



Llywodraeth Cymru
Welsh Government

Welsh Government Draft Budget 2024-25

A Budget to Protect the Services which
Matter Most to You

December 2023

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Foreword by the Minister for Finance and Local Government

Devolution means decisions about Wales are made in Wales, including decisions about spending. But the way our funding settlement is structured – the majority of our funding continues to come from a block grant from the UK Government, reflecting spending decisions in devolved areas in England – means we are exposed to the full force of politically-driven decisions made in Westminster.

Over the last 13 years, successive UK governments have given us more than a decade of austerity, a botched Brexit deal and a disastrous mini budget, which almost crashed the economy. Despite our best efforts to shield public services, businesses, and the Welsh population from the worst impacts of these policies, each have individually and collectively had a significant and lasting impact on Wales.

During this period, we have also experienced the Covid-19 pandemic, wars in Ukraine and the Middle East, persistently high inflation, a cost-of-living crisis, and we continue to respond to the ever-increasingly visible signs of the nature and climate emergencies.

At the Autumn Statement last month, the Chancellor signalled a fresh round of austerity, as he chose to use his fiscal headroom to make relatively modest tax cuts and focus on short-term projects in marginal constituencies, rather than restore funding to fragile and brittle public services.

The choices he made have short-term consequences on the decisions we can take in Wales in this budget round, and they will have longer-term consequences across the UK as public services once again face deep and damaging cuts because they have been deprived of real investment.

For the second year in a row, our funding settlement is not sufficient to respond to the extraordinary pressures Wales faces, including persistently high inflation, the cost-of-living pressures people and businesses continue to experience, unfunded public sector pay rises or to recognise rising demand for services.

This was always going to be a very difficult budget round – the most difficult of this Spending Review period. This is the final year in the three-year Spending Review period; a final year in which there was less funding available to meet all our statutory commitments, let alone our priorities and ambitious Programme for Government. But following the UK Autumn Statement, our budget is now worth £1.3bn less in real terms than when it was set in 2021.

In making this Draft Budget, we have had to take incredibly difficult decisions – the starkest and most painful since devolution. This has not been a typical year, where we have had an abundance of positive choices to make about where we can target increased and additional investment.

We have radically reshaped our budget so we can focus funding on the services which matter most to you – to invest more in the NHS and to protect the core local government settlement, which in turn funds schools, social services, social care and other vital everyday services we rely on.

We have reshaped our budgets in line with a set of guiding principles – to protect core, frontline public services as far as possible; to deliver the greatest benefit to households which are hardest hit; to prioritise jobs, wherever possible and to work in partnership with other public sector bodies to face this financial storm together.

We will maintain targeted and emergency support for people affected by the ongoing cost-of-living crisis, and we will continue to spend more than half a billion pounds to help households and businesses pay their council and Non-Domestic Rates bills.

But to do this, we have taken the decision to refocus some spending away from non-devolved areas, which the UK Government should be funding – these are areas where we have previously stepped in to make up the shortfall.

Throughout this process, we have also been guided by the principles embedded in the Well-being of Future Generations Act. We have maintained our approach of understanding the integrated impacts of the choices we are taking and the need to act to prevent the worst impact to services. This means we are taking action in the short-term to protect them for the future. We maintain our commitment to respecting these principles as we progress and reflecting and adapting where necessary.

I am grateful to my Cabinet colleagues for their ongoing commitment and hard work during this process. I also want to thank Siân Gwenllian MS, the Lead Designated Member for the Co-operation Agreement, for her ongoing engagement in relation to the Co-operation agreement, which is a small proportion (around 1%) of the Welsh Government's overall Budget, and our close working relationship.

This is a difficult budget in extraordinary times. But ultimately it is a budget which targets investment towards the public services we all value the most.

Chapter 1: Strategic context

Overview

- 1.01 The Welsh Government's Draft Budget sets out our revenue and general capital spending plans for 2024-25, updating the indicative plans we outlined as part of the 2022-23 and 2023-24 Budgets.

Implications of the UK Government's Autumn Statement

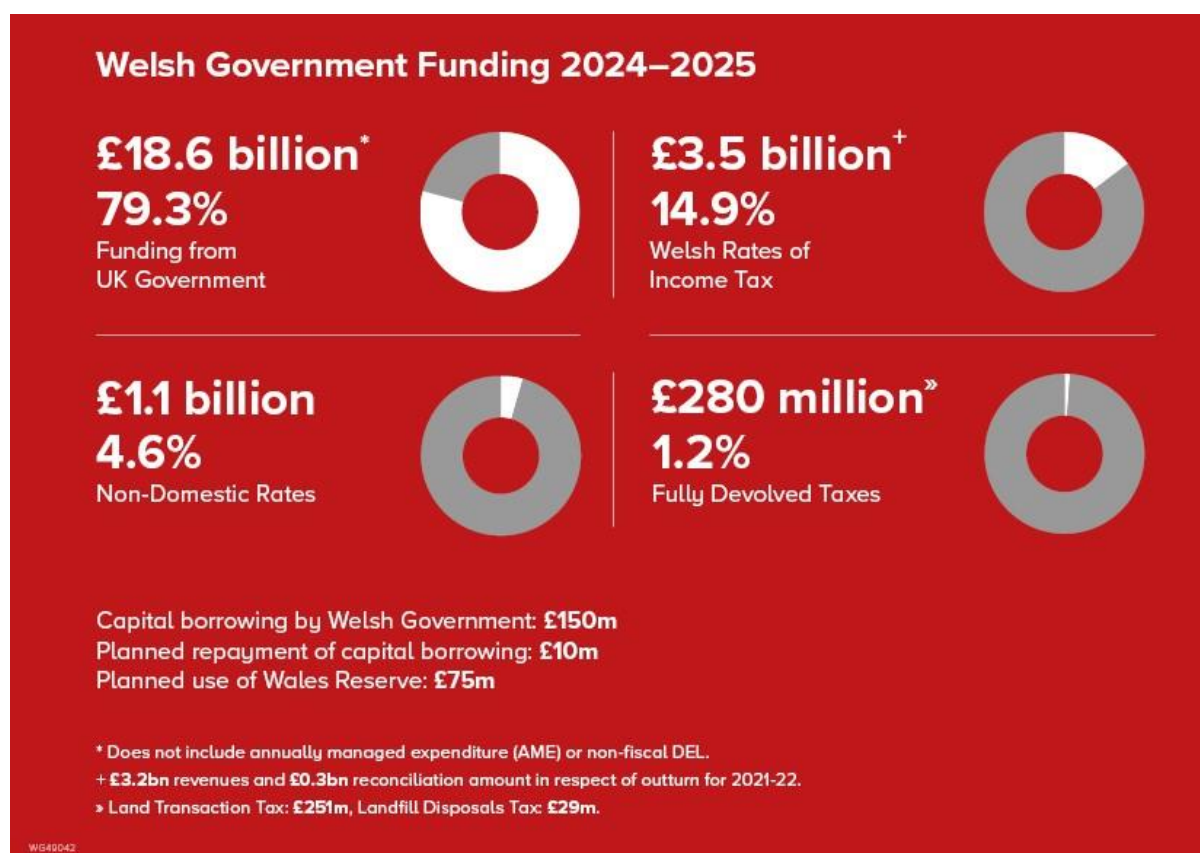
- 1.02 The Welsh Government was provided with expenditure limits for 2022-23 to 2024-25 following the UK Government's spending review in Autumn 2021. These limits were reflected in the Welsh Government's Final Budget for 2022-23 and 2023-24 alongside indicative spending plans for 2024-25, which were published in March 2022 and March 2023 respectively.
- 1.03 The UK Government's Spring Budget contained an additional £178m across 2023-24 and 2024-25 for the Welsh Government. This included an additional £139.4m in resource and £0.7m in capital in 2024-25.
- 1.04 The UK Government's Autumn Statement contained an additional £305m across 2023-24 and 2024-25 for the Welsh Government. This included an additional £167m in resource and £5.8m in capital in 2024-25.
- 1.05 The limit for the Welsh Government Resource DEL is now £19.458bn for 2024-25, before block grant adjustments.

Fiscal responsibilities and funding

- 1.06 The Welsh Government is primarily funded via a block grant from the UK Government. The devolution of tax powers – Welsh Rates of Income Tax, Land Transaction Tax, Landfill Disposals Tax, and Non-Domestic Rates – means that in 2024-25 around 21% of Welsh Government spending will be funded from revenues from devolved taxation.
- 1.07 Further information about tax policy and revenues is provided in Chapter 3.
- 1.08 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.

Sources of Finance

- 1.09 The infographic below provides details of funding received by the Welsh Government for 2024-25.



- 1.10 A Sources of Finance table providing data for 2024-25 can be found in the [Tables Supporting Spending Plans](#) ODS workbook on the Welsh Government's Draft Budget web page.

Multi-year context

- 1.11 This Draft Budget has been set in addition to the multi-year Budget allocated as part of the Spending Review in 2021 and those allocations set out in Draft Budgets 2022-23, and 2023-24. Changes to ministerial budget expenditure lines and allocations of additional funding arising from the UK Government's Spring and Autumn Statements should be read in conjunction with the allocations exercise undertaken as part of the 2022-23 to 2024-25 Budgets.
- 1.12 A zero-based review of capital funding was undertaken through the Spending Review. There are minimal changes to the multi-year allocations provided in the 2022-23 to 2024-25 Budgets and further details can be found in general capital allocations in the [Wales Infrastructure Investment Strategy](#) and the associated [Infrastructure Finance Plan](#).

