major challenges include the critical need to respond to climate change and to address the pressures arising both from demographic change and from the poor prospects for living standards, reflecting weak productivity growth. In particular the pandemic has interacted with the UK's departure from the EU to substantially reduce the size of the labour force, compounding an already challenging demographic trajectory and posing serious risks to the tax base.
17. The Chief Economist's Report provides more detail on the economic context, outlook and the impacts of the pandemic and the UK's exit from the European Union. The report highlights the negative impact of the pandemic on disadvantaged groups, with particularly adverse impacts likely to result from the disruption to the education system as young people leave education and enter the labour market. These effects risk increasing inequality over the long term. The disruption to supply chains caused by the pandemic has resulted in an increase in inflation, and within this, the increase in energy prices has had a disproportionate effect on lower income groups who tend to spend a higher proportion of their income on energy. This is likely to continue next year as the energy price cap is adjusted.
18. The report also notes that the trend to "remote" economic activity, and particularly working from home, has accelerated as a result of the pandemic, with consequences for both the labour market and for the fortunes of the central areas of many of our towns and cities.

Impact on Equalities

Gender

19. The pandemic has brought into focus the inequalities faced by different parts of our society and there has been a disproportionate effect when considering gender. Women on average are employed in lower paid jobs, take on increased unpaid care responsibilities and work in sectors more vulnerable to a volatile employment landscape. This has led to a disproportionate effect from the pandemic on women compared to men.

20. The 2021 Well-being of Wales report found that a higher proportion of women were classed as critical workers compared to men (40 per cent compared to 28 per cent). For some this has led to a high work intensification and associated health risks working in environments with safety impacted by COVID 19.
21. The pandemic has reinforced our dependence on unpaid care and many have taken on additional childcare and home schooling demands that have come from lockdowns. A report by Chwarae Teg in June 2021 highlighted that in households with a child aged under 5 years, women did on average 78 per cent more childcare than men and 72 per cent of working mothers have worked fewer hours and cut their earnings due to a lack of childcare. The report also highlighted that 67 per cent of women were more likely to have personally home schooled compared with 52 per cent of men.
22. Pregnant women in Wales have been disproportionately affected by the pandemic. Public Health Wales have reported that complications such as pre-term birth, stillbirth and pre-eclampsia are twice as likely for those with coronavirus. Pregnant women and their families have also been impacted by visiting restrictions at hospitals during pregnancy and birth, with service users highlighting additional stresses at a time of increased vulnerability.
23. While crime rates in general have dropped during the pandemic there has been a worrying increase in the reporting of domestic abuse with women who were unemployed more likely to experience violence, highlighting the link between economic insecurity and violence. Last year there was a 6 per cent increase in reporting nationally, with nearly 850,000 domestic abuse crimes reported to police across England and Wales. These figures also are unlikely to represent the full picture with less than half of women who experience domestic violence reporting these instances to the police and perpetrators are only arrested in 3.5 per cent of cases.
24. The Wellbeing of Wales 2021 report states that women are less likely to say they feel safe in their community, despite men being somewhat more likely to be victims of violent crime than women. Sexual harassment in schools has also been identified as a key area of concern. A recent Estyn report found that a majority of female pupils (61 per cent) report having personal experience of peer-on-peer harassment and many (82 per cent) report seeing others experience it. The most common forms of peer-on-peer sexual harassment during the school day are pupils catcalling and making hurtful comments, making homophobic comments (mainly towards boys), and comments about appearance.
25. Gender bias and sexism is still an issue within our institutions. A British Medical Association (BMA) report highlighted that 91 per cent of women surveyed had experienced sexism at work within the last two years with 74 per cent of all respondents thinking that sexism acts as a barrier to career progression.

Children and young people

26. Results of a survey published by the Children's Commissioner for Wales in January 2021 highlighted a range of different experiences since the outbreak of the pandemic and the impact of school closures. Strong negative feelings were expressed by many children and young people, three – seven olds spoke about missing friends, family members and experiences and 30 per cent of 17 and 18 year olds who took part report that they are worried 'most of the time'.
27. Loneliness rates were also high, with not being able to see friends having the biggest impact on children's lives, followed by not being able to see other family members and the impact of school and college closures. Children and young people of Black, Asian and other ethnic minority groups are more likely to feel lonely and less likely to say they feel safe than their peers. Disabled children and young people are more likely to be worried about coronavirus, more likely to feel sad and more likely to feel unsafe.
28. Despite worries and concerns that children and young people are reporting, many are also reporting positive experiences, including enjoying spending time at home and receiving good support from schools and youth workers.
29. Research suggests that across the UK, children from lower socio economic backgrounds are likely to be at greater risk of falling behind in their education compared to peers and limited research suggests that children with additional learning needs may be at greater risk of mental health difficulties.
30. Recent OECD analysis has shown that the impact of the pandemic on labour markets is disproportionately affecting young people, reducing opportunities for part-time work and work-based learning for students, and leaving soon-to-be graduates and recent graduates facing an uphill task to find and keep a job, putting them at elevated risk of experiencing mental health issues throughout the life course.

