



Llywodraeth Cymru
Welsh Government

WELSH GOVERNMENT

Supplementary Budget

2023-2024

Explanatory Note

June 2023

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1. Introduction

- 1.1** The Welsh Government today tabled the first supplementary budget for 2023-24 in accordance with Standing Order 20. This supplementary budget proposes changes to the Final Budget for 2023-24 as approved by Senedd Cymru ('the Senedd') on 7 March 2023.
- 1.2** This supplementary budget regularises allocations to and from reserves, transfers within and between portfolios and includes adjustments to the Wales budget to reflect the impact of UK Government fiscal events.
- 1.3** The changes proposed in this budget are summarised in the following chapters.
- 1.4** This document supports the detailed 'Budget Expenditure Line (BEL) Tables' available on the Welsh Government's website.

2. Key Allocations

2.1 Teachers' Pay

This supplementary budget includes £27.962m being drawn from the Wales Reserve and allocated to the Education and the Welsh Language MEG to support local authorities with the costs of the 2022-23 [pay award](#) for teachers that fall in the 2023-24 financial year and ensuring pay parity for Further Education institutions.

2.2 Implementation of International Financial Reporting Standard 16 (IFRS16) - Leases

The first supplementary budget of 2023-24 actions the budgetary effects of the changes to the way in which leasing arrangements are reflected in Welsh Government budgets following the implementation of IFRS16.

The new standard was adopted by the public sector from 1st April 2022 and was first reflected in the Welsh Government's 1st Supplementary Budget for 2022-23, published in June 2022.

IFRS16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard requires the majority of leases, other than those for low value items or for less than one year, to be treated in the financial statements comparably to owned assets.

IFRS16 brings the vast majority of leases onto the balance sheet. For those leases, there are three impacts on resource (RDEL) and capital (CDEL) budgets:

- capital expenditure (CDEL) at lease commencement, for the asset recognised on-balance sheet;
- ringfenced depreciation (RDEL non-fiscal), due to depreciation on the leased asset over the life of the lease; and
- non-ringfenced resource expenditure (RDEL fiscal) for the interest incurred over the life of the lease.

There are small impacts on Annually Managed Expenditure (AME) budgets, both capital and revenue in respect of 'peppercorn' leases (i.e., leases with a nominal level of lease payment) and provisions for dilapidations.

The charge to CDEL only applies to new and renewed leases from 2022-23. Depreciation and interest will apply to all leases assessed under IFRS16 from 2022-23.

The budget reclassification implications of adopting IFRS16 are being met by HM Treasury for the current Spending Review period i.e., 2022-23 to 2024-25. As the previous settlement included RDEL for the lease payments on existing leases, part of the reclassification is a reduction to the RDEL (fiscal) budget as this is no longer needed. Cash will continue to be available to make lease payments, but these will no longer be reflected through RDEL (fiscal) budgets.

The implementation of IFRS16 does not affect existing spending power. The adjustments in this supplementary budget reflect the changes to how leasing arrangements within existing plans are now required to be reported in budgets.

The implementation of IFRS 16 also applies to the Senedd Commission, Public Services Ombudsman Wales and Audit Wales. Where necessary, each of those bodies have provided an Explanatory Memorandum to the Finance Committee setting out the changes required. Those changes are now reflected in this supplementary budget.

The overall adjustment to the Welsh budget as a result of IFRS16 implementation is a:

- Reduction to RDEL (fiscal) of £100.118m;
- Increase to RDEL (non-fiscal) of £104.842m; and
- Increase to CDEL (capital) of £435.969m

Details of the affected MEGs can be found in table 6.1 of Chapter 6.

Table 2 sets out the adjustments required to the 2023-24 budget.

Table 2 – Changes to Budgets to Reflect IFRS16 Requirements

MEG Allocations:	DEL			AME	
	Resource (Fiscal)	Resource (Non-fiscal)	Capital	Resource	Capital
	£m	£m	£m	£m	£m
Health & Social Services	-40.978	40.433	96.057	1.671	0.456
Finance & Local Government	0	0	0	0	0
Education & The Welsh Language	-0.154	0.170	0	0	0
Climate Change	-52.412	55.763	337.220	0	0
Economy	-3.478	3.322	0.295	0	0
Rural Affairs	0	0	0	0	0
Social Justice	-0.043	0.045	0	0	0
Central Services & Administration	-1.087	1.584	2.397	0	0
TOTAL	-98.152	101.317	435.969	1.671	0.456

Direct Funded Bodies:	DEL			AME	
	Resource (Fiscal)	Resource (Non-fiscal)	Capital	Resource	Capital
	£m	£m	£m	£m	£m
Senedd Commission	-1,750	3.278	0	0	0
PSOW	-0.191	0.222	0	0	0.028
Audit Wales	-0.025	0.025	0	0	0
TOTAL	-1.966	3.525	0	0	0.028

TOTAL	-100.118	104.842	435.969	1.671	0.484
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3. Changes to the Wales Budget since Final Budget 2023-24

3.1 Tables 3.1 to 3.4 set out the net impact of all the changes to the Welsh budget. Table 3.5 summarises the total allocations by MEG.

