

## **The £900m Budget Deficit**

The £900m is an estimate of the difference in the spending power of the Welsh Government settlement for 2023-24 between when it was first set in the Spending Review in Autumn 2021 and at the time of the UK Government's March Budget in 2023. It compares the original settlement in 2020-21 prices, using the Office for Budget Responsibility's forecast for the Consumer Price Index from Autumn 2021, with the revised settlement as at March 2023 (also in 2020-21 prices but using the OBR's March 2023 forecast for the Consumer Price Index). There are other potential ways to measure the change in spending power, so the difference is described as up to £900m.

## **Cabinet meeting: 1 August 2023**

### **Item 2: Next steps 2023-2024 and 2024-2025 budgets**

- 2.1 The First Minister advised Cabinet there was a need to discuss the significant pressures facing the 2023-2024 budget and the impact on preparations for the 2024-2024 budget round.
- 2.2 Urgent action was needed, which would have implications across portfolios and understanding the impacts of the decisions individually and collectively would be of paramount importance, alongside the actions which could be taken to offset the impacts identified.
- 2.3 This could not be an exercise driven by affordability alone but would need to be an approach driven by the values of the government.
- 2.4 Cabinet agreed the paper and noted that meetings would continue throughout the summer to progress this vital work.

Cabinet also discussed spending pressures in 2023-24 on 11 September and 18 September, minutes for which will be published in due course.