Older People

31. ONS's statistics on weekly deaths registered in England and Wales continues to show that the number of deaths involving COVID 19 was highest among those aged 85 years and over.
32. The ONS has reported that while the impact of the pandemic has been greatest for younger workers, older workers aged 50 years and over have been affected to a greater extent than those in the middle age groups. Over a quarter of furloughed employments in the UK were people aged 50 years and over. Older people who become unemployed are more likely to be at risk of long-term unemployment than younger people. Older workers are also at greater risk of suffering serious and persistent consequences from the economic impact and are less likely to secure re-employment.
33. Research from Age UK also shows that 34 per cent of older people agreed they feel more anxious now than prior to the pandemic. Anxiety levels differed by people's financial situation, 37 per cent in less financially advantaged positions versus 30 per cent in more financially advantaged positions. This research also showed that gender had an effect on anxiety affecting 40 per cent of women versus 27 per cent of men.

34. There has been a significant deterioration in the physical and mental health of older people as a result of pandemic restrictions and reduced physical and social activities. The Older People's Commissioner for Wales State of the Nation 2021 report found that accessing community services, particularly health and care, has been difficult for older people over the past 18 months. Unpaid care has increased significantly over the last two years as social care services have been withdrawn or handed back by service users.
35. The lack of available data on older people's experiences of abuse makes it difficult to assess the impact of the pandemic but it is clear that criminals have been targeting older people for financial crimes and fraud. Opportunities to engage with communities and volunteer have been limited for older people during the pandemic and many have not felt like valued members of society. Many older people are at risk of exclusion as public and private services accelerate the introduction of digital services. Despite these challenges, older people have shown resilience and determination throughout the pandemic and are generally optimistic about the future.

Race

36. Previous evidence has found that males and females of Black and South Asian ethnic background were shown to have increased risks of death involving coronavirus compared with those of a White ethnic background. Recent analysis showed that even after adjusting for location, measures of disadvantage, occupation, living arrangements and pre-existing health conditions most Black and South Asian groups remained at higher risk than White British people in the second wave.
37. The Joint Council for the Welfare of Immigrants highlighted impacts of the pandemic on ethnic minority children if their parent does not have access to public funds. Due to many temporary housing arrangements previously offered by friends or community members, being withdrawn following the government's advice to isolate during lockdown, many ethnic minority parents have presented themselves as homeless to local authorities.
38. There also continue to be differences in educational attainment. Children from some ethnic groups continue to achieve better on average in school compared to others, with a greater proportion of GCSE entries by Black, Asian and minority ethnic pupils awarded A*, A and B grades in Summer 2020 than White pupils.

Sexual orientation, gender reassignment and gender identity

39. Research by University College London and the University of Sussex found that bisexual, trans and gender diverse respondents tended to have higher rates of depression, particularly LGBTQ+ individuals who had experienced discrimination.

40. A review by the NatCen Social Research (2021) suggests that the pandemic has had a negative impact on the mental health of LGBTQ+ people living in the UK. The review identified additional impacts on people with intersectional identities within the community. For example, one study highlighted LGBTQ+ migrants (or children of migrants) reported having higher rates loneliness whilst in another study self-reported poor mental health almost doubled for both Black and South Asian respondents. The same report suggests that any negative impacts from the pandemic on the LGBTQ+ community are likely to be magnified for trans and gender diverse people.
41. Another study found that a higher proportion of trans and gender diverse respondents say they self-harm “very often” or “everyday” when compared to cis respondents. There were also safety concerns around living situations for LGBTQ+ people during the pandemic as well as the highest rates of hate crime felt by the LGBTQ+ population, which have been towards trans women.

Disability

42. People with disabilities in the UK have faced an increased risk of ill health and death during the COVID 19 pandemic when compared to the rest of the population. One in five people in the UK (14.1 m) report having a disability. The ONS has reported that people with a disability in the UK have been more likely to die as a result of COVID 19. Between January and November 2020, people with disabilities accounted for 6 out of every 10 deaths (59.5 per cent) involving COVID 19. In February 2021, 78 per cent of disabled people in Britain compared with around 69 per cent non-disabled people said that they were ‘very’ or ‘somewhat’ worried about the effect the pandemic was having in their life, for disabled people this proportion was lower than in September 2020 (83 per cent).
43. The Health Foundation found that disabled people are more likely to report that their medical treatment has been disrupted during the pandemic. In April 2021, the ONS reported that 40 per cent of disabled people in Great Britain said the pandemic had negatively affected their ability to access healthcare for non-coronavirus related issues.
44. More than three in five families of disabled children have seen the levels of formal and informal support decrease since the coronavirus outbreak, with many still going without vital forms of support. The mental health and wellbeing of the majority of disabled or seriously ill children, as well as their siblings and parent carers, has been negatively impacted.