Table 3.1 – Sources of Finance for Welsh Government

COMPONENTS OF WELSH GOVERNMENT FINANCING	2023-24 Final Budget	Changes	2023-24 Supplementary Budget New Plans June 2023
	£000s	£000s	£000s
RESOURCE FINANCING			
Departmental Expenditure Limit (DEL):			
Fiscal	15,988,511	-226	15,988,285
Non-Fiscal	1,582,490	220,764	1,803,254
Drawdown from the Wales Reserve	38,000	27,962	65,962
Annually Managed Expenditure (AME):			
Fiscal	24,546	0	24,546
Non-Fiscal	-255,541	1,671	-253,870
Wales Devolved Financing:			
Non-Domestic Rates	906,000	0	906,000
Welsh Rate of Income Tax	2,765,500	0	2,765,500
Land Transaction Tax	312,344	0	312,344
Landfill Disposals Tax	40,802	0	40,802
Principal repayment of borrowing	-6,637	2,183	-4,454
TOTAL RESOURCE FINANCING	21,396,015	252,354	21,648,369
CAPITAL FINANCING			
Departmental Expenditure Limit (DEL):			
General	2,514,686	539,213	3,053,899
Financial Transactions	95,754	-2,992	92,762
Annually Managed Expenditure (AME):			
Capital	1,386,494	456	1,386,950
Wales Devolved Financing:			
Borrowing	150,000	0	150,000
TOTAL CAPITAL FINANCING	4,146,934	536,677	4,683,611
TOTAL WELSH FINANCING	25,542,949	789,031	26,331,980

Table 3.2 – Allocation of the Wales Budget

MAIN EXPENDITURE GROUPS (MEGs)	£000s		
	2023-24 Final Budget (Restated)	Changes	2023-24 Supplementary Budget New Plans June 2023
Health and Social Services	10,980,917	151,018	11,131,935
Finance and Local Government	6,031,528	54,590	6,086,118
Education and the Welsh Language	3,432,232	38,788	3,471,020
Climate Change	2,989,442	347,456	3,336,898
Economy	604,157	-9,011	595,146
Rural Affairs	448,706	-1,022	447,684
Social Justice	178,288	2,744	181,032
Central Services and Administration	362,810	2,840	365,650
Total Allocation to Welsh Government MEGs	25,028,080	587,403	25,615,483
Unallocated Resource	Fiscal Resource	12,995	60,095
	Non-Fiscal Resource	542,528	661,975
General Capital Over Allocation	-98,542	37,495	-61,047
Financial Transactions Over Allocation / Unallocated Capital	-26,143	-2,192	-28,335
Senedd Commission ^{Note 1}	67,643	-435	67,208
Public Services Ombudsman for Wales ^{Note 2}	5,750	213	5,963
Wales Audit Office	8,452	0	8,452
Electoral Commission	1,414	0	1,414
Direct Charges to the Welsh Consolidated Fund	772	0	772
TOTAL WELSH BUDGET	25,542,949	789,031	26,331,980

Notes

1. A supplementary budget for 2023-24 was presented to Plenary by The Senedd Commission in June 2023. It reported a decrease of £435k in its fiscal resource.

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2. A supplementary budget for 2023-24 was presented to the Finance Committee by the Public Service Ombudsman for Wales (PSOW) in May 2023. It reported an increase in its fiscal resource of £213k.

Table 3.3 – Changes to the Welsh Government MEG Resource Allocations

MAIN EXPENDITURE GROUPS (MEGs)	£000s					
	FISCAL			NON-FISCAL		
	2023-24 Final Budget (Restated)	Changes	2023-24 Supplementary Budget New Plans June 2023	2023-24 Final Budget (Restated)	Changes	2023-24 Supplementary Budget New Plans June 2023
Health and Social Services	10,120,775	8,410	10,129,185	262,926	40,433	303,359
Finance and Local Government	4,900,641	-425	4,900,216	545	0	545
Education and the Welsh Language	1,778,125	38,618	1,816,743	491,667	170	491,837
Climate Change	928,875	-29,270	899,605	236,812	55,763	292,575
Economy	452,457	-12,328	440,129	13,912	3,322	17,234
Rural Affairs	400,689	-24,022	376,667	10,817	0	10,817
Social Justice	136,038	3,199	139,237	210	45	255
Central Services and Administration	332,590	-1,141	331,449	17,020	1,584	18,604
Total Allocation to Welsh Government MEGs	19,050,190	-16,959	19,033,231	1,033,909	101,317	1,135,226

Table 3.4 – Changes to the Welsh Government MEG Capital Allocations

MAIN EXPENDITURE GROUPS (MEGs)	£000s					
	GENERAL CAPITAL			FINANCIAL TRANSACTIONS		
	2023-24 Final Budget (Restated)	Changes	2023-24 Supplementary Budget New Plans June 2023	2023-24 Final Budget (Restated)	Changes	2023-24 Supplementary Budget New Plans June 2023
Health and Social Services	378,000	100,048	478,048	0	0	0
Finance and Local Government	223,889	55,015	278,904	0	0	0
Education and the Welsh Language	357,300	0	357,300	14,886	0	14,886
Climate Change	1,657,508	320,963	1,978,471	108,770	0	108,770
Economy	81,516	295	81,811	-2,253	-300	-2,553
Rural Affairs	37,200	23,000	60,200	0	0	0
Social Justice	17,000	0	17,000	494	-500	-6
Central Services and Administration	10,000	2,397	12,397	0	0	0
Total Allocation to Welsh Government MEGs	2,762,413	501,718	3,264,131	121,897	-800	121,097

3.2 An overview of the changes to the sources of finance are provided below and details of allocations from reserves can be found in chapter 6.