In-Year Savings Exercise (2023-24)

- 1.13 Over the summer months, Welsh Ministers revised their 2023-24 spending plans to provide additional in-year funding to the NHS and Transport for Wales, in response to acute financial pressures. These in-year pressures resulted from the triple impact of persistently high inflation; more than a decade of austerity on public services, and the ongoing consequences of Brexit. The Minister for Finance and Local Government announced these changes on 17 October 2023, and they will be reflected in the Welsh Government's Second Supplementary Budget 2023-24, which is due to be published in February 2024. An updated addendum to the Strategic Integrated Impact Assessment (SIIA) 2023-24 has been published on the Welsh Government's website. These changes have been incorporated into spending plans for 2024-25.

Co-operation Agreement

- 1.14 The Co-operation Agreement Finance Committee provides the principal means of engaging with the Lead Designated Member on allocations associated with the Co-operation Agreement.
- 1.15 We agreed a three-year budget as part of the Spending Review 2022 – this Draft Budget represents the final year of that agreement. The allocations for the Co-operation Agreement have been discussed in detail with Plaid Cymru and the principle of protecting the allocations was applied. However, where it is possible to continue to deliver a commitment with a smaller allocation or over an extended timeframe, adjustments have been made to indicative funding allocations for 2024-25 in recognition of the extremely difficult financial circumstances facing the Government and in order to mitigate against job losses, protect frontline public services and continue providing support in the ongoing cost-of-living crisis. We look forward to continuing to work with the Plaid Cymru Designated Members to deliver the wide-ranging commitments in the Co-operation Agreement.
- 1.16 Some aspects of the Co-operation Agreement will continue to be delivered beyond the conclusion of the 2024-25 financial year. Where this is the case, and where funding has been reprofiled to ensure delivery of these commitments, we will work collaboratively with the Lead Designated Member to establish a mechanism to ensure appropriate governance arrangements for this ongoing financial commitment.

Priorities for the Draft Budget

- 1.17 This Draft Budget is the final year of the current multi-year budget setting exercise and builds on the work undertaken as part of the 2022 Welsh Spending Review and Budget 2023-24. The multi-year settlement provided was front loaded, meaning that growth in budgets in the early part of this three-year period was greater than in this year.

- 1.18 We will be investing more than £22bn in Wales through this Budget, and while this Draft Budget does not feature significant additional new investment in new activity, it shows a continued commitment and clear vision to enable our public service partners to deliver the services Wales needs most. However, the Welsh Government's settlement for 2024-25 is worth up to £1.3bn less in real terms than when it was set at the Spending Review and our settlement is not sufficient to respond to the extreme pressures experienced by public services, caused by persistently high inflation, unfunded pay settlements, increased energy costs and rising demand.
- 1.19 Chapter 4 highlights how we have radically reshaped our spending plans according to the priorities agreed by Welsh Ministers for 2024-25. These priorities include protecting core frontline public services, as far as possible; prioritising jobs, wherever possible, delivering the greatest benefit to households which are hardest hit and refocusing funding away from non-devolved areas, which the UK Government should be funding.
- 1.20 These priorities enable us to focus allocations on those areas which deliver the services which matter most to people and communities. Among our priority areas for funding are frontline NHS services and the core local government settlement, which funds schools, social services and social care. We are also doing all we can to continue to support the Welsh economy. Our Non-Domestic Rates relief package is different from the support offered in England but, together with our fully funded permanent relief scheme, it will benefit every ratepayer. A new capital fund we are creating will also support private sector investment.
- 1.21 The upcoming financial year will require closer working with our public sector delivery partners as we navigate this challenging period with redefined budgets. However, by working together, there will be opportunities to focus on what can be achieved, remove barriers, and innovate to deliver our commitments.

Financial Transactions Capital

- 1.22 We continue to maximise our existing portfolio of Financial Transactions Capital (FTC) investment, investing more than £2.2bn in a wide variety of projects supporting businesses and the housing sector, benefiting many parts of our society and economy. A large proportion of this capital is 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 The allocations for Financial Transactions Capital for 2024-25 are outlined in Chapter 4 and further allocations will be confirmed at Final Budget.

Budget Process

- 1.24 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 Draft Budget documentation, including the strategic spending plans for revenue and capital, taxation and borrowing proposals, as well as detailed portfolio spending plans together on 19 December 2023.
- 1.25 Following scrutiny of these plans by Senedd Cymru, we will publish the Final Budget 2024-25 on 27 February 2024.

Chapter 2: Financial and economic context

- 2.01 The economic and fiscal prospects are considered in greater depth in the Chief Economist's Report and Fiscal Prospects, which is published alongside this Draft Budget. Key issues covered in the report are summarised below.
- 2.02 Over the last few years, the combination of very sluggish economic growth and the cost-of-living crisis has had a major adverse impact on living standards in Wales.
- 2.03 By the third quarter of 2023, total UK GDP had surpassed pre-pandemic levels, but when expressed on a per head basis growth has been negligible – effectively the UK has experienced four years of lost growth.
- 2.04 High consumer price inflation over the last two years has compounded the effects of this slow growth and eroded living standards. By the second quarter of 2023, average incomes across the UK still remained below pre-pandemic levels. Inflation has been higher, and more persistent, in the UK than in most other major economies.
- 2.05 Earnings have increased in nominal terms more than originally expected by the Office for Budget Responsibility (OBR) and the Bank of England. Public services are very labour intensive, so wage inflation is the key driver of the costs of public service delivery.
- 2.06 Low-income households have been most affected by rising prices. Compared with pre-pandemic levels, food prices are up nearly 30% and energy prices up 8%. Surging food and energy prices are impacting particularly severely on poorer households.
- 2.07 High inflation has therefore had a particularly adverse impact on living standards in Wales. Compared with the UK average, Wales has a relatively high proportion of low-income households.
- 2.08 The labour market in Wales and the UK has performed better than might have been expected given the large reductions in GDP during the pandemic. Government support measures clearly played an important role here.
- 2.09 Nevertheless, the most recent data for both Wales and the UK shows signs that the labour market has softened with employment rates down modestly. As across the wider UK, economic inactivity in Wales is above pre-pandemic levels. The data shows there has been a large increase in people who are inactive because they are too ill to work compared with the pre-pandemic position.

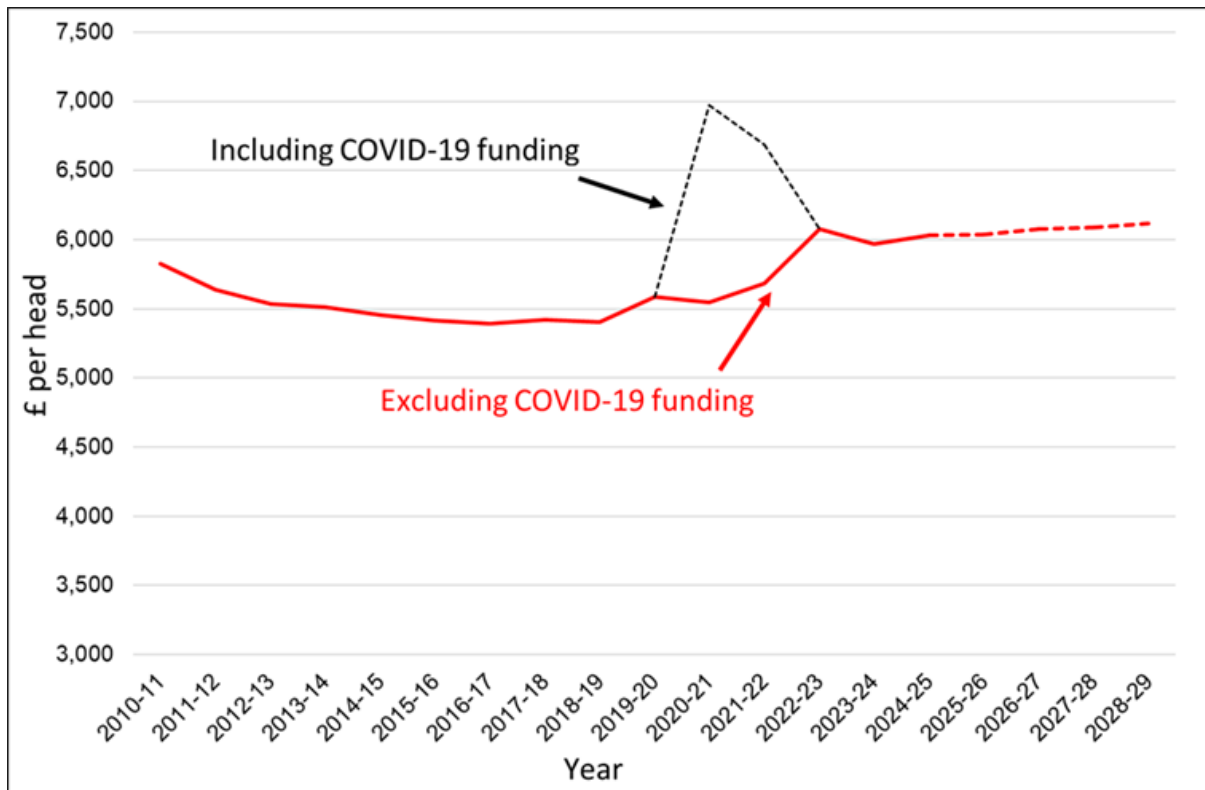
- 2.10** In its latest Economic and Fiscal Outlook, published on 22 November 2023, the OBR notes that although inflation has fallen sharply from its peak, it is expected to stay higher for longer than previously anticipated. Higher inflation is expected to result in the squeeze on real incomes continuing. In consequence, the OBR expects real GDP growth to slow from 4.3% in 2022 (reflecting the recovery from the pandemic) to 0.6% this year, and 0.7%, next year.
- 2.11** The OBR forecasts that growth will pick up to 1.4% in 2025, and an average of 1.9% between 2026 and 2028, as the squeeze on real wages eases and interest rates fall back. Cumulative real growth from 2023 to 2027 is 2.4 percentage points lower than in the previous forecast in March. However, as ONS data revisions have increased the outturn GDP figures for previous years, this slower growth is from a higher base, resulting in levels of GDP for 2026 onwards that are similar to those previously forecast.
- 2.12** The OBR's forecast is again one in which growth prospects are lacklustre at best - and would be even worse if expressed on a per-head basis. Even so, the OBR's expectation for growth is less pessimistic than the most recent forecast from the Bank of England.
- 2.13** The OBR expects unemployment rises to around 4.6% of the labour force in the second quarter of 2025. This peak in unemployment is higher, and a year later, than expected in March. Unemployment is then projected to fall back to its assumed structural (or underlying long-term) rate of 4.1% by 2028.
- 2.14** The OBR expects inflation to remain higher for longer than previously expected taking until the second quarter of 2025 to return to the 2% target.
- 2.15** The OBR forecasts that UK living standards, as measured by real household disposable income (RHDI) per person, will be 3.5% lower in 2024-25 than their pre-pandemic level. Principal factors are the impact of inflation and tax increases. While this is half the peak-to-trough fall the OBR expected in March, it still represents the largest reduction in real living standards since ONS records began in the 1950s.
- 2.16** Analysis in the Chief Economist's Report and Fiscal Prospects indicates that, following a sharp fall in 2022, average incomes in Wales are expected to fall in both 2023 and 2024. In 2024 average incomes in Wales are projected to be more than 2% below the pre-pandemic level in 2019. A small recovery in 2025 and 2026 is projected to still leave incomes below their pre-pandemic level. This would represent seven years of lost growth in Welsh incomes and follows a long period during which real incomes have grown only very sluggishly in historic terms.
- 2.17** This projected reduction in real incomes is unprecedented, and much worse than experienced in the years following the financial crisis in 2008. Given lower income levels in Wales, an incidence of poverty that is higher than in some other parts of the UK, and houses which are, on average, less energy efficient, people in Wales will be particularly badly affected.