Welsh Language

45. The Well-being of Wales 2021 report highlights that there is a mixed picture in recent data on the number of Welsh speakers. The Annual Population Survey showed an increase in the percentage of people who speak Welsh in 2020-21, whilst the National Survey for Wales showed a large fall in non-fluent Welsh speakers in 2019-20 before returning to more usual levels soon after.
46. Using the national indicator on the use of the Welsh language, 10 per cent of people aged three or older spoke Welsh daily in 2019-20. The school census shows that the percentage of children able to speak Welsh at home in 2020/21 has remained at a similar level to previous years (around 11 per cent).

Socio-economic disadvantage

47. Prior to the pandemic, there has been little change in relative income poverty levels in Wales for a number of years. The Chief Economist's Report highlights that while income inequality is lower in Wales than across the UK as a whole, reflecting the low proportion of high and very high income earners in Wales, poverty can have a longer lasting impact on life chances.
48. The more indirect impact of socio-economic harms are more likely to be felt by groups that are already disadvantaged. This includes young people, women, disabled people and ethnic minority groups. Around 230,000 people were employed in industries in Wales in 2019 that were told to close in early 2020, representing around 16 per cent of the total workforce. Women, young people and employees from a minority ethnic background are more likely to be employed in those industries.
49. Nearly a quarter of all people in Wales were living in relative income poverty between 2017 and 2020. Children are the most likely to be in relative poverty. Almost half of single parents were in material deprivation in 2019-20 and 1 per cent of households said they had received food from a food bank during 2020-21.
50. There remains a gap in educational outcomes of children in school eligible for free school meals and those who are not. The gap at GCSE has widened in the last five years, with data (up to 2019) indicating that at earlier stages of school the gap widens as pupils get older.
51. Although general mortality rates are normally higher in more deprived areas, between March and the end of July 2020 the mortality rate involving COVID 19 in the most deprived areas in Wales was nearly twice as high as that in the least deprived areas.
52. We know that changes to the welfare system have strong links to poverty, especially growing levels of in-work poverty. A Bevan Foundation report has shown a higher proportion of families in Wales will be affected by the cut to Universal Credit and Working Tax Credit than the UK average. These cuts will affect more than four in 10 families with children in Wales in all but four constituencies. Further burdens will be felt by the lowest paid workers when national insurance contributions increase from April 2022.
53. The Bevan Foundation has also outlined that the economic impact of the pandemic has seen the financial position of many Welsh families deteriorate, pushing some into problem debt for the first time and deepening the amount of debt owed by some of those already struggling. Across Wales 130,000 households, 10 per cent of all households, had fallen behind on a bill between January and May 2021. Over the same period 230,000 households, 17 per cent of all households had borrowed money.
54. The number of people receiving support in Wales through the Discretionary Assistance Fund has also increased significantly. Between 18 March 2020 and 20 May 2021, there were 208,952 COVID 19 related Emergency Assistance Payments, with a total paid value of £13.94m. Pandemic related reasons provided by applicants included having to stop or reduce work, a delay to a benefit claim and increased energy/food costs.

55. The Homelessness Monitor: Wales 2021 report commissioned by Crisis showed that the first year of the pandemic saw a continuation of the pre-pandemic trend of rising homelessness demand. It is predicted that the economic aftermath of the pandemic risks a noticeable immediate rise in core homelessness, but a range of emergency measures have been alleviating this and may continue to do so.

Environment

56. One of the themes that has become apparent during the pandemic is the major climate and nature emergency that is facing the world. Natural Resources Wales concludes that biological diversity has declined and Wales is using up resources at an unsustainable rate. Progress is being made in some areas, as Wales continues to be one of the leading nations in the world on recycling and there has been further progress in renewable energy capacity. The number of newly registered ultra-low emission vehicles has tripled (although from a low base).
57. The State of Natural Resources Report (SoNaRR) was published in December 2020. It assessed progress against the four aims of the sustainable management of natural resources and shows how Wales's use of natural resources is impacting on society, economy and the environment. The report's overall conclusions are that we are using up natural resources at an unsustainable rate and we have not been proactive in enhancing and safeguarding our natural resources.
58. Updated national indicators show that around 245,000 properties are at risk of flooding from seas, rivers and surface water. The recycling rate continued to increase with nearly two-thirds of municipal waste reused, recycled or composted in 2019-20 and the amount of municipal waste generated decreased by 2 per cent.
59. Installed electrical capacity and installed heat capacity from renewable energy both increased by 5 per cent respectively. The amount of renewable electricity generated is approximately half (51 per cent) of electricity consumed in Wales.
60. This annex provides case studies below on the impacts of specific spending decisions to supplement the information we have provided in Chapter 4.