Adjustments to Sources of Finance

Fiscal Resource

- 3.3** The Fiscal Resource baseline has increased by a net amount of £27,736k comprising:
- An additional drawdown from the Wales Reserve of £27,962k;
 - An increase from Barnett consequentials totalling £44,222k and comprising:
 - £23,244k in respect of funding announced in the UK Spring Budget 2023; and
 - £20,978k received at the UK Government's Main Estimates in May 2023;
 - A transfer in of £48,528k from the Home Office in respect of the Immigration Health Surcharge;
 - A transfer in of £3,104k from HM Treasury in respect of Financial Advice Services;
 - A transfer in of £3,963k from the Department for Transport (DfT) in respect of the Core Valley Lines;
 - A Machinery of Government transfer in of £636k in respect of National Cyber Security funding from the Ministry of Defence;
 - A transfer in of £460k from the Ministry of Justice in respect of the Shared Outcomes Fund;
 - A transfer in of £5k from HMRC in respect of the tax conditionality to Local Authorities;
 - An increase of £1k in respect of a rounding adjustment to the Block Grant Adjustment;
 - A transfer out of £100,118k in respect of the implementation of IFRS16;

- A transfer out to the Department for Culture, Media & Sport (DCMS) of £911k in respect of the National Heritage Lottery Fund;
- A transfer out of £100k to HM Treasury in respect of funding the Office for Budget Responsibility for work undertaken on devolved tax forecasts; and
- A transfer out of £16k to Cabinet Office in respect of the Welsh Government's contribution to 'Civil Service Live 2023'.

Non-Fiscal Resource

3.4 Since the Final Budget the non-fiscal resource baseline has increased by £220,764k comprising:

- £115,922k received at the UK Government's Main Estimates in May 2023; and
- A transfer of £104,842k in respect of the implementation of IFRS16.

Wales Devolved Financing

3.5 There are no changes to the devolved tax income in this supplementary budget – forecasts continue to reflect those published at the time of the Final Budget.

Due to changes in interest rates the amount required to repay principal borrowing has reduced since the Final Budget. This increases the amount of financing available by £2,183k.

General Capital

3.6 The general capital baseline has increased by a net amount of £539,213k comprising:

- An increase from Barnett consequentials totalling £37,495k and comprising:
 - £22,932k received at the UK Government's Main Estimates in May 2023; and
 - £14,563k in respect of funding announced in the UK Spring Budget 2023.

- An increase in non-Barnett additions of £58,031k in respect of funding for City and Growth Deals;
- An increase of £435,969k in respect of the implementation of IFRS16;
- A transfer in of £9,793k from the DfT in respect of the Core Valley Lines; and
- A transfer out to DCMS of £2,075k in respect of the National Heritage Lottery Fund.

Financial Transactions Capital

3.7 The financial transaction baseline has decreased by £2,992k as a result of negative consequential deductions at the UK Government's Main Estimates in May 2023.

Table 3.5 – Summary of the Welsh Government MEG Total Allocations

2023-24 TOTAL MEG ALLOCATIONS as per SUPPLEMENTARY BUDGET										
£000s										
MAIN EXPENDITURE GROUPS (MEGs)	Resource			Capital			AME			TOTAL MEG ALLOCATION
	Fiscal	Non-Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total	
Health and Social Services	10,129,185	303,359	10,432,544	478,048	0	478,048	220,887	456	221,343	11,131,935
Finance and Local Government	4,900,216	545	4,900,761	278,904	0	278,904	906,453	0	906,453	6,086,118
Education and the Welsh Language	1,816,743	491,837	2,308,580	357,300	14,886	372,186	-596,212	1,386,466	790,254	3,471,020
Climate Change	899,605	292,575	1,192,180	1,978,471	108,770	2,087,241	57,477	0	57,477	3,336,898
Economy	440,129	17,234	457,363	81,811	-2,553	79,258	58,525	0	58,525	595,146
Rural Affairs	376,667	10,817	387,484	60,200	0	60,200	0	0	0	447,684
Social Justice	139,237	255	139,492	17,000	-6	16,994	24,546	0	24,546	181,032
Central Services and Administration	331,449	18,604	350,053	12,397	0	12,397	3,200	0	3,200	365,650
TOTAL ALLOCATIONS TO WELSH GOVERNMENT MEGs	19,033,231	1,135,226	20,168,457	3,264,131	121,097	3,385,228	674,876	1,386,922	2,061,798	25,615,483

4. Transfers between Ministerial Portfolios

4.1 There have been multiple transfers between Ministerial portfolios in this supplementary budget totalling £19,757k. The net impact of the transfers on each of the MEGs is summarised in the table below:

	Fiscal Resource £'000			Capital £'000		
	To	From	Net Transfers	To	From	Net Transfers
Health and Social Services	1,400	-1,000	400	3,991	0	3,991
Finance and Local Government	0	-496	-496	0	-3,016	-3,016
Education and the Welsh Language	11,074	-264	10,810	0	0	0
Climate Change	1,100	-4,010	-2,910	0	-975	-975
Economy	24	-8,874	-8,850	0	0	0
Rural Affairs	0	-1,022	-1,022	0	0	0
Social Justice	2,106	0	2,106	0	0	0
Central Services and Administration	62	-100	-38	0	0	0
	15,766	-15,766	0	3,991	-3,991	0

4.2 Details of the transfers in excess of £1m are as follows:

Fiscal Resource

4.3 Three transfers totalling £7,374k from the Economy MEG to the Education and Welsh Language MEG. These comprise:

- £4,374k from the Apprenticeships BEL to the Higher Education Funding Council for Wales (HEFCW) Programme Expenditure BEL for Degree Apprenticeships; and
- £3,000k from the Employability Including Young Persons Guarantee BEL to the Post-16 Provision BEL comprising:
 - £2,000k in respect of Employment Bureaus;
 - £1,000k in respect of the Net Zero Skills pilot.

- 4.4** A transfer of £3,700k from the Homelessness BEL within the Climate Change MEG to the Youth Engagement and Employment BEL within the Education & Welsh Language MEG in respect of Youth Homelessness.
- 4.5** A transfer of £1,400k from the Business & Regional Economic Development BEL within the Economy MEG to the Other NHS Budgets BEL within the Health and Social Services MEG in respect of funding for the Life Sciences Hub Wales.
- 4.6** A transfer of £1,000k from the Healthier Wales BEL within the Health and Social Services MEG to the Digital Inclusion BEL within the Social Justice MEG in respect of a contribution to the Digital Inclusion fund for the health procured programme.
- 4.7** A transfer of £1,000k from the Rural Investment Schemes BEL within the Rural Affairs MEG to the Natural Resources Wales BEL within the Climate Change MEG in respect of the Agricultural Pollution Regulations funding.