- 2.18 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 the financial crisis in 2008. According to the OBR's new forecast, productivity growth is expected to remain below the long-term average growth rate of approximately 2%.
- 2.19 The OBR reported that the UK's fiscal position has improved since the previous forecast in March 2023. However, this improvement has been mainly driven by higher-than-expected inflation boosting tax revenues.
- 2.20 These additional tax revenues have been used by the UK Government to fund tax cuts. No additional funding has been provided to take account of the impact of higher inflation on the cost of the provision of public services. Over the longer term, the value of the new tax reductions is almost equal to the additional unfunded pressure on public services from inflation.
- 2.21 The UK Government tends to revise up its plans for day-to-day spending at Spending Reviews, relative to the assumptions made prior to reviews taking place. As noted in the OBR's November 2023 Economic and Fiscal Outlook, departmental spending in the November 2015 Spending Review was topped up by 14% a year on average over the assumed levels used in the year prior to the Review. For the October 2021 Spending Review the top up was 8% a year on average. While it would not be prudent to plan on that basis, changes of that level to years beyond 2024-25 could mean increases to the Welsh Government Budget of £1.4bn to £2.4bn a year compared to the levels using the assumptions above. That could see day-to-day spending growing at 2% to 3% a year per person in real terms, rather than under 0.5% as shown above.
- 2.22 Even for the year ahead, when it is part of an existing Spending Review period like 2024-25 in this instance, the Welsh Government has generally received additional funding in-year - often towards the end of the year. Settlement increases help to ease the pressures on public services in Wales, however the lack of reliable short to medium term spending assumptions from the UK Government makes effective budget planning very challenging.
- 2.23 Beyond the current Spending Review period, day to day spending is projected to increase only very modestly in real terms and capital spending is fixed in cash terms. This represents a continued severe squeeze on public spending, with a large real-terms reduction in public investment. The OBR notes the real-terms reduction in public investment is much larger than the increase in private sector investment it expects to result from making full expensing permanent.¹
- 2.24 The OBR has also judged that the UK fiscal position is unsustainable over the longer term. This principally reflects the effects of an aging population, compounded by the impact of higher interest rates on the cost of government debt.

¹ Full expensing is the deduction of investment costs prior to determining liability for corporation tax.

2.25 The UK Government’s Autumn Statement provides some very modest additional allocations for the Welsh Government’s budget in 2023-24 and 2024-25. Because of the inflation shock over the last few years, the Welsh Government’s settlement over the three years of the current Spending Review period is worth considerably less in real terms than expected at the time of the review in 2021.

Chart 2.1 Welsh Government Resource Budget in real terms per person (£, 2022-23 prices²)



Source: Welsh Government

2.26 As shown in chart 2.1, having fallen by 7% in real terms during the last decade, recent increases mean the Welsh Government’s Budget for day-to-day spending in 2023-24 is around 3% higher per person than in 2010-11 in real terms, but lower than in 2022-23. It remains below the 2022-23 level in 2024-25.

² Excludes farm funding and IFRS16 changes which are not included in earlier years.

2.27 A projection for 2025-26 to 2028-29 is also included in Chart 2.1, using the assumed growth in overall UK resource DEL from the OBR's November forecast to grow the Welsh Government DEL, together with the devolved tax forecasts from the OBR's Welsh Taxes Outlook published alongside the Welsh Government's Draft Budget. This shows continued low growth over the next few years. Between 2024-25 and 2028-29 day-to-day spending per person is set to grow by less than 0.5% a year on average in real terms on a like-for-like basis. Spending per head in 2028-29 will be little higher in real terms than it was in 2022-23.

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. The majority of Wales' funding comes via the block grant.
- 3.02 Land Transaction Tax (LTT) and Landfill Disposals Tax (LDT) were introduced on 1st April 2018, and are collected by the Welsh Revenue Authority (WRA). The Welsh Rates of Income Tax (WRIT) were introduced on 6 April 2019 and are 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 £4.9bn to the Welsh Government Budget in 2024-25.

Tax Policy

- 3.03 Tax devolution is important. Taxes provide another 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 Framework Update³, which sets out the fiscal devolution settlement established by the Wales Act 2014 and 2017. It also reflects the longer history of our local taxes, and clearly outlines the Welsh Government's strategic priorities for tax together with the challenges and opportunities.
- 3.04 The updated Tax Policy Framework reflects on the learning and experience of tax policy formulation since tax devolution. It identifies and articulates 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 five-year period.
- 3.06 The Welsh Government's tax policy priorities broadly fall into the following three areas:

³ [Tax policy framework update | GOV.WALES](#)

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

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

- 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.

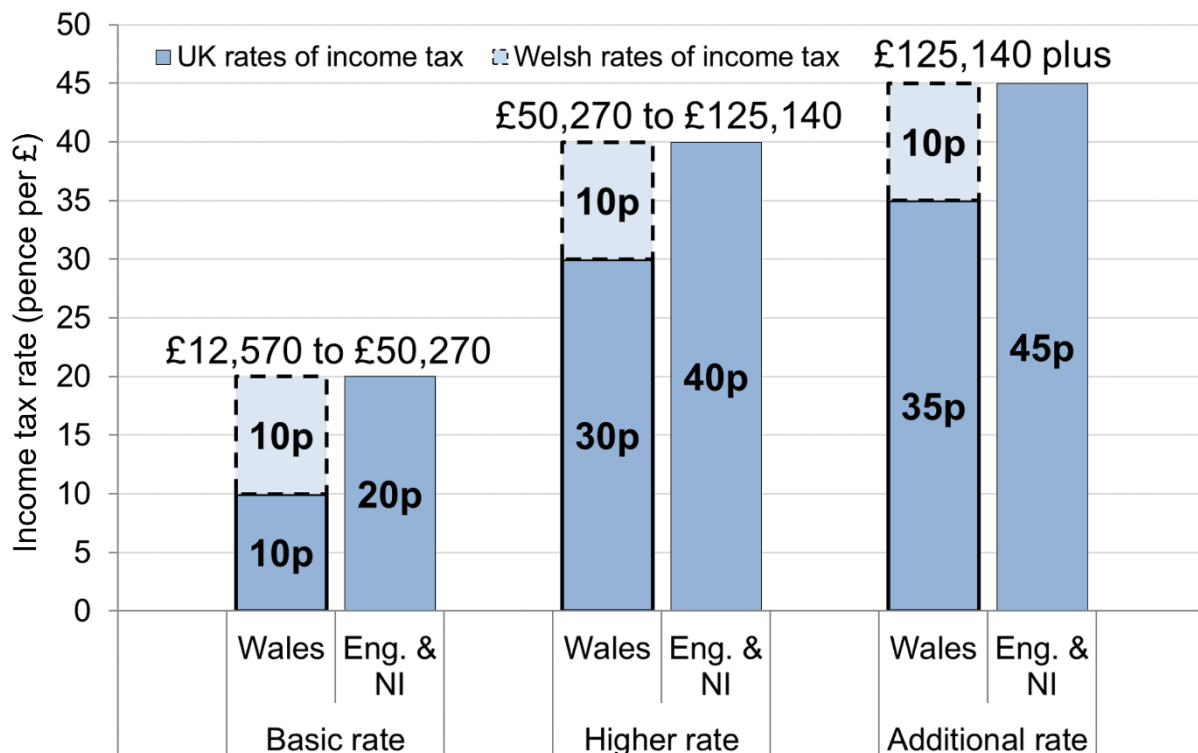
3.07 Alongside the Draft Budget we have published the Welsh Tax Policy Report. This is the third annual report against the five-year work plan.

3.08 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 most recent tax conference was held as a face-to-face event on 9 November 2023.

Welsh Rates of Income Tax (WRIT)

3.09 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, 2024-25



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>

3.10 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 the pandemic lasts, the Welsh Government proposes to set Welsh Rates of Income Tax for 2024-25 at 10p.