Case Study – Basic Income

61. In recent years, against a backdrop of global economic recession, the ongoing context of austerity and more recently the COVID 19 pandemic, there has been a resurgence of interest in different approaches to welfare, particularly to basic income schemes. These schemes are in place of a welfare payment linked to need, and advocate a level of minimum level income which should be sufficient to cover all needs, often as an incentive and means of addressing unintended impacts of welfare systems as a barrier to work. There are then a range of different basic income schemes ranging from targeted basic income through to universal provision. The World Health Organisation (WHO) Regional Office for Europe is considering the potential for basic income as a means to address health inequities, framing the debate as a matter of social justice.
62. The Programme for Government 2021-2026 made a commitment to pilot the use of a basic income scheme in Wales that illustrates the model of progressive universalism that the Welsh Government has followed for over 20 years.
63. To take this work forward we are considering the lessons learned from other countries that have already introduced the concept of basic income and how this could be applied in the Welsh context.
64. The pandemic has hit some of the most vulnerable groups in Wales the hardest, few more so than young people leaving the care system. Additional support at this age could provide a more solid foundation for care-experienced young people to build their adult lives from.
65. We therefore intend to develop and deliver a basic income trial with a cohort of young people leaving care which will test the stated benefits of basic income, such as addressing poverty and unemployment, and improving health and financial wellbeing.
66. We propose to work with this cohort, many of whom face poverty and other forms of disadvantage, to understand the unique challenges they have faced. We will use these insights to test how cash payments, improved access to services plus system re-engineering could better help them to live the kind of lives they want to lead. We intend that the experience of care leavers is embedded into the early stages of the design and delivery of the pilot.
67. We will develop a suite of measures to improve the delivery of the pilot and to assess its impact on the lives of those young people who take part in the scheme. Learning from the trial, a clear review and set of recommendations, co-created with the participants, will be prepared. This will allow for successful aspects of the intervention to be replicated and lessons to be learned benefitting both care leavers and the wider Welsh population.
68. This pilot will sit alongside the additional investment for care leavers which is already in place, such as access to Junior ISAs, the St David's Day Fund and Council Tax exemptions.

Case Study – Free School Meals

69. We are proud of our record on delivering free school meal provision for pupils in Wales and are committed to building on that provision. For many years free school meals have been a central pillar in our approach to ensuring no child goes hungry, tackling poverty, securing the well-being of future generations and reducing the inequalities associated with socio-economic disadvantage across education, health, and future prosperity.
70. The COVID 19 pandemic has thrown into sharp focus the additional financial pressures facing families in Wales, and particularly those families with children eligible for free school meals. As part of our response to these pressures we provided £83.3m between 2020-21 and 2021-22 ensuring eligible learners were not only able to continue accessing a nutritious, free school meal during periods where they were unable to attend their setting due to pandemic-related disruption, but also ensuring they were able to access a similar offer throughout the school holidays during this particularly difficult time.
71. Earlier this year, our Programme for Government set out our intention to continue to meet rising demand for free school meals resulting from the pandemic, and to review the eligibility criteria, extending entitlement as far as resources allow. Building on this, on 22 November, we announced a Co-operation Agreement with Plaid Cymru, committing us to extend free school meals to all primary school pupils over the lifetime of the agreement. This represents an important further step to reaching our shared ambition that no child should go hungry and, in taking this action, an additional 196,000 children will become eligible to take up the offer of a free school meal in Wales.
72. To support the rollout of this commitment, we are providing an additional £90m up to 2024-25. Reflecting the importance of partnership working and preparatory work ahead of full rollout of this enhanced offer, this commitment will be delivered in stages, with an additional £40m being made available in 2022-23, a further additional £30m in 2023-24, and a further additional £20m in 2024-25.
73. Our ambitions are informed by evidence younger children are more likely to be living in relative income poverty, with our commitment representing a transformational intervention aimed at tackling poverty and child hunger. Evidence also points toward wider benefits, including raising the profile of healthy eating, increasing the range of food pupils eat and improving their social skills at meal times as well as improvements to behaviour and attainment.
74. More widely, and as set out in our Programme for Government and the Co-operation Agreement, we explicitly acknowledge the importance of increasing the supply of Welsh food onto the school plate to shorten supply chains and reduce carbon emissions, support local food producers and distributors and strengthen the Foundational Economy – building on work already underway. We therefore remain committed to drawing on existing and developing new levers that will encourage the production and supply of local, ethically sourced food as part of the school meal offer in Wales, which will in turn benefit local businesses, economies, the climate and communities.