General Capital

- 4.8** A transfer of £3,016k from the Invest to Save BEL within the Finance and Local Government MEG to the Core NHS Allocations BEL within the Health and Social Services MEG in respect of the extension and refit of the Swansea Bay University Health Board's Brynwhillach Solar Farm.

5. Transfers within Ministerial Portfolios

5.1 In addition to the transfers between Ministerial Portfolios detailed in chapter 4, there are a number of transfers between BELs within the same portfolios which are included within the published BEL Tables. These are generally administrative in nature and have no net effect on the individual MEG totals. The MEGs where these transfers exceed £1m are detailed below:

Health and Social Services

5.2 Multiple resource transfers totalling £13,813k have taken place between BELs within the Health and Social Services MEG. In summary, these transfers:

- correctly align the allocations to Local Health Boards; and
- align allocations to fund specific commitments.

Education and the Welsh Language

5.3 Multiple resource transfers totalling £8,146k have taken place between BELs within the Education and Welsh Language MEG, the most significant of which are:

- £2,500k from the Tackling Disaffection BEL to the Community Schools BEL to enhance funding within Community Schools for Family Engagement Officers;
- £2,300k from the Post-16 Provision BEL to the HEFCW Programme Expenditure BEL to support a system wide Mental Health approach; and
- £1,675k from the Welsh in Education BEL to the Welsh Language BEL in respect of funding for the National Centre.

Climate Change

5.4 Multiple resource transfers totalling £3,455k and capital transfers totalling £10,800k have taken place between BELs within the Climate Change MEG, the most significant of which are £2,470k resource funding from

the Clean Energy BEL and £10,000k general capital from the Welsh Government Energy Service BEL to the newly created Ynni Cymru BEL.

Economy

5.5 Multiple resource transfers totalling £28,193k have taken place between BELs within the Economy MEG.

The most significant of which involve the Employability Including Young Persons Guarantee BEL and the details of which are as follows:

- £23,034k from the Communities for Work BEL following the merger of the 2 BELs;
- £1,500k to the Business Wales BEL to support young people under 25 years, learn about business and take active steps to becoming self-employed; and
- £1,268k to the Apprenticeships BEL in order to better align the ICT activity plan for 2023-24 with Commission for Tertiary Education & Research (CTER) developments.

Central Services and Administration

5.6 Two capital transfers totalling £5,355k have taken place between BELs in the Central Services and Administration MEG. Both involve the transfer of funds from the General Administration Expenditure BEL in order to align budgets to delegated responsibilities. The details are as follows:

- £4,355k to the IT Costs BEL; and
- £1,000k to the Enabling Government BEL.

6. Changes to Reserves

6.1 This budget regularises a number of allocations to and from reserves. A full list can be found in table 6.1.

Allocations from Fiscal Resource Reserves

6.2 Allocations totalling £112,645k have been made from fiscal resource reserves in this supplementary budget. These comprise £7,425k relating to the implementation of IFRS16, plus the following MEG allocations:

- Health and Social Services:
 - £48,528k to the Core NHS Allocations BEL in respect of the Immigration Health Surcharge; and
 - £460k to the Substance Misuse Action Plan Fund BEL in respect of the Shared Outcomes Fund.
- Finance and Local Government:
 - £166k to the Cost of Borrowing BEL due to changes in interest rates; and
 - £5k to the Local Govt General Revenue Funding BEL in respect of funding received from HMRC in relation to tax conditionality.
- Education and Welsh Language:
 - £21,300k to the Teacher Development and Support BEL in respect of the teachers' pay award; and
 - £6,662k to the Post-16 Provision BEL to support the pay award implications for post-16 to ensure pay parity with teachers' pay.
- Climate Change
 - £3,963k to the Transport for Wales BEL in respect of the funding received from DfT relating to the Core Valley Lines.
- Social Justice:
 - £1,136k to the Advice Services BEL in respect of debt advice.

Transfers to Fiscal Resource Reserves

- 6.3** Transfers totalling £129,604k have been made into fiscal resource reserves in this supplementary budget. These comprise:
- £105,577k relating to the implementation of IFRS16; and
 - £1,027k in respect of budget cover transfers paid to other government departments at the UK Government's Main Estimates exercise.

These involved:

- £100k from the Devolved Taxes BEL in the Finance and Local Government MEG in respect of the payment to HMT for the provision of independent tax forecasts by the Office for Budget Responsibility;
- £911k across multiple BELs within the Climate Change MEG in respect of the payment to DCMS for multiple programmes; and
- £16k from the General Administrative Expenditure BEL within the Central Services and Administration MEG in respect of the payment to the Cabinet Office for the Welsh Government's contribution to 'Civil Service Live 2023'.

Full details of these transfers can be found in table 6.1 below.

Allocations from Non-Fiscal Resource Reserves

- 6.4** Allocations totalling £101,317k have been made from non-fiscal resource reserves in this supplementary budget. All of these allocations relate to the implementation of IFRS16.

Allocations from General Capital Reserves

- 6.5** Allocations totalling £526,793k have been made from general capital reserves in this supplementary budget. These comprise:
- £435,969k relating to the implementation of IFRS16; and
 - £58,031k to the City and Growth Deals BEL within the Finance and Local Government MEG in respect of Growth Deals;
 - £27,000k relating to Cardiff City;

- £13,086k relating to Swansea Bay;
- £12,445k relating to North Wales; and
- £5,500k relating to Mid Wales.
- £9,793k to the Transport for Wales BEL within the Climate Change MEG in respect of the funding received from DfT relating to the Core Valley Lines.