Other Welsh taxes

3.11 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 (SDLT) 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)

3.12 Changes to LTT main residential rates were made last year and took effect from 10 October 2022. For the residential main rates, the starting threshold was raised from £180,000 to £225,000. The first tax rate is now set at 6% and applies to the portion of the price between £225,000 and £400,000. No changes have been made to other rates, including the higher residential rates.

3.13 No changes have been made to any LTT rates or thresholds since 10 October 2022.

Table 3.1: LTT Residential main rates (from 10 October 2022)

Price threshold	LTT rate
£0 to £225,000	0%
More than £225,000 to £250,000	6%
More than £400,000 to £750,000	7.5%
More than £750,000 to £1.5m	10%
More than £1.5m	12%

Table 3.2: LTT higher residential rates (from 22 December 2020)

Price threshold	LTT rate
£0 to £180,000	4%
More than £180,000 to £250,000	7.5%
More than £250,000 to £400,000	9%
More than £400,000 to £750,000	11.5%
More than £750,000 to £1.5m	14%
More than £1.5m	16%

Table 3.3: LTT non-residential main rates (from 22 December 2020)

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 3.4: LTT non-residential lease rent (from 22 December 2020)

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 in line with RPI inflation as forecast by the Office for Budget Responsibility, with effect from 1st April 2024. This continues the policy of maintaining consistency with the UK Government's approach to Landfill Tax (LFT) rates and increasing in line with forecast 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. An independent review of LDT was completed in July 2023. The review considered the impact that LDT rates have had on behaviours in the waste sector (including unauthorised disposals) as well as the extent to which the LDT legislation has influenced behaviours.

- 3.16** The review findings and conclusions have been helpful in terms of supporting our understanding of the impact of LDT rates on behaviours to date and has been useful in highlighting several key areas for consideration to support the further development of LDT.
- 3.17** By setting rates for 2024-25 that are consistent with UK LfT, public services in Wales will continue to benefit from tax revenue, while ensuring the risk of the movement of waste across the Wales-England border is reduced. This will ensure a degree of consistency and stability across the waste sector while further consideration is given to the findings of the review and the future direction of LDT is considered in more detail.
- 3.18** The proposed rates for LDT, subject to approval by the Senedd, are set out in the table below.

Table 3.5: LDT rates, £ per tonne.

Price threshold	2022-23	2023-24	2024-25
Standard rate	£98.60	£102.10	£103.70
Lower rate	£3.15	£3.25	£3.30
Unauthorised disposals rate	£147.90	£153.15	£155.55

Non-Domestic Rates (NDR)

- 3.19** The Welsh Government will cap the increase to the Non-Domestic Rates (NDR) multiplier in Wales to 5% for 2024-25. This is lower than the 6.7% (September CPI) increase which would otherwise apply from the default inflation of the multiplier in line with CPI. It is delivered at a recurring annual cost of £18m from 2024-25 onwards. Subject to approval by the Senedd of the required legislation, the provisional multiplier for 2024-25 is 0.562.
- 3.20** Capping the increase to the NDR multiplier to 5% is the maximum level of support affordable using all of the consequential funding which came to Wales as a result of decisions announced in the UK Government's Autumn Statement. It ensures all ratepayers who do not already receive full relief will benefit.
- 3.21** We will also be investing an additional £78m to provide a fifth successive year of support for retail, leisure and hospitality businesses with their Non-Domestic Rates bills. This builds on the almost £1bn of support provided through our retail, leisure and hospitality rates relief schemes since 2020-21. Eligible ratepayers will receive 40% NDR relief for the duration of 2024 25. As in previous years, the relief will be capped at £110,000 per business across Wales.

- 3.22** The current Non-Domestic rating list came into force on 1st April 2023, following revaluation. We are providing transitional relief for all ratepayers whose liability increased by more than £300 as a consequence of revaluation. Such increases in NDR liability as a result of revaluation are being phased in over two years.
- 3.23** Eligible ratepayers are paying 33% of their additional NDR liability this year (2023-24). This will increase to 66% in 2024-25, before they reach their full liability in the third year following revaluation (2025-26). The Welsh Government is providing £113m over two years to fund this relief, supporting all areas of the tax base through a consistent and straightforward transitional scheme. The funding provided for transitional relief in 2024-25 is £37.6m.
- 3.24** In total, these measures will provide £134m of additional support for 2024-25. Combined with our fully funded permanent relief schemes, which are worth £250m to businesses and other ratepayers every year, £384m will be invested in 2024-25 on Non-Domestic Rates support. Every ratepayer will benefit from this package.
- 3.25** In addition to this Non-Domestic Rates support, a fund for impacted sectors will be developed to complement the wider NDR decisions. This support will provide eligible small to medium -sized businesses in the retail, leisure and hospitality sectors, with funding to be used during 2024-25 to invest in measures to future-proof their businesses.

Independent tax revenue forecasts

- 3.26** 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 year covered by the Draft Budget are shown in Table 3.6.

Table 3.6: Tax revenue forecasts £m

	2024-25
Land Transaction Tax	251
Landfill Disposals Tax	29
Welsh Rates of Income Tax	3,171

Block grant adjustments

- 3.27** Following the devolution of tax powers to Wales, the Welsh Government's block grant was reduced because revenues from devolved and partially devolved taxes now go directly to the Welsh Government rather than the UK Exchequer.

- 3.28 Changes in block grant adjustments are driven by growth in the equivalent UK taxes. For the purposes of this Draft Budget, the adjustments are consistent with OBR forecasts of the equivalent UK taxes in the November 2023 Economic and Fiscal Outlook.
- 3.29 Details of the block grant adjustments and reconciliation amounts to account for outturns are included in Annex D.

Wales Reserve

- 3.30 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.
- 3.31 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.
- 3.32 The budgetary policy adopted in 2022-23 as part of the last Welsh Spending Review, and which will be in place for the remainder of the multi-year settlement period up to and including 2024-25, introduced a new fiscal strategy to maximise available funding. Unlike in previous years where spending plans fully used the £125m annual drawdown limit, these spending plans do not assume full drawdown from the Welsh Reserve. We will continue to maximise available funding in 2024-25 by using the Wales Reserve to manage the in-year financial position without holding an unallocated DEL, with any further drawdowns included within the appropriate supplementary budget. The extreme financial pressures of the past year have increased the risks of this strategy with a higher use of reserves than originally planned.

IFRS16 New Accounting Standards

- 3.33 The Welsh Government's Draft Budget proposals exclude technical adjustments arising as a result of the implementation of the new accounting standard IFRS16 in respect of treatment of leases.

Borrowing

- 3.34 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 using this link to the Tables Supporting Spending Plans ODS workbook:

[Tables Supporting Spending Plans](#)

- 3.35 The repayment forecast assumes a repayment period of 25 years and an interest rate of 4.5% in 2024-25

Additional measures to raise revenue

- 3.36 Welsh Ministers are exploring options to increase revenue through a number of measures in 2024-25 and beyond this Spending Review period. The Budget Ambit will need to be revised, as necessary, to allow for the additional income and the expenditure it will finance.

Innovative finance

- 3.37 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 B.

Sources of Finance for Welsh Government

- 3.38 The sources of finance for the Welsh Government comprise the block grant funding from the UK Government, in conjunction with fully devolved taxation, Welsh Rates of Income Tax and Non-Domestic Rates. A table setting out sources for resource and capital funding can be found at Tab1 in the following document:

[Tables Supporting Spending Plans](#)

Chapter 4: Investing in Welsh Government's priorities

Overview

- 4.01 The Welsh Government's Budget for 2024-25 is £21bn of resource expenditure and £2.7bn of capital expenditure.
- 4.02 As outlined in Chapter 1, this budget documentation should be read in conjunction with the multi-year funding approach (2022-23 Draft and Final Budgets providing plans from 2022-23 to 2024-25). These documents can be accessed via the Welsh Government [web pages](#).
- 4.03 These priorities should also be read alongside the Strategic Integrated Impact Assessment Summary (SIIA) (Annex A) and Chief Economist's report, both of which provide more detail on the wider context and impacts which inform our budgetary decision-making process.

Key Allocations in 2024-25

- 4.04 Changes to the Welsh Government settlement through the Block Grant Adjustment have been considered alongside the wider Welsh Government allocation as agreed in 2021 as part of the multi-year settlement. These considerations have enabled the following additional allocations to support public services in Wales, alongside significant Financial Transaction Capital allocations.

NHS Wales

- 4.05 We have committed to investing a further £450m revenue funding into the NHS in 2024-25 through the rescoping of allocations within this Draft Budget. This brings the total annual funding for Health and Social Services to £11.004bn
- 4.06 These changes reflect the continued commitment to support the NHS and the ability of the healthcare sector to provide a wide range of services in local communities to support our health and wellbeing.
- 4.07 The NHS in Wales is facing increasing demand for its services at a time when the costs of care, including staffing and treatment, are rising. These pressures are common to health services across the UK.
- 4.08 In Wales, every month 2m people are in contact with the NHS, in a population of just over 3m people. One-and-a-half million people have contact with primary care services every month and every year 1.5m people are referred to secondary care services for treatment or further tests.
- 4.09 The £450m of funding, which comes from reshaping our spending plans, is on top of the additional £425m we made available in October (for 2023-24). This is equivalent to an increase of more than 4% in 2024-25, compared to less than 1% for the NHS in England.

4.10 The Health and Social Services MEG will also undertake further reprioritisation to support the NHS to maintain core services at a time of extreme pressure on budgets and rising demand for services from the public. But even with this additional funding, 2024-25 will still be a difficult year for health boards and they could face incredibly tough decisions to manage their budgets.

Local Government

4.11 We have committed to maintain the Local Government settlement at 3.1%, with total annual core funding contribution of £5.7bn. We are providing £1.3m through the Revenue Support Grant to ensure that no authority has an increase in settlement of below 2%. Protecting these budgets reflects the vital importance of our Local Government partners in the front line delivery of vital public services, including in two of their biggest service areas – schools and social care.