Case Study – Looked after Children Preventative Budgeting

75. There are significant high costs associated with maintaining children in local authority care. Children who are care-experienced have poorer outcomes in education, physical and mental health, labour market participation and criminal justice compared to their peers. Subsequently there are additional hidden lifetime costs to care-experienced children, in addition to the practical cost of maintaining children in local authority care.
76. The issue of looked after children is a policy area where preventative action can clearly be separated from actions and investments which deal with the issues associated with care leavers.
77. Therefore we are targeting our preventative approach at an area where it could have the greatest impact, aligned with the Programme for Government objective for looked after children.
78. In addition to our Basic Income Pilot, we are in the process of considering how to fund prevention and early intervention initiatives that de-escalate crises to prevent children from coming into contact with statutory services in the first place and to help support children remaining with their families. This will then avoid the high costs associated with maintaining children in local authority care as well as the lifetime costs and adverse impacts which too often affect care-experienced children and adults.
79. As part of our work and testing out a focused preventative approach we are exploring the following areas and how effective they could be:
 - Fostering Services: We have already made investments in a national body to develop an all-Wales brand for foster care services in the form of Foster Wales which is aimed at increasing the number of local authority foster carers. We are now exploring what further investments in this area could deliver and the work undertaken so far.
 - Parenting: This involves examining interventions where children and young people are on the edge of care and what measures can be taken to avoid escalation and entering the care system. There is also the potential to examine the corporate parenting role to ensure the best services are provided.
 - Preventative services: This area is vital in supporting change where it is needed through additional investment and support.
80. Work is ongoing to develop the approach it will take to making investments and measuring outcomes. Further details will be made available early in 2022. The aim is to have a real impact on children and young people so that we see reduced numbers entering the care system and improved life chances. The aim is also to act as a model for demonstrating how preventative approaches to investment have both short and long term impacts in terms of the investment needed to deal with negative outcomes and the improvement in life chances.

Case Study – Young Person’s Guarantee

81. The Welsh Government is determined that there will be no lost generation in Wales as a result of the pandemic. The Young Person’s Guarantee was launched in November 2021 and is an ambitious programme designed to provide everyone under 25 in Wales with the offer of work, education, training or self-employment.
82. Young people have been disproportionately disadvantaged by the pandemic and bold action must be taken to enable them to get the best possible start in their careers. We want to give young people the support they need for a brighter future when leaving school, college, university, if they are unemployed or facing redundancy.
83. Working Wales is now the single gateway for every 16 to 24 year old in Wales to access the Young Person’s Guarantee, with support and advice from advisers provided through multiple forums including virtually, in the high street and improved outreach facilities across Wales.
84. Whatever the uncertainties we face, we can be sure of one thing: failing to step up to support young people today, guarantees economic failure tomorrow. The guarantee is supported by wide-ranging provision to ensure young people can take up effective support that works for them.
85. Our next steps in the development of the guarantee will include initiatives such as an enhanced programme for young people aiding their transition into self-employment with a package of business and financial support and advice; specific pathways to support recruitment into growth sectors; ensuring that people are prepared for jobs of the future via two new flexible employability programmes, ReAct Plus and Jobs Growth Wales Plus, prioritising young people and net zero skills via the apprenticeship programme.
86. To enable the Welsh Government’s commitment to support gender budgeting, we are undertaking a gender budgeting pilot on the Young Person’s Guarantee to help to identify and understand potential impacts - including unintended impacts on different groups - to improve how we prioritise and allocate resources.

Case Study – Zero-Base Capital Review

87. In preparation for the 2022-23 draft Budget, a fundamental zero-base review of all Welsh Government general capital budgets was undertaken. Instead of bringing forward baseline budgets from the previous year, and then revising for reprioritisation and additional pressures, all departmental budgets have been reset to zero. A review of departmental proposals was then undertaken, following assessment against a range of key criteria with tackling the climate and nature emergency at the heart.
88. We undertook this approach in light of the scale and pace of change being faced. Capital policy is moving at a faster pace than has been seen in the last 50 years with the scale of this change driving the need to deliver multiple and sustainable benefits from the infrastructure we invest in. In the face of the climate and nature emergency we recognise the fundamental linked impacts of infrastructure on the environment, and the role and value of nature as a form of infrastructure itself. Balancing the short and long term we also recognise that much of the infrastructure we will invest in over the next 10 years in Wales will last for decades.
89. By undertaking this zero-based approach we have been able to realign our capital budgets with our Programme for Government, ensuring that our financial allocations are properly targeted at those interventions which deliver against the key commitments of this government.
90. Undertaking a three-year Spending Review also presented an opportunity to provide spending departments and our stakeholders with an element of longer-term certainty that we have been lacking in recent years. By building our capital budgets “from the ground up” we have been able to better profile capital spend across a range of programmes across the three years, prioritising different interventions in different financial years
91. Crucially, by undertaking a zero-based review, we have been able to immediately operationalise our new 10 year Wales Infrastructure Investment Strategy (WIIS), published alongside this draft Budget. The WIIS sets a framework that establishes the outcomes that investment in our infrastructure must enable, brigaded around the four well-being domains – Environmental, Social, Economic and Cultural. Within this framework, our overarching commitment to addressing the climate and nature emergency is embedded, delivering the Programme for Government commitment to develop an infrastructure investment plan to support a zero-carbon economy.
92. The WIIS is underpinned by the first Infrastructure Finance Plan (IFP) which sets out the key infrastructure investment that we need to make over the financial years 2022-23, 2023-24 and 2024-25 to deliver a set of strategic actions. Undertaking a zero-based review of capital budgets means that we have been able to reposition our collective suite of investments to most effectively deliver the strategy, and drive focus on investments to tackle the climate and nature challenges we face.