Allocations to Financial Transaction Capital Reserves

6.6 There have been two transfers back to the financial transaction capital reserves in this supplementary budget:

- £300k from the Business Finance Fund BEL within the Economy MEG regarding the slippage of income from the Wales Capital Growth Fund from 2022-23; and
- £500k from the Financial Inclusion BEL within the Social Justice MEG as indications are that the existing allocation is not required in order to meet required thresholds. The position will continue to be reviewed.

Budget Switches

6.7 Within the Climate Change and Rural Affairs MEGs there have been multiple switches between the fiscal resource and general capital reserves. The net effect on both reserves is zero but full details of the movements are provided table 6.1 below.

Table 6.1 below reflects all the movements on reserves:

Table 6.1 - Changes to the 2023-24 Reserves since Final Budget and the Allocations from Reserves being made in this Supplementary Budget

	£000s						
	Fiscal Resource	Non-Fiscal Resource	Total Resource	General Capital	Financial Transaction Capital	Total Capital	Total
Reserves as per Final Budget	12,995	542,528	555,523	-98,542	-26,143	-124,685	430,838
Transfers & Consequentials since the Final Budget	-226	220,764	220,538	539,213	-2,992	536,221	756,759
Reduction in the principal repayment of borrowing	2,183	0	2,183	0	0	0	2,183
Drawdown from the Wales Reserve	27,962	0	27,962	0	0	0	27,962
Revised Reserves	42,914	763,292	806,206	440,671	-29,135	411,536	1,217,742
CHANGES:							
HEALTH & SOCIAL SERVICES							
IFRS 16:	40,978	-40,433	545	-96,057	0	-96,057	-95,512
Core NHS Allocations	35,459	-38,787	-3,328	-96,057	0	-96,057	-99,385
Other Direct NHS Allocations	1,545	0	1,545	0	0	0	1,545
Digital Health and Care Wales	1,091	-1,053	38	0	0	0	38
Health Education Improvement Wales	307	287	20	0	0	0	20
Public Health Wales	2,224	0	2,224	0	0	0	2,224
Social Care Wales	260	-211	49	0	0	0	49
Other NHS Budgets	92	-95	-3	0	0	0	-3

Others:	-48,988	0	-48,988	0	0	0	-48,988
Core NHS Allocations - Immigration Health Surcharge advance from the Home Office	-48,528	0	-48,528	0	0	0	-48,528
Substance Misuse Action Plan Fund - Shared Outcomes Fund funding from the Ministry of Justice	-460	0	-460	0	0	0	-460
HEALTH & SOCIAL SERVICES	-8,010	-40,433	-48,443	-96,057	0	-96,057	-144,500
FINANCE AND LOCAL GOVERNMENT							
Others:	-71	0	-71	-58,031	0	-58,031	-58,102
Local Govt General Revenue Funding – HMRC Tax Conditionality	-5	0	-5	0	0	0	-5
Devolved Taxes - Costs of OBR providing independent tax forecasts	100	0	100	0	0	0	100
Cost of Borrowing - Increase in the cost of borrowing	-166	0	-166	0	0	0	-166
City and Growth Deals - North Wales Growth Deal	0	0	0	-12,445		-12,445	-12,445
City and Growth Deals - Swansea Bay Growth Deal	0	0	0	-13,086		-13,086	-13,086
City and Growth Deals – Cardiff City Deal	0	0	0	-27,000		-27,000	-27,000
City and Growth Deals – Mid Wales	0	0	0	-5,500	0	-5,500	-5,500
FINANCE AND LOCAL GOVERNMENT	-71	0	-71	-58,031	0	-58,031	-58,102
EDUCATION AND THE WELSH LANGUAGE							
IFRS 16:	154	-170	-16	0	0	0	-16
Qualifications Wales	79	-94	-15			0	-15
Welsh Language Commissioner	75	-76	-1			0	-1
Others:	-27,962	0	-27,962	0	0	0	-27,962
Teacher Development and Support – Pay award	-21,300	0	-21,300	0	0	0	-21,300

Post-16 – Parity to teachers' pay award	-6,662	0	-6,662	0	0	0	-6,662
EDUCATION AND THE WELSH LANGUAGE	-27,808	-170	-27,978	0	0	0	-27,978
CLIMATE CHANGE							
IFRS 16:	52,412	-55,763	-3,351	-337,220	0	-337,220	-340,571
Transport for Wales	52,412	-55,763	-3,351	-337,220	0	-337,220	-340,571
Others:	-26,052	0	-26,052	15,282	0	15,282	-10,770
Marine Energy – Budget switch	-600	0	-600	600	0	600	0
Biodiversity, Evidence and Plant Health – Transfer to DCMS	174	0	174	0	0	0	174
Forestry – Transfers to DCMS and Budget switch	512	0	512	7,075	0	7,075	7,587
Natural Resources Wales – Budget switch	-17,400	0	-17,400	0	0	0	-17,400
Resource Efficiency and Circular Economy – Budget switch	0	0	0	12,400	0	12,400	12,400
Local Places for Nature – Transfer to DCMS	225	0	225	0	0	0	225
Transport for Wales – Transfer from DfT	-3,963	0	-3,963	-9,793	0	-9,793	-13,756
Sustainable and Active Travel – Budget switch	-5,000	0	-5,000	5,000	0	5,000	0
CLIMATE CHANGE	26,360	-55,763	-29,403	-321,938	0	-321,938	-351,341
ECONOMY							
IFRS 16:	3,478	-3,322	156	-295	0	-295	-139
Business & Regional Economic Development	0	-48	-48	0		0	-48
Property Infrastructure	2,589	-2,371	218	0	0	0	218
ICT Infrastructure	26	-32	-6	0	0	0	-6
Employability Including Young Persons Guarantee	570	-570	0	-295	0	-295	-295
Arts Council of Wales	157	-141	16	0	0	0	16
Cadw	50	-51	-1	0	0	0	-1
Royal Commission on the Ancient and Historical	82	-105	-23	0	0	0	-23