4.12 There are a number of protections in place for school funding under the Education and Welsh Language portfolio, and a consolidation of grant funding streams to enable local authorities to have more flexibilities to react and deliver in these changing circumstances.

4.13 The new School Standards funding in our Local Authority Education Grant will protect funding in relation to the Recruit, Recover and Raise Standards programme which was established to help learners overcome the negative effects of the pandemic. We are also protecting the Pupil Development Grant funding that funds schools to support learners from low-income households, under our overarching equity in education objectives.

4.14 Our successful Covid Recovery programme, 'Recruit, Recover and Raise Standards', was due to be tapered in this budget as the post-pandemic effects lessen, however, we know that the impacts of the pandemic are continuing to be detrimental to our learners across Wales, so we are protecting this funding in order to continue to support them.

4.15 Funding that goes directly to schools has been prioritised. For 2024-25 the amalgamation of pre-16 education grants provides the same level of funding against similar grants provided to local authorities in 2023-24; this is also a 3.2% rise against the 2024-25 indicative budget for those same grants.

4.16 We are providing a package of additional support for Non-Domestic Rates worth £134m next year on top of our permanent relief schemes, which are worth £250m a year. Every ratepayer will benefit from this package.

Capital

- 4.17 A zero-based review of capital funding was undertaken through the Spending Review. There are minimal changes to the multi-year allocations provided in the 2022-23 to 2024-25 Budgets. We remain focused on investing in infrastructure to deliver the long-term outcomes set out in the Wales Infrastructure Investment Strategy and the associated Infrastructure Finance Plan. Further details can be found in general capital allocations in the associated BEL tables and a full updated on capital mapping will be provided at Final Budget.
- 4.18 The majority of allocations for general capital will remain static for this Draft Budget.

Financial Transactions (FT) Capital

- 4.19 Financial Transactions (FT) capital is a specific form of capital provided by the UK Government with conditions on its use. A proportion of this funding needs to be repaid to the UK Government.
- 4.20 The constraints on use of FT capital, the timescales within which to develop proposals and the late announcement of the UK Autumn Statement have constrained our ability to make full FT allocations as part of the Draft Budget. We are able to allocate some in the Draft Budget, with further allocations to be made at Final Budget.
- 4.21 The £31.8m of FT allocations we are making in this Draft Budget will further support delivery of our priorities detailed in the 10-year Wales Infrastructure Investment Strategy, which was published alongside the Draft Budget in December 2021.
- 4.22 Details of the allocations are:
- To continue to support improvements to our educational estate, we are providing a further £2.8m in our Sustainable Communities for Learning Mutual Investment Model (MIM) programme. This is an equity investment, with the primary objective to facilitate additional new facilities over and above those capable of being supported by the Welsh Government Education Capital Budget.
 - £7m will be allocated to create a Wales Stalled Sites Fund to empower SMEs to develop housing across Wales and help meet deliver our commitment to invest in Welsh Infrastructure and increase supply of housing.
 - £20m will be allocated towards the development of a Further and Higher Education Decarbonisation Scheme to provide education institutions across Wales access to vital funds needed to fund renewable energy projects and to modernise infrastructure to reduce energy demand. This fund will help ensure our commitment to making the Welsh public sector net zero by 2030 is met.
 - An allocation of FT capital has been made to the Economy MEG for the development of a commercially sensitive bid.

4.23 In addition to the above allocations, there are several proposals – in the Climate Change and Economy MEGs, with strong potential which require further development. This work is underway and will allow further allocations of FT Capital to be made at Final Budget.

Reshaping the 2024-25 Budget

4.24 This Draft Budget has been developed in the most difficult financial and economic circumstances we have experienced since the start of devolution, giving rise to the starkest and most painful set of budgetary choices.

4.25 In making this Draft Budget, Ministers have decided to align spending plans for 2024-25 to meet our priorities and protect the services which matter most to people. As part of the preparations for this 2024-25 Draft Budget, we have undertaken a rescoping exercise to identify where funding can be released from within indicative plans, to support and safeguard core public services.

4.26 The changes in the 2024-25 indicative allocations, as set at Final Budget 2023-24, can be found in the Budget Expenditure Lines. The funding totals include those changes which were implemented as part of the in-year Budget exercise, announced by the Minister for Finance and Local Government in October 2023, which will be regularised at the Second Supplementary Budget, which is due to be published in February 2024.

4.27 The refocusing of priorities does not come without impacts. Further details about these choices will be outlined as part of individual Ministers' responses to their respective Senedd scrutiny committees and set out in the Strategic Integrated Impact Assessment (Annex A).

Administrative changes

4.28 We are making a small number of administrative changes within Main Expenditure Groups (MEGs) responding to a range of matters for inclusion in the Draft Budget 2024-25. These have been undertaken on an exceptional basis and all other administrative changes will be captured in Final Budget 2024-25.

Grant Consolidation for Local Authorities

4.29 As part of the Welsh Government's Programme for Government, the Welsh Ministers have committed to reducing the administrative burden on local authorities, to allow them to focus on their vitally important work delivering services. At the heart of this work is our desire to ensure that local authorities are not hampered by unnecessary bureaucracy. We know that to relieve pressure on both local government and Welsh Government at this time of stretched resources, the need to identify, reduce, and eliminate burdensome or unnecessary process and provide more flexibility is stronger than ever.

- 4.30 We have worked closely with local authorities to understand where the key issues lie, and grants management was the key area identified for change to achieve mutual benefit.
- 4.31 Work is ongoing to identify the best approach to grants in different policy areas, in collaboration with Local Government and we expect to outline agreed changes as part of the Final Budget. However, two areas have been agreed early, in Education and Children and Communities.
- 4.32 In Education we want as much money as possible going to the front line - to our schools and in support of our schools.
- 4.33 The Review of School Spending in Wales underlined the unnecessary complexity in our system, and the issue has been raised as part of workload negotiations. The Review of Roles and Responsibilities of Education Partners in Wales has also highlighted frustrations with the grant funding process, the bureaucracy associated with it and the uncertainty it causes for school leaders.
- 4.34 Over recent years we have been streamlining the monitoring and evaluation of our grants, but we need to accelerate this to ensure that resources are being targeted and delivered in the most appropriate, efficient, and effective ways.
- 4.35 We will therefore be amalgamating our hypothecated pre-16 education grant funding which is currently provided to local authorities and regional consortia and partnerships. From the 2024-25 financial year, we will be providing the Local Authority Education Grant to our local authorities which will include funding elements for School Standards, Equity, Reform and Cymraeg 2050. We hope that these new arrangements will enable Local Authorities to maximise the funding that is available to allocate to schools, and ensure grant processes are less complex, more transparent and cut out unnecessary bureaucracy. We will work with all partners over the next few months ahead of the new financial year to ensure the new arrangements are bedded in.
- 4.36 In Communities we are transferring two standalone grants - Playworks Holiday Project and Early Intervention Parenting Support and Interparental Conflict Grant - into the Children and Communities Grant (CCG) flexible fund immediately for 2024-25. These grants are small and fit with the ambit of the CCG, which is a flexible funding mechanism, and allows the local authorities to spend their funding in line with their priorities whilst meeting Welsh Government objectives and performance targets.
- 4.37 It is also the intention to include some funding from the Training and Support Programme (to cover mandatory, best practice and childminder training) to the childcare and play element of the CCG in 2024-25.

Chapter 5: Welsh Government spending plans

Wales' Expenditure Budget

- 5.01** Devolved expenditure in Wales for 2024-25 comprises allocations to Welsh Government Main Expenditure Groups (MEGs) of £22.6bn.
- 5.02** As first implemented in the Draft Budget 2023-24, tables which support this Draft Budget Narrative can be found in the open data source (ODS) workbook Tables supporting spending plans, on the Welsh Government's Draft Budget web page:

[Tables Supporting Spending Plans](#)

- 5.03** Publishing the tables in a single document in ODS format reflects the Welsh Government's commitment to improve the presentation and openness of Budget data.
- 5.04** The tables included in the ODS workbook comprise:
- Sources of Finance for Welsh Government
 - Allocation of the Wales Budget
 - Summary of the Welsh Government MEG Total Allocations
 - Changes to the Welsh Government MEG Resource Allocations
 - Changes to the Welsh Government MEG Capital Allocations
 - Changes to the Welsh Government MEG AME Allocations
 - Direct Borrowing for Capital Purposes
 - Reconciliation Between Administrative Budget and Resource Allocations in the Draft Budget Proposals
 - Restatement tables 2023-24
 - Restatement tables 2024-25
 - Year on Year Changes
 - Year on Year Changes reflecting 2023-24 October Statement Adjustments
- 5.05** The table setting out the allocation of the Wales Budget 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. It also shows unallocated reserves funding, recognising the move to a new fiscal strategy in 2023-24, where in place of holding an unallocated DEL reserve, we will use funding held in the Wales Reserve to manage the in-year financial position. 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.
- 5.06** There are additional tables for the 2024-25 Budget only. These show the percentage changes arising from comparing the 2024-25 Draft Budget figures with the restated Final Budget 2023-24, but also including in-year changes which took place on 17th October 2023 following Ministerial reprioritisation of 2023-24 Budgets. This provides an additional view of comparability.

Categories of expenditure

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

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

5.08 The tables showing summaries of the Welsh Government MEG Total Allocations 2024-25 set out the MEG allocations by these categories. They can be found using link to the ODS workbook shown in paragraph 5.02.