Case study – National Forest for Wales

93. The value of nature and the benefits and outcomes it delivers is critical as we seek to address the climate and nature emergency. Our National Forest Programme, launched in March 2020, outlines our ambition for a National Forest that extends the length and breadth of Wales. This programme will provide many opportunities for planting, growing and protecting trees. It will also contribute to our decarbonisation goals, help tackle the climate change emergency and halt the decline of biodiversity. Our National Forest Programme will also improve the health and wellbeing of our people as well as supporting commercial business activity.
94. The programme aims to plant 43,000 hectares of new woodland by 2030 and 180,000 hectares by 2050, greatly increasing the amount of carbon that will be captured and stored and contributing to the new National Forest.
95. We are therefore investing an additional £12m of revenue and a total capital investment of £57m in the National Forest and Welsh Timber Strategy 2024-25. This investment will support delivery of our Programme for Government commitments to create a National Forest to extend from the north of Wales to the south, support communities to create 30 new woodlands, connect habitats and protect ancient woodlands. It will also create a timber industrial strategy as part of our ambition to address the climate and nature emergency.
96. In this Budget we will be taking forward the learning gained in the first two years of the programme, including through creating 30 new areas of National Forest. We will also offer every household in Wales a tree to either plant or have planted on their behalf, and will create 100 Tiny Forests.
97. The main aim of this programme is to connect woodlands across Wales and enhance environmental, social and economic benefits for future generations. Benefits are multiple and include economic paybacks through job creation and provision of our own timber products which would significantly reduce our carbon footprint by reducing imports. Environmental benefits include enhancing biodiversity so that our woodlands become more resilient. There are also clear social and physical benefits. Research shows that mental health benefits gleaned from spending time in Wales's woodlands saves the NHS and employers around £13m in mental health care costs. Nearly half the UK population say they are now spending more time outside compared to before the pandemic, with a majority saying they felt happier when in woodlands and nature.
98. Investing in our woodlands means better health for all; it makes economic sense by saving society millions of pounds; and it makes environmental sense as it helps us tackle the twin challenges of climate change and biodiversity loss.

Annex E: Technical information

Innovative Finance schemes

1. In previous Budgets, we have set out the range of innovative finance schemes that have been developed.
2. Unhypothecated funding continues to be distributed through the Revenue Support Grant, for two Local Government borrowing initiatives – for highways and schools. Funding also continues to be allocated for two rounds of investment using the Housing Finance Grant.
3. The Coastal Risk Management Programme (CRMP) will continue to see investment in local authority coastal defence assets to manage current and future risks from climate change and sea level rise to coastal communities across Wales. Construction of the first scheme commenced in 2019-20 and the budget continues to roll-over funding for the programme up to 2024-25. There are currently 17 local authority schemes in the programme and in allocating a three year settlement. We will continue to monitor the delivery profile.
4. Three schemes are currently being delivered using the Mutual Investment Model (MIM). Construction of the A465 dualling project is underway and expected to complete in 2025. Welsh Government continue to work with the Education Strategic Delivery Partner and the construction of a pipeline of schools and colleges is expected to commence in 2022. Procurement of the private sector partner to deliver the Velindre Cancer Centre is currently live.
5. Service payments for MIM schemes will not begin until the assets are available for public use.
6. Financial transactions capital will continue to be used to finance the public sector shareholding in MIM schemes with further consideration being given to these costs as part of our 2022-23 Final Budget preparations. This shareholding will be evaluated and managed by the Development Bank of Wales (DBW) on behalf of Welsh Ministers.
7. Innovative finance and MIM schemes provide a much-needed boost to capital budgets, enabling more than £2bn of infrastructure investment and ensuring vital facilities for the public are delivered sooner than would have otherwise been achievable. The role that our innovative finance schemes will play in supporting the outcomes established in the new Wales Infrastructure Investment Strategy are set out in the first Infrastructure Finance Plan

Annex F: Budget Improvement Plan

Alongside this draft Budget, we have published an update to our Budget Improvement Plan. We first published this Plan alongside the 2020-21 draft Budget, which outlines our vision, including short-term and medium-term ambitions over the next five years, to improve the budget process aligned to the Well-being of Future Generations Act including the five ways of working to drive continuous improvement as well as improving these processes to tackle inequality and address socio-economic disadvantage. This update presents our rolling five-year ambitions as well as a summary of our progress against planned commitments from last year's Plan during 2021.