Monuments for Wales							
Sport Wales	4	-4	0	0	0	0	0
Others:	0	0	0	0	300	300	300
Business Finance Funds – Financial Transaction Repayment	0	0	0	0	300	300	300
ECONOMY	3,478	-3,322	156	-295	300	5	161
RURAL AFFAIRS							
Other:	23,000	0	23,000	-23,000	0	-23,000	0
Rural Investment Schemes – Budget switch	23,000	0	23,000	-23,000	0	-23,000	0
RURAL AFFAIRS	23,000	0	23,000	-23,000	0	-23,000	0
SOCIAL JUSTICE							
IFRS 16:	43	-45	-2	0	0	0	-2
Older People Commissioner	14	-16	-2	0	0	0	-2
Children's Commissioner	29	-29	0	0	0	0	0
Others:	-1,136	0	-1,136	0	500	500	-636
Advice Services - Debt Advice funding	-1,136	0	-1,136	0	0	0	-1,136
Financial Inclusion – Return of Financial Transaction allocation	0	0	0	0	500	500	500
SOCIAL JUSTICE	-1,093	-45	-1,138	0	500	500	-638
CENTRAL SERVICES & ADMINISTRATION							
IFRS 16:	1,087	-1,584	-497	-2,397	0	-2,397	-2,894
General Administration Expenditure	1,076	-1,584	-508	-2,397	0	-2,397	-2,905
International Relations	11	0	11	0	0	0	11
Others:	16	0	16	0	0	0	16

General Administration Expenditure - Contribution to the Cabinet Office for 'Civil Service Live 2023'	16	0	16	0	0	0	16
CENTRAL SERVICES & ADMINISTRATION	1,103	-1,584	-481	-2,397	0	-2,397	-2,878
OTHER CHANGES AFFECTING RESERVES							
Senedd Commission	435	0	435	0	0	0	435
Public Services Ombudsman for Wales	-213	0	-213	0	0	0	-213
Wales Audit Office	0	0	0	0		0	0
OTHER CHANGES AFFECTING RESERVES	222	0	222	0	0	0	222
Reserves in this Budget	60,095	661,975	722,070	-61,047	-28,335	-89,382	632,688

Wales Reserve

6.8 The balances held in the Wales Reserve are updated each financial year to take account of the following movements:

- Increases due to underspends arising after the calculation of the final outturn position for the previous financial year; and
- Decreases due to the amounts drawn down from the Reserve in year.

The annual drawdown limits from the Wales Reserve are £125m resource and £50m capital. The capital drawdown can comprise of general and financial transaction capital.

As an exception for 2023-24 only, the Chief Secretary to the Treasury has waived the drawdown limits thereby allowing Welsh Government to drawdown resource and capital up to the maximum amounts available in the Wales Reserve.

Table 6.2 below illustrates the confirmed amounts currently held in the Wales Reserve.

Table 6.2 - Balances currently held in the Wales Reserve

MOVEMENTS	£'000		
	Non Ringfenced Resource	General Capital	Financial Transaction Capital
Balance brought forward from 2021-22	242,352	61,596	0
In-year drawdown for 2022-23	(125,000)	(50,000)	0
Underspends from 2022-23 Final Outturn	To be confirmed	To be confirmed	To be confirmed
Drawdown included in this supplementary budget	(65,962)	0	0
Current Balance Available in Wales Reserve	51,390	11,596	0

7. Annually Managed Expenditure (AME) Budgets

- 7.1** AME budgets detailed in the 2023-24 Final Budget reflected the last forecasts provided to HM Treasury.
- 7.2** The changes reflected in the 1st Supplementary Budget relate solely to the impact of the implementation of IFRS16 as detailed in chapter 2.

Table 7.1 below sets out the current AME budgets.

Table 7.1 – Changes to the Welsh Government MEG AME Allocations

MAIN EXPENDITURE GROUPS (MEGs)	£000s					
	RESOURCE			CAPITAL		
	2023-24 Final Budget (Restated)	Changes	2023-24 Supplementary Budget New Plans June 2023	2023-24 Final Budget (Restated)	Changes	2023-24 Supplementary Budget New Plans June 2023
Health and Social Services	219,216	1,671	220,887	0	456	456
Finance and Local Government	906,453	0	906,453	0	0	0
Education and the Welsh Language	-596,212	0	-596,212	1,386,466	0	1,386,466
Climate Change	57,477	0	57,477	0	0	0
Economy	58,525	0	58,525	0	0	0
Rural Affairs	0	0	0	0	0	0
Social Justice	24,546	0	24,546	0	0	0
Central Services and Administration	3,200	0	3,200	0	0	0
Total Allocation to Welsh Government	673,205	1,671	674,876	1,386,466	456	1,386,922

Annex 1 – Reconciliation between the Portfolio Budgets in the Action Tables and those the Budget Motion

The Explanatory Note supports the Supplementary Budget Motion published alongside this document, which sets out the changes to both the resources that the Welsh Government is proposing to use in 2022-23 and the cash it is seeking authority to draw from the Welsh Consolidated Fund. The tables within this note use the HM Treasury control totals and align with the BEL Tables. However, the figures in the Supplementary Budget Motion align with the Statement of Resource Outturn which is used in the Welsh Government accounts and is prepared on a slightly different basis.

The Welsh Government's budget includes items which do not score as part of the 'Resources Requested' by Welsh Ministers. This Annex provides a reconciliation between the two by each portfolio.