Annex A: Strategic Integrated Impact Assessment

Introduction

1. The Welsh Government undertakes a Strategic Integrated Impact Assessment (SIIA) of the Welsh Government Budget as part of the annual budget cycle. The purpose of the SIIA is to identify key trends, strategic and cumulative impacts at portfolio level, across a range of areas, including giving due consideration across the statutory requirements. This ensures strategic budgetary decisions reduce the disproportionate effect on any one specific group or area; whilst also helping to identify opportunities to maximise positive impacts and reduce inequalities across our society. A robust SIIA ensures every pound invested delivers the greatest positive impact.
2. The SIIA process gives due consideration to the following statutory requirements:
 - Equality Act 2010
 - Public Sector Equality Duty
 - Socio Economic Duty
 - UN Convention on the Rights of the Child
 - Well-being of Future Generations (Wales) Act 2015
3. The SIIA process also gives due consideration to the following non-statutory requirements:
 - Equality
 - Health
 - Justice
 - Environmental Assessment
 - Biodiversity
 - Rural Proofing
 - Welsh Language
4. The purpose of this document is to provide a summary of the findings from the SIIA process as outlined above and provide a link to how the 2024-25 Budget will address these areas. Undertaking the SIIA is an iterative process which draws on a range of information and expertise. Diagram 1 provides a simplified overview of the process that leads to the production of this document.

Strategic Integrated Impact Assessment: simplified overview

Step 1: Integrated Impact Assessments should be undertaken as part of the policy cycle with these assessments informing Budget decisions.

Step 2: Individual Ministerial consideration of impact across portfolios.

Step 2.1: Alongside the publication of the main SIIA Ministers are also required to publish their written evidence to scrutiny committees.

Step 3: The Budget commissions are issued to Main Expenditure Groups (MEGs) which will draw from IIAs and wider evidence linked to individual Minister's decisions.

Step 4: Assessing Impacts to inform SIIA:

- Iterative analysis of a range of macro evidence sources to identify key trends, associated impacts and consider how to best align funding to outcomes to deliver value for money.
- Iterative review impacts identified from across MEGs and identify any cumulative or intersecting as well as unintended impacts and possible opportunities for maximisation of positive impacts and mitigation of negative.
- Step 4 may lead back to Steps 2 and 3 or on to Step 5.

Step 5: Cabinet consideration on Budget allocations

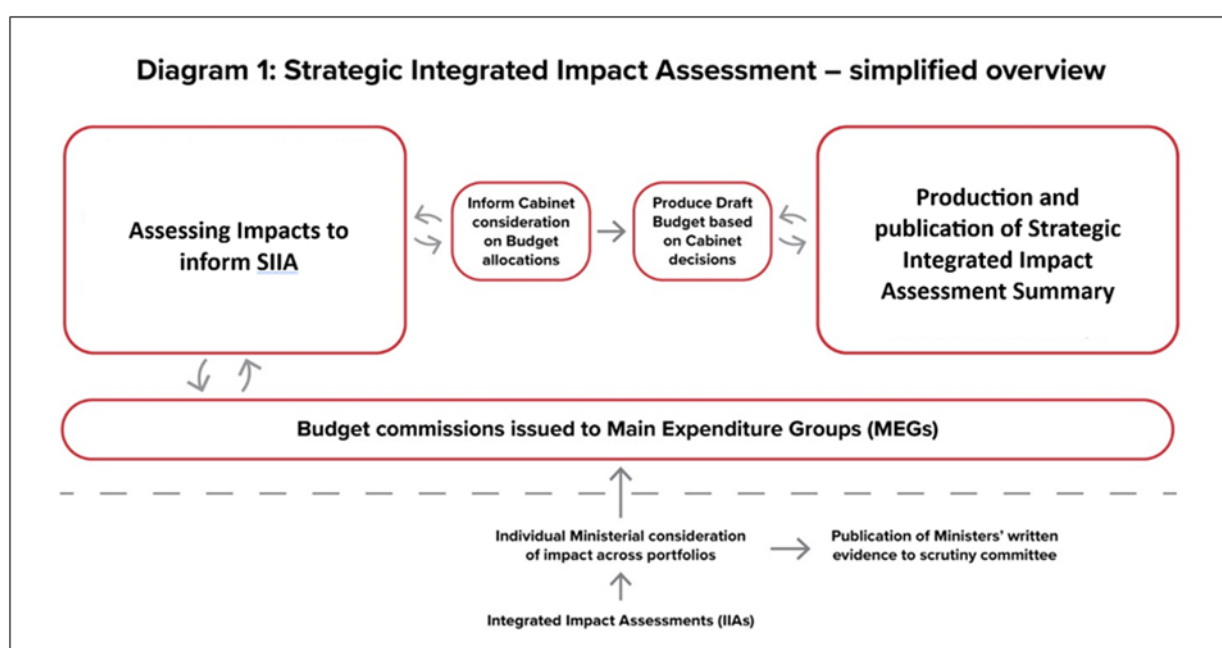
- Step 5 may lead back to Step 4 or on to Step 6.

Step 6: Produce Draft Budget based on Cabinet decisions.

- Step 6 may lead back to Step 5 or on to Step 7.

Step 7: Production and publication of Strategic Integrated Impact Assessment

- Provides summary of strategic impacts across a range of areas of impact and statutory requirements.
- Links the identified areas to strategic Budget decisions.
- Document is presented as annex within the published Draft Budget.
- Step 7 may lead back to Step 6.



5. The SIIA process is separate from the Welsh Government Integrated Impact Assessment (IIA) which assesses the impacts at an individual project or policy level. The Welsh Government maintains that an integrated approach to impact assessments enables us to better understand the impact of spending decisions, seeking to better understand the intersectional and unintended impacts of spending to maximise the impact of available funding.
6. A range of macro evidence sources are considered as part of the SIIA process, including the Wellbeing of Wales Report, the five-year Future Trends report and the annual report on the Socio-Economic Duty (this is not an exhaustive list). We also work with the Welsh Government's Equality, Race and Disability evidence units and ensure we are using the latest research and evidence. Both formal and non-formal evidence is considered appropriately as part of this process, including the engagement undertaken by the Minister for Finance and Local Government with stakeholders from across the public and third sectors along with the Commissioners.
7. This document will not:
 - Provide individual integrated impact assessments (IIAs) for specific projects, policies and decisions.
 - Detail every single decision process and/or piece of evidence reviewed as part of this process.
 - Provide a list of each individual characteristic or area of impact considered.
8. This document should not be read in isolation. It should be read in conjunction with the Draft Budget narrative and supporting documents, such as the Chief Economist's report and our updated distributional impact analysis. Following the publication of the Draft Budget, we publish the summary of all Ministerial evidence to Senedd scrutiny committees. This document provides detail from each Ministerial portfolio on the specific allocations made, including information around the impact of decisions. This document is not available at the time of this publication but will be found on the [Draft Budget 2024-25](#) section of the Welsh Government website from mid-January 2024.

Evolving our approach to assessing impact

9. In 2022, we established the Budget Improvement and Impact Advisory Group (BIIAG). The aim of the group is to engage and influence improvements to our budget and tax processes, supporting the delivery of the Budget Improvement Plan, which can be found on the Welsh Government, Draft Budget webpage. We continue to consult BIIAG about how improvements can be made and how best to communicate the SIIA through the annual budget process. A more detailed roadmap of improvements can be found in the Budget Improvement Plan.
10. We continue to engage with other governments who are seen to be leaders in impact assessment through the Well Being Governments Network (WeGo). The learning from this network is essential to supporting us in evolving and improving our approach to impact assessment.

11. Both the process of undertaking a SIIA and the communication of that process to a wider audience will be one of continued improvement and will evolve over the coming years.
12. We would like to, once again, thank our stakeholders from the Budget Improvement and Impact Advisory Group and the Senedd Finance Committee for supporting us on this journey so far.

Alignment to 2023-24 Statement

13. In October, the Minister for Finance and Local Government announced changes to the Welsh Government's 2023-24 spending plans to help manage a significant projected overspend in some areas. This was largely as a result of the significant pressures on public service budgets, such as in the NHS, caused by rising demand, persistently high inflation, ongoing Covid-19 pressures and unfunded public sector pay rises.
14. We re-prioritised spending to provide an extra £425m to the NHS and £125m to Transport for Wales. We acted in the middle of the year because we couldn't allow these problems to make the 2024-25 Draft Budget even more challenging.
15. We published an addendum to the Strategic Integrated Impact Assessment published at Draft Budget 2023-24, highlighting the main impacts of these changes. As the 2023-24 context evolves, we are continuing to develop and iterate our assessment of the impacts of these choices, as well as mitigations of negative impacts where possible. All changes to our 2023-24 spending plans will be regularised in the Second Supplementary budget to be published in February 2024 with all details provided in the accompanying Explanatory Note.
16. Many of the impacts arising from this approach are unique to 2023-24. Where there are impacts to 2024-25 these have been worked through as part of the 2024-25 Draft Budget and encompassed within this Strategic Integrated Impact Assessment.

Strategic Context

17. Chapters 1 and 4 set out the context in which this Draft Budget has been made and the overall decisions made. This document provides a summary of some of the key trends and areas of impact identified across the Welsh Government priority areas, which have informed some of the strategic budgetary decisions which have been made. A more detailed assessment of economic and fiscal trends is set out in the [Chief Economist's Report](#). As indicative plans up to 2024-25 have already been published as part of our 2022-23 and 2023-24 Budget process, this assessment builds on the previous assessments.
18. Most of our funding continues to come directly from the UK Government as a block grant, even following the devolution of some tax-varying powers. This means Wales is directly exposed to UK Government fiscal policy and the political decisions driving it as we move closer to a General Election.
19. Over the last 13 years, we have experienced some very challenging fiscal and economic times, which have resulted in a real terms reduction in our budgets from 2010 onwards.