This has been published as a separate document and can be found at:

<https://gov.wales/draft-budget-2022-2023>

Annex G: Implementation costs of legislation

Costs of Implementing Enacted Legislation in 2022-23

[Click on the title of each Act for background information]

Title of Act	Which BEL funds the costs?	Implementation phase	Year	RIA estimate of costs (£)	Amount set aside in Budget (£)
Health and Social Services					
Children (Abolition of Defence of Reasonable Punishment) (Wales) Act 2020	Support for Families & Children (1085)	March 2022	2022-23	793,000	1,230,000
		–	2023-24	693,000	1,130,000
		March 2027	2024-25	643,000	1,080,000
Public Health (Wales) Act 2017 ¹¹	Health Improvement & Healthy Working	July 2017	2022-23	20,000	20,000
		–	2023-24	20,000	20,000
		On-going	2024-25	26,700	26,700
Regulation and Inspection of Social Care (Wales) Act 2016 ¹²	Sustainable Social Services	2016	2022-23	606,000	606,000
		–	2023-24	599,000	599,000
		On-going	2024-25	599,000	599,000
Public Health (Minimum Price for Alcohol) (Wales) Act 2018	Substance Misuse	2019-20	2022-23	70,000	70,000
		–	2023-24	72,340	72,340
		2023-24	2024-25	N/A	N/A
Health and Social Care (Quality and Engagement) (Wales) Act 2020	Healthcare Quality Improvement	2020	2022-23	1,098,000	1,098,000
		–	2023-24	713,000	713,000
		On-going	2024-25	713,000	713,000

¹¹Opportunity costs identified in the RIA have been removed from estimated figures, which now show only costs where a flow of funds was expected. Actual costs and the amount set aside for years covered by this budget have been updated following re-profiling during the implementation phase.

¹²Due to the phased approach adopted for implementation, costs to the service regulator have been staggered rather than concentrated in the first year as indicated in the RIA.

Title of Act	Which BEL funds the costs?	Implementation phase	Year	RIA estimate of costs (£)	Amount set aside in Budget (£)
Local Government and Housing					
Renting Homes (Wales) Act 2016¹³ and Renting Homes (Amendment) (Wales) Act 2021	Housing Policy (1100)	Jan 2016 – April 2021	2022-23	60,000	60,000
			2023-24	—	—
			2024-25	—	—
Education and Welsh Language					
Additional Learning Needs and Education Tribunal (Wales) Act 2018¹⁴	5115 (Additional Learning Needs)	Sept 2021 – August 2024	2022-23	—	6,936,000
			2023-24	—	6,936,000
			2024-25	—	6,936,000
Curriculum and Assessment (Wales) Act 2021¹⁵	Curriculum Reform 5167 Curriculum and Assessment 5162 Qualifications Wales 5166 Teacher Development & Support 4880	April 2021 – September 2026	2022-23	23,600,000 to 33,830,000	35,048,000
			2023-24	20,080,000 to 23,340,000	34,518,000
			2024-25	19,120,000 to 20,700,000	30,933,000

¹³Due to a delay in implementation the anticipated costs have been re-profiled into the current and future years.

¹⁴Implementation period will continue for longer than anticipated in RIA

¹⁵Amounts set aside in Budget for financial year 2022-23 onwards continues to include estimates for additional Qualifications Wales costs for new qualifications, plus £15m provision for Professional Learning alongside Curriculum Reform budget baselines – as well as additional provision to support learner wellbeing and progression being allocated in draft Budget 2022-23 (£5.33m (2022-23), £5m (2023-24) and £1.66m (2024-25))

Health and Social Services

Children (Abolition of Defence of Reasonable Punishment) (Wales) Act 2020

1. The purpose of the Act is to abolish the common law defence of reasonable punishment so it is no longer available in Wales to parents or those acting in loco parentis as a defence to assault or battery against a child. The act is intended to support children's rights by prohibiting the use of physical punishment, through removal of this defence. The intended effect of the Act, together with an awareness-raising campaign and support for parents, is to bring about a further reduction in the use and tolerance of the physical punishment of children in Wales.

Public Health (Wales) Act 2017

2. Across its broad range of provisions, the Public Health (Wales) Act will make an important contribution to public health in Wales. This puts in place important protections for the public, including extending the smoke-free requirements to certain open spaces, a mandatory licensing scheme for special procedures, as well as prohibiting the intimate piercing of anybody under the age of 18. The Act addresses other important public health issues including obesity and the planning of toilets for use by the public.