2023-24 SUPPLEMENTARY BUDGET									
£000s									
	Health and Social Services	Finance and Local Government	Education and the Welsh Language	Climate Change	Economy	Rural Affairs	Social Justice	Central Services and Administration	TOTAL
Resource	10,432,544	4,900,761	2,308,580	1,192,180	457,363	387,484	139,492	350,053	20,168,457
Capital	478,048	278,904	372,186	2,087,241	79,258	60,200	16,994	12,397	3,385,228
Resource AME	220,887	906,453	-596,212	57,477	58,525	0	24,546	3,200	674,876
Capital AME	456	0	1,386,466	0	0	0	0	0	1,386,922
TOTAL MANAGED EXPENDITURE	11,131,935	6,086,118	3,471,020	3,336,898	595,146	447,684	181,032	365,650	25,615,483
Reconciliation to Resources									
Resource Consumption - Welsh Government Sponsored Bodies	-151	0	-750	80,000	-33,693	0	0	0	45,406
Supported Borrowing	0	-88,800	0	0	0	0	0	0	-88,800
National Insurance Fund Receipts Collection Costs	-906	0	0	0	0	0	0	0	-906
National Non-Domestic Rates Payable (and Collection Costs)	0	-911,172	0	0	0	0	0	0	-911,172
Interest Repayments on Borrowing	0	-7,008	0	0	0	0	0	0	-7,008
PFI	0	0	0	-10,070	0	0	0	0	-10,070
RESOURCES REQUESTED	11,130,878	5,079,138	3,470,270	3,406,828	561,453	447,684	181,032	365,650	24,642,933

Annex 2 – Restatement of 2023-24 Final Budget

Final Budget 2023-24, February 2023										
£000s										
MAIN EXPENDITURE GROUPS (MEGs)	Resource			Capital			AME			TOTAL MEG ALLOCATION
	Fiscal	Non Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total	
Health and Social Services	10,120,775	262,926	10,383,701	378,000	-	378,000	219,216	-	219,216	10,980,917
Finance and Local Government	4,900,641	545	4,901,186	223,889	-	223,889	906,453	-	906,453	6,031,528
Education and The Welsh Language	1,778,125	491,667	2,269,792	357,300	14,886	372,186	(596,212)	1,386,466	790,254	3,432,232
Climate Change	919,626	236,812	1,156,438	1,632,983	108,770	1,741,753	57,477	-	57,477	2,955,668
Economy	452,457	13,912	466,369	81,516	(2,253)	79,263	58,525	-	58,525	604,157
Rural Affairs	409,938	10,817	420,755	61,725	-	61,725	-	-	-	482,480
Social Justice	136,038	210	136,248	17,000	494	17,494	24,546	-	24,546	178,288
Central Services and Administration	332,590	17,020	349,610	10,000	-	10,000	3,200	-	3,200	362,810
TOTAL ALLOCATIONS TO WELSH GOVERNMENT MEGs	19,050,190	1,033,909	20,084,099	2,762,413	121,897	2,884,310	673,205	1,386,466	2,059,671	25,028,080

Final Budget 2023-24, Restated										
£000s										
MAIN EXPENDITURE GROUPS (MEGs)	Resource			Capital			AME			TOTAL MEG ALLOCATION
	Fiscal	Non Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total	
Health and Social Services	10,120,775	262,926	10,383,701	378,000	-	378,000	219,216	-	219,216	10,980,917
Finance and Local Government	4,900,641	545	4,901,186	223,889	-	223,889	906,453	-	906,453	6,031,528
Education and The Welsh Language	1,778,125	491,667	2,269,792	357,300	14,886	372,186	(596,212)	1,386,466	790,254	3,432,232
Climate Change	928,875	236,812	1,165,687	1,657,508	108,770	1,766,278	57,477	-	57,477	2,989,442
Economy	452,457	13,912	466,369	81,516	(2,253)	79,263	58,525	-	58,525	604,157
Rural Affairs	400,689	10,817	411,506	37,200	-	37,200	-	-	-	448,706
Social Justice	136,038	210	136,248	17,000	494	17,494	24,546	-	24,546	178,288
Central Services and Administration	332,590	17,020	349,610	10,000	-	10,000	3,200	-	3,200	362,810
TOTAL ALLOCATIONS TO WELSH GOVERNMENT MEGs	19,050,190	1,033,909	20,084,099	2,762,413	121,897	2,884,310	673,205	1,386,466	2,059,671	25,028,080

MOVEMENTS										
£000s										
MAIN EXPENDITURE GROUPS (MEGs)	Resource			Capital			AME			TOTAL MEG ALLOCATION
	Fiscal	Non Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total	
Health and Social Services	-	-	-	-	-	-	-	-	-	-
Finance and Local Government	-	-	-	-	-	-	-	-	-	-
Education and The Welsh Language	-	-	-	-	-	-	-	-	-	-
Climate Change	9,249	-	9,249	24,525	-	24,525	-	-	-	33,774
Economy	-	-	-	-	-	-	-	-	-	-
Rural Affairs	(9,249)	-	(9,249)	(24,525)	-	(24,525)	-	-	-	(33,774)
Social Justice	-	-	-	-	-	-	-	-	-	-
Central Services and Administration	-	-	-	-	-	-	-	-	-	-
NET MOVEMENT	-	-	-	-	-	-	-	-	-	-

2023-24 FINAL BUDGET RESTATEMENT FOLLOWING CHANGES IN MINISTERIAL RESPONSIBILITIES

Note: Unless annotated the movements listed below reflect the transfer of BELs between MEGs

HEALTH & SOCIAL SERVICES (H&SS) - No Change										
	Resource			Capital			AME			TOTAL
	Fiscal	Non Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total	
Restated Final Budget	10,120,775	262,926	10,383,701	378,000	-	378,000	219,216	-	219,216	10,980,917

FINANCE & LOCAL GOVERNMENT (F&LG) - No Change										
	Resource			Capital			AME			TOTAL
	Fiscal	Non Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total	
Restated Final Budget	4,900,641	545	4,901,186	223,889	-	223,889	906,453	-	906,453	6,031,528