20. This decade of fiscal constraint, which includes austerity, the impacts of the UK leaving the EU, the subsequent global pandemic, increasing impacts of climate change and cost-of-living crisis and associated inflationary pressures linked to the war in Ukraine, has left public services incredibly vulnerable to further shocks, despite everything we have done to protect them from the worst impacts. Our budget continues to be impacted by the withdrawal of EU funding from Wales.
21. Households with children, women and disabled people and people from some Black, Asian and minority ethnic backgrounds are disproportionately affected by employment inequalities, the cost-of-living crisis, and the impacts of poverty, including increased domestic violence and poor mental wellbeing. Those children who depend on women's or disabled peoples' incomes are at greatest risk of becoming looked after and having poor life chances. These groups are therefore at greatest risk if the funding context impacts on services that they rely on such as those aimed at tackling poverty.
22. People on low incomes are particularly affected by food prices, following a period of pressure from higher energy prices and persistently high inflation. Even as the rate of price increases falls, lower income groups are likely to continue to struggle with the impact of higher price levels on their living standards. The Office for Budget Responsibility has said living standards will be 3.5% lower in 2024-25 than pre-pandemic – equivalent to the largest reduction in living standards since records began in the 1950s.
23. Children and young people also face compounded effects from the Covid-19 pandemic. There is evidence the disruptive effects on education have affected young people from disadvantaged backgrounds and there have been continuing effects on school attendance.
24. There is a continued need to take action on the climate and nature emergencies, recognising that some of the action required does not necessarily involve the provision of additional public funds. The Climate Change Committee's latest progress report for Wales highlighted several areas where rates of progress need to be considered including charging infrastructure, tree-planting and peatland restoration.
25. There are also impacts associated with the need to adapt to the risks posed by climate change, as well as to address the causes, and to prepare for other potential threats. This includes the risk of flooding, and of associated damage to buildings and infrastructure. The poorest and most marginalised populations are most at risk from the negative impacts of climate change.
26. The latest State of Nature report, published in September 2023, shows a continued decline in biodiversity. We recognise the benefits nature provides to humans, through ecosystem services, such as flood prevention and food production and its loss impacting human safety and wellbeing with the most vulnerable feeling the greatest negative impacts.
27. Demographic change also remains a key impact in the longer term. An aging population increases the demand for spending on health, particularly on social care. As the working age population decreases as a share of the total population, there is a risk to the tax base from which public services are funded.

28. The reality is that our budget settlement is not sufficient to recognise all these impacts. The 2024- 25 Draft Budget has presented the most stark and painful budget choices for Wales in the devolution era.
29. If our budget had kept pace with the growth in the economy since 2010, we would have had an additional £3bn to spend on public services and support for people and businesses in Wales in 2024-25.
30. Instead, we are facing a real terms reduction in our spending power of up to £1.3bn since our budget was set in 2021.

Summary assessment

31. Our approach remains rooted in assessing the strategic and cumulative impacts of the choices we need to make. Undertaking this integrated approach to assessing impacts better enables consideration of our statutory and non-statutory requirements, in particular: Equality Act 2010; the Public Sector Equality Duty; Socio Economic Duty; UN Convention on the Rights of the Child; Well-being of Future Generations (Wales) Act 2015; health, justice; environmental assessment; biodiversity; rural proofing and the Welsh language.
32. The stark reality of the extraordinary financial circumstances we are facing has necessitated a more fundamental approach. We have re-shaped the indicative spending allocations within our budget to provide extra funding and protection for the services which matter most to people and communities across Wales – the NHS and the core local government settlement, which funds schools, social services and social care and other everyday services. We have done so in line with our priorities to:
 - Protect core, frontline public services as far as possible.
 - Deliver the greatest benefit to households which are hardest hit.
 - Prioritise jobs, wherever possible.
 - Work in partnership with other public sector bodies to face this financial storm together.
 - Re-focus funding away from non-devolved areas, which the UK Government should be funding.
33. We have taken this approach to ensure we continue to focus funding where it can have the most positive impacts in the circumstances and taking action to ensure we mitigate direct impacts to people and places, as far as possible. Spending more in some areas means there is less to spend in other areas. Where hard decisions have been required, we have sought to identify those areas where the relative impacts are lesser than their alternatives and we have sought to take action to mitigate impacts as far as possible. Given the circumstances, it has not been possible to avoid negative impacts in all cases.
34. Further details on the choices being taken will be outlined in respective Ministerial evidence papers to Senedd scrutiny committees, which will provide detail on the specific allocations made, including information on about the impact of decisions. Beyond this Budget, Ministers will continue to consider the impacts of these choices in delivering as they deliver plans and programmes.

35. On this basis we have chosen to prioritise frontline NHS and the core day-to-day local government-run services, which we all rely on – such as schools, social services and social care.
36. We will invest a further £450m into the NHS in 2024-25, on top of the additional £425m we made available in October (for 2023-24). This is equivalent to 4% in 2024-25, compared to 1% for the NHS in England.
37. We are protecting spending on local services by increasing the local government settlement by 3.1% – a promise we made last year.
38. But even with this extra investment, health boards and councils will face significant pressures and difficult choices in managing within their settlements in 2024-25.

Maintaining our existing investments

39. Since we first set out our indicative plans for 2024-25, as part of our 2022-23 Budget and Spending Review, our approach has been designed to ensure every pound invested makes the greatest positive impact. While we have needed to reshape our budget to provide extra funding and protection for the services which matter most, we have acted to maintain the plans we set as far as possible.
40. The decisions outlined here represent less than 5% of our £23bn annual Budget. We are maintaining substantive investments to balance short-term needs associated with the ongoing cost-of-living crisis, while seeking to continue to drive forward longer-term change and delivering on our Programme for Government commitments.

Capital

41. Our plans assume a revenue to capital swap of £47.33m to help manage our overall position, but beyond this, there are no substantial changes to the multi-year general capital allocations set out in the 2022-23 to 2024-25 Budget.
42. As part of our zero-based review of capital funding undertaken through the Spending Review as part of the 2022-23 Budget, we took action to align our capital spending in support of tackling the climate and nature emergencies. Coupled with supply chain issues, persistently high levels of inflation mean we have had to reprofile some of our activity to manage within our settlement. We maintain our focus on achieving the long-term outcomes of our Wales Infrastructure Investment Strategy and the associated Infrastructure Finance Plan.
43. We also continue to maximise our existing portfolio of Financial Transactions Capital investment, investing more than £2.2bn in a wide range of projects supporting our business and housing sector, benefiting many parts of our society and economy. A large proportion of this money is invested in medium to long-term loans and equity investments where shorter-term loans are provided, repaid and then re-provided to support other businesses several times before the scheme lifetime ends.
44. In this Budget we are allocating £31.8m to further support delivery of our priorities contained within the 10-year Wales Infrastructure Investment Strategy.

45. The allocations for Financial Transactions Capital for 2024-25 are outlined in Chapter 4 with further detailed outlined below.

Wellbeing of Future Generations Act

46. As we have reshaped our spending plans for 2024-25, we have also been guided by the principles embedded in the Wellbeing of Future Generations Act. We maintain our commitment to respect these principles as we progress and reflect and adapt where necessary. In this context:

- **Long term** – We have needed to act in the short term to protect the core services on which people rely to ensure they are sustainable into the future.
- **Prevention** – Within the extremely challenging settlement we have had to act to prevent the worst impacts to core services. While it has not been possible to avoid all negative impacts we have ensured as far as possible we mitigate direct impacts to people and places.
- **Integration** – we have maintained our approach of understanding the integrated impacts of the choices we are taking. In deploying our limited funding we have considered where funding can be allocated to achieve the best possible impact balanced against the negative impacts of needing to reduce funding in other areas.
- **Collaboration** – As we move beyond this Budget we will work with our wider partners to deliver on our plans and support them in meeting the challenges posed by this fiscal context.
- **Involvement** – Throughout this Budget we have engaged with social partners including the third sector, local authorities and Statutory Commissioners to understand the impacts of the current context to shape our spending plans.

Protect core, frontline public services as far as possible.

Health

47. The financial challenge for the NHS, common to all areas of the UK, relates to a number of significant factors:

- Inflationary pressures across all areas, which are outside of health board control – for example, pay and non-pay inflation, including the costs of medicines and increasing costs of packages of care.
- Increasing demand.
- More expensive and complex treatment.

48. The NHS in Wales is facing increasing demand for its services at a time when the costs of care – staffing and treatment – are rising. Every month 2 million people are in contact with the NHS, in a population of 3 million people. One-and-a-half million people have contact with primary care services every month and every year 1.5 million people are referred to secondary care services for treatment or further tests.

49. We will invest a further £450m into the NHS in 2024-25, on top of the additional £425m we made available in October (for 2023-24). This is equivalent to 4% in 2024-25, compared to 1% for the NHS in England.
50. We expect the financial outlook for the NHS next year to be one of the most challenging we have ever faced. This additional funding will help to mitigate the more serious impacts on frontline services, patient care, access and performance targets. By investing more in the NHS we aim to offset the most severe impacts across all parts of Wales and provide protection for everyone, including children, disabled, older and vulnerable people.
51. While we have redirected funding from across the Welsh Government, this still means that health boards will face some challenging decisions to manage within their individual budgets. All decisions by health boards will be subject to equality impact assessments, balance of risk judgements and potential consultations if decisions will lead to service change. Each health board faces different challenges in terms of population need and the configuration of services; the actions taken to manage any cost pressures will vary according to organisation and will be subject to local determination.