Regulation and Inspection of Social Care (Wales) Act 2016

3. The Regulation and Inspection of Social Care (Wales) Act is a set of provisions that provides a revised and streamlined legislative framework for the regulation and inspection of care and support in Wales. The Act proposes to introduce changes that will:
 - reform the regulatory regime for care and support services;
 - provide a regulatory framework that requires an approach to the regulation of care and support services focused on outcomes for service users;
 - reform the inspection regime for local authority social services functions;
 - reconstitute and re-name the Care Council for Wales as Social Care Wales and broaden its remit; and
 - reform regulation of the social care workforce.

Public Health (Minimum Price for Alcohol) (Wales) Act 2018

4. The Act provides for a minimum price for the sale and supply of alcohol in Wales by certain persons and makes it an offence for alcohol to be sold or supplied below that price.

5. The Act includes provision for:
 - the formula for calculating the applicable minimum price for alcohol by multiplying the percentage strength of the alcohol, its volume and the minimum unit price (MUP);
 - powers for Welsh Ministers to make subordinate legislation to specify the MUP;
 - the establishment of a local authority-led enforcement regime with powers to bring prosecutions; and
 - powers of entry for authorised officers of a local authority, an offence of obstructing an authorised officer and the power to issue fixed penalty notices (FPNs).
6. The Act proposes the MUP would be specified in regulations. However, for the purpose of assessing impacts and the associated costs and benefits, the Explanatory Memorandum uses a 50p MUP as an example.

Health and Social Care (Quality and Engagement) (Wales) Act 2020

7. The act is a mechanism for improving and protecting the health, care and well-being of the current and future population of Wales, building on the assets we have in Wales to strengthen and future proof our health and social care services for the future. This will also facilitate a stronger citizen voice, improving the accountability of services to deliver improved experience and quality of care for people in Wales, and contributing to a healthy and prosperous country. Taken together the provisions are intended to have a cumulative positive benefit for the population of Wales and to put in place conditions which are conducive to improving health and well-being. The Act proposes to introduce changes that will:
 - place quality considerations at the heart of all that NHS bodies in Wales and the Welsh Ministers (in relation to their health functions) do;
 - place a duty of candour on all NHS bodies at an organisational level, requiring them to be open and honest when things go wrong. In relation to the duty of candour, NHS bodies are defined as local health boards, Trusts, Special Health Authorities (including NHS Blood and Transplant in relation to its Welsh functions) and primary care providers in Wales in respect of the NHS services they provide;
 - strengthen the voice of citizens across health and social services, further connecting people with the organisations that provide them with services; and
 - strengthen the governance arrangements for NHS Trusts.

Housing and Local Government

Renting Homes (Wales) Act 2016

8. At the heart of the Act are the new 'occupation contracts'. With a limited number of exceptions, the Act replaces all current tenancies and licences with just two types of occupation contract:
 - secure contract – modelled on the current secure tenancy issued by local authorities; and
 - standard contract – modelled on the current assured shorthold tenancy used mainly in the private rented sector.
9. The Act requires landlords to issue a written statement of the occupation contract which clearly sets out the rights and responsibilities of landlords and those renting from them. A minimum six-month occupation period will be maintained by the Act and landlords will have to ensure the property is fit for human habitation. The Act also helps protect people from being evicted simply for complaining about the condition of a property.
10. People who find themselves in difficult circumstances also benefit from the Act. It will help to prevent current homelessness situations where a joint tenant leaves the tenancy, thereby ending the tenancy for everyone else. The new approach to joint contracts will also help victims of domestic abuse by enabling the person carrying out domestic abuse to be targeted for eviction.

Education

Additional Learning Needs and Education Tribunal (Wales) Act 2018

11. The Additional Learning Needs and Education Tribunal (Wales) Act 2018 replaces the current Special Educational Needs (SEN) framework with a reformed system based on Additional Learning Needs (ALN).
12. The Act makes provision for universal, statutory Individual Development Plans for all children and young people with ALN. This will bring an end to the current distinction between school led interventions and local authority issued statements and will integrate the separate legislative arrangements that exist for pupils in schools and post-16 students in colleges. The Act also seeks to improve collaboration between local authorities and health boards, as well as establishing a fairer and more transparent system with greater emphasis on disagreement avoidance and dispute resolution.

Curriculum and Assessment (Wales) Act 2021

13. The Curriculum and Assessment (Wales) Act 2021 provides for the establishment of a new and reformed legislative framework to support the implementation of the new curriculum and assessment arrangements as part of a wider programme of education reform in Wales.

Annex H: 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. Local Authority expenditure financed by non-domestic rates is also reflected in AME budgets.</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 eight MEGs: Health and Social Services; Finance and Local Government; Education and the Welsh Language; Climate Change; Economy; Rural Affairs; Social Justice; 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>