EDUCATION AND THE WELSH LANGUAGE (E&WL) - No Change										
	Resource			Capital			AME			TOTAL
	Fiscal	Non Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total	
Restated Final Budget	1,778,125	491,667	2,269,792	357,300	14,886	372,186	(596,212)	1,386,466	790,254	3,432,232

CLIMATE CHANGE (CC)											£000s
Final Budget, February 2023	Resource			Capital			AME			TOTAL	
	Fiscal	Non Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total		
	919,626	236,812	1,156,438	1,632,983	108,770	1,741,753	57,477	-	57,477	2,955,668	
Transferred In:											
Landfill Disposal Tax Communities Scheme	From: RA	1,500	-	1,500	-	-	-	-	-	1,500	
Local Places for Nature	RA	3,400	-	3,400	16,700	-	16,700	-	-	20,100	
Enabling Natural Resources and Wellbeing	RA	3,008	-	3,008	2,000	-	2,000	-	-	5,008	
Environment Protection ^{Note 1}	RA	694	-	694	-	-	-	-	-	694	
Landscape and Outdoor Recreation ^{Note 2}	RA	647	-	647	5,825	-	5,825	-	-	6,472	
Restated Final Budget		928,875	236,812	1,165,687	1,657,508	108,770	1,766,278	57,477	-	57,477	2,989,442

Notes:

1. The budget from the 'Chemical and Noise Policy' BEL in the RA MEG has transferred into the existing 'Environment Protection' BEL.

2. Part of the budget from the 'Access and Community Green Spaces' BEL in the RA MEG (now renamed 'New National Park Designation Programme' BEL) has transferred into the existing 'Landscape and Outdoor Recreation' BEL.

ECONOMY (Econ) - No Change											£000s
	Resource			Capital			AME			TOTAL	
	Fiscal	Non Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total		
Restated Final Budget	452,457	13,912	466,369	81,516	(2,253)	79,263	58,525	-	58,525	604,157	

RURAL AFFAIRS (RA)											£000s
Final Budget, February 2023	Resource			Capital			AME			TOTAL	
	Fiscal	Non Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total		
	409,938	10,817	420,755	61,725	-	61,725	-	-	-	482,480	
Transferred Out:	To:										
Landfill Disposal Tax Communities Scheme	CC	(1,500)	-	(1,500)	-	-	-	-	-	(1,500)	
Local Places for Nature	CC	(3,400)	-	(3,400)	(16,700)	-	(16,700)	-	-	(20,100)	
Enabling Natural Resources and Wellbeing	CC	(3,008)	-	(3,008)	(2,000)	-	(2,000)	-	-	(5,008)	
Chemical and Noise Policy ^{Note 1}	CC	(694)	-	(694)	-	-	-	-	-	(694)	
New National Park Designation Programme ^{Note 2}	CC	(647)	-	(647)	(5,825)	-	(5,825)	-	-	(6,472)	
Restated Final Budget	400,689	10,817	411,506	37,200	-	37,200	-	-	-	448,706	

Notes:

1. The budget from the 'Chemical and Noise Policy' BEL has transferred into the existing 'Environment Protection' BEL within the CC MEG.
2. Part of the budget from the 'Access and Community Green Spaces' BEL (now renamed 'New National Park Designation Programme') has transferred into the existing 'Landscape and Outdoor Recreation' BEL within the CC MEG.

SOCIAL JUSTICE (SJ) - No Change										
	Resource			Capital			AME			TOTAL
	Fiscal	Non Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total	
Restated Final Budget	136,038	210	136,248	17,000	494	17,494	24,546	-	24,546	178,288

CENTRAL SERVICES & ADMINISTRATION (CS&A) - No Change										
	Resource			Capital			AME			TOTAL
	Fiscal	Non Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total	
Restated Final Budget	332,590	17,020	349,610	10,000	-	10,000	3,200	-	3,200	362,810

Annex 3 – Glossary

Action	Within each Spending Programme Area (SPA), budgets are allocated to a number of sub-programmes known as Actions.
Ambits	Descriptions of the specific purposes for which Welsh Ministers are authorised by Senedd Cymru to spend resources. Ambit Descriptions and resource limits are contained within the Annual and Supplementary Budget Motions. Ambits correspond to MEGs.
Annually Managed Expenditure (AME)	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.
Budget Motion	The means by which Senedd Cymru authorises 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.
Budget Expenditure Line (BEL)	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
Capital	Expenditure that in the main results in a physical asset, for example a new building. The Welsh Government DEL and AME budgets have separate capital and resource limits.
Departmental Expenditure Limit (DEL)	The multi-year budget limit for the Welsh Government set by the HM Treasury in Spending Reviews.
Depreciation	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.

Direct Charges on the Welsh Consolidated Fund	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.
Financial Transactions	Financial transactions can only be used for loans and equity purposes. A proportion of the funding also has to be repaid to the Exchequer.
Fiscal Resource DEL (sometimes referred to as revenue)	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, current grants and subsidies.
Main Expenditure Group (MEG)	The Welsh Government DEL is divided into a number of Main Expenditure Groups. There are currently 8 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.
Non-Fiscal Resource DEL (sometimes referred to as 'non cash')	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.
Receipts	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.
Resource budgeting	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.

Spending Review	HM Treasury periodically 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 to calculate public expenditure allocated to Wales to reflect changes in spending levels allocated to public services in England.
Total Managed Expenditure (TME)	This is an HM Treasury control total which is made up of the total Departmental Expenditure Limit plus Annually Managed Expenditure.
Welsh Consolidated Fund	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.
WGSB	Welsh Government Sponsored Body. Examples include the Higher Education Funding Council for Wales and the Arts Council of Wales.