Impacts on wider health budgets

52. As well as the work across the Welsh Government to redesign budgets to provide an additional £450m for the NHS, the Health and Social Services MEG will be revised to release more funding to help offset the additional pressures we are facing.
53. In prioritising funding to the NHS, we have reviewed all centrally held budgets in Health and Social Services and have redirected funding from several areas. These include substance misuse budgets. While we are protecting core provision, we have reprioritised funding from the Wales police schools programme, which provides support in all primary and secondary schools in Wales on a range of topics, including substance misuse, online safety and personal wellbeing.
54. We will continue to protect the mental health NHS ringfence, which provides core support to mental health services across Wales, including to some of the most vulnerable people in society. But we can no longer increase funding by £15m in 2024-25, as was originally planned. We have also reduced the existing mental health central budget by a further £6m.
55. We have not been able to fund some health prevention policies as originally planned. These are targeted at people who either smoke or who are living with obesity, and there are proportionately more people in our less affluent communities in these groups. We have refocused £3m of spending from this area. However, we recognise that not being able to increase funding in line with demand could impact the capacity of prevention services such as smoking cessation, weight management and exercise support.
56. We are reprioritising £22m of funding from our health protection budgets, which support a wide range of measures aimed at protecting the public from potential health threats. By re-prioritising we will strengthen delivery in some targeted areas, including emergency planning, and allocate funding directly to the NHS to support front line services.

57. As our Budget is under such extreme pressure, we will need to carefully consider whether additional funding can – and should – be raised by increasing charges for a range of services while we continue to ensure we protect those who are least able to afford higher charges. Revenue from charging is retained by public services.
58. People in Wales already pay charges for a range of services, including NHS dental care, domiciliary care and tuition fees – in most cases these are set at a level lower than in England and a range of exemptions are available for people on low incomes and for those on benefits. If we decide to increase charges, proposals will be brought forward for consultation.

Social Care

59. We have reprioritised £11m from the Social Care Workforce Grant, which will result in impacts on local authorities and social care partners. To ensure continued delivery of existing activity, including protecting spend on eliminating profit within the care of children looked after, we are reviewing planned activity and exploring efficiencies and rescoping activity until 2025-26. We are also protecting the core local government settlement, which funds social care.
60. We have reviewed funding from our Invest to Save budgets including funding for children looked after. We will continue to support the schemes we have already committed to in 2024-25, totalling £3.8m but we will not be able to take forward further planned schemes.

Local Government

61. We are acting to protect the core local government settlement by maintaining the planned 3.1% increase between 2023-24 and 2024-25.
62. Local authorities deliver a wide range of public services, often to the most vulnerable in our society and to people who are economically disadvantaged. These include significant services for children, through education and social services, and a wide range of services for adults who may be facing challenges in their everyday lives, through social services, housing support and other community services. Sixty-six per cent of local authority resources are directed to education and social services.
63. By taking this action we aim to protect, as far as possible, core funding for schools, social services and social care, bin collections and local leisure services. However, we recognise the substantive pressures facing all public services, including local government, because of continued high inflation, pay pressures, high energy costs and rising demand for services. Local councils will need to take difficult choices, which may have an impact on the services they provide. In making decisions, local authorities will need to consider the impacts of their choices under the statutory requirement relating to local government.

Schools

64. The protection we have given to the core local government funding settlement means we have also protected school funding, as far as possible. However, given the scale of the pressures we are facing, it has not been possible to avoid all impacts on young people. We have acted to minimise these impacts as far as possible within the funding available.
65. Schools continue to operate in a challenging context and are managing the ongoing impacts of the Covid-19 pandemic, including persistent and high levels of absenteeism; behaviour in classrooms; mental health and wellbeing issues.
66. We are working on reducing the administrative burden for local authorities and schools by providing more clarity and transparency of school/education funding by rationalising and consolidating our grants. This approach is intended to give local authorities the flexibility to target their funding, which should assist in better planning and execution, rather than restrict them to certain activity within the spending limits of that activity.
67. As part of our new School Standards Grant we have increased funding to local authorities to mitigate the planned tapering of funding in relation to our Recruit, Recover and Raise Standards programme, which was established to help learners overcome the negative effects of the pandemic. We are also protecting funding that was part of the Pupil Development Grant in rationalising funding into an overarching Equity in Education Grant to do all we can to protect our efforts to tackle poverty on educational attainment.
68. The new School Standards funding in our Local Authority Education Grant will protect funding in relation to the Recruit, Recover and Raise Standards programme which was established to help learners overcome the negative effects of the pandemic. We are also protecting the Pupil Development Grant funding that funds schools to support learners from low-income households, under our overarching equity in education objectives.
69. Our successful Covid Recovery programme, 'Recruit, Recover and Raise Standards', was due to be tapered in this budget as the post-pandemic effects lessen, however, we know that the impacts of the pandemic are continuing to be detrimental to our learners across Wales, so we are protecting this funding in order to continue to support them.
70. Funding that goes directly to schools has been prioritised. For 2024-25 the amalgamation of pre-16 education grants provides the same level of funding against similar grants provided to local authorities in 2023-24; this is also a 3.2% rise against the 2024-25 indicative budget for those same grants.
71. We have increased funding for Additional Learning Needs directed to local authorities as part of the new Education Reform Grant, to support the ongoing implementation of our Additional Learning Needs (Wales) Act, recognising the importance of the relative impact of this funding. As a result of careful targeting of available resources, we have acted to limit impacts of reductions to curriculum reform budgets by protecting direct funding to schools to support curriculum reform via the new Education Reform Grant.

72. We have reprioritised £10m from education capital budgets to provide scope for a capital to revenue switch in 2024-25. To minimise the impacts of this change in allocation we will prioritise core projects within the Sustainable Communities for Learning programme.
73. To continue to support improvements to our educational estate, we are providing a further £2.8m in Financial Transactions Capital in our Sustainable Communities for Learning Mutual Investment Model (MIM) programme to facilitate additional new facilities over and above those capable of being supported our general capital Budget.

Further Education

74. We have reprioritised £12.9m from post-16 provision. The Further Education (FE) sector continues to face significant pressures impacting on vocational delivery, but we needed to balance these against the need to protect core funding for schools, recognising the relative impacts to young people.
75. While we have acted to protect provision for children and young people aged 16 to 19, we are reprioritising £7.2m from Personal Learning Accounts. This will impact on our commitment to increase the number of adults who are learning. We are working to minimise the impact by mainstreaming delivery into part-time provision, focusing on the subjects that will have the most positive impact and addressing the priorities within the economy. By doing this we aim to ensure that the funding remains focused on those most in need and in areas that will have a sustainable long-term impact.
76. To support the Further and Higher Education sectors, we are providing £20m of Financial Transactions Capital towards the development of a Further and Higher Education Decarbonisation Scheme. This will provide education institutions with access to vital funds to support renewable energy projects and to modernise infrastructure to reduce energy demand. This will help ensure our commitment to making the Welsh public sector net zero by 2030 is met.

Higher Education

77. As a result of the latest forecast demand, we are reprioritising funding from student support grants of £53.9m; however, this will not result in a direct impact on the level of maintenance support provided to undergraduate students.
78. In acting to protect support as far as possible for under-graduate students we are reprioritising £9.6m from postgraduate grants but switching to providing support only through loans to new students from 2024-25 academic year.
79. We are reprioritising £3.2m from our post-graduate incentive bursaries for Welsh-domiciled postgraduate taught 'Masters' students, to protect core education funding. We recognise this funding disproportionately benefits females and is used to support training in science, technology, engineering, mathematics and medicine. This could also impact Welsh-medium provision. We will closely monitor the impacts of this change to ensure it remains focused on achieving the greatest impact within the funding available.

80. We are redirecting £1.6m from the Taith programme which will impact international learning opportunities for learners and staff across Wales. The remaining budget will be prioritised to support projects of greatest value.

Work in partnership with other public sector bodies to face this financial storm together.

81. We have needed to take difficult decisions on the Welsh Government's own organisational spending and running costs. Like other organisations, we continue to face a range of inflationary pressures. A range of options are being considered to manage our own running costs, including exploring how we can rationalise and/or better maximise our estate, for example by inviting public sector partners to co-locate on our estate to generate income. We will also need to review how we align our workforce with priorities set by Ministers, working in social partnership with our trade unions.
82. Whilst we have protected the budgets of Health Inspectorate Wales, Childcare Inspectorate Wales and Estyn, we have needed to take difficult choices in the budgets for our Arms-Length Bodies (ALBs). This is not a choice we take lightly, but one which is needed to protect core services. As these bodies take forward their new settlements, we will work closely with them to manage these impacts.

Welsh language

83. We have worked hard to limit the impacts on funding for the Welsh language, including maintaining funding linked to the Welsh Education Bill, Mudiad Meithrin and the Welsh in Education budget. While we are reprioritising £3.5m from funding linked to Coleg Cymraeg Cenedlaethol and the National Centre for Learning Welsh, we are maintaining budgets at 2023-24 levels to cause the least disruption to the Welsh language sector and to avoid making reductions across all areas. This funding will be reprofiled and considered in the context of the mechanisms being developed for ongoing financial commitments under the Co-operation Agreement, as set out in chapter 1 of the main narrative.
84. We will work with those bodies impacted to explore options to mitigate these impacts and support action to maintain the provision of free courses for 16 to 25-year-olds and the education workforce.

Environment

85. As part of our 2022-23 Budget, we allocated £1.8bn of targeted capital investments up to 2024-25 in response to the climate and nature emergencies. We are maintaining these capital investments, however, plans have been affected by persistently high inflation, and we have needed to carefully consider what activity we can protect within our constrained revenue budgets.
86. We have reprioritised £8.5m from flood risk management and water policy. This represents a £0.5m decrease in funding compared to 2023-24 levels. We will carefully monitor the impacts to our flood risk management preparedness and response.

87. We have refocused £2.7m revenue and £1m capital from our Forestry programmes, reprofiling delivery of the National Forest while protecting our woodland creation scheme.
88. We have released £3m from our Resource Efficiency and Circular Economy budgets impacting support for frontline services in local authorities and funding for repair and reuse hubs in town. Over time, delivery of extended producer responsibility reforms, will transfer some of the costs of waste services to producers and reduce the cost falling to the public sector. Work on these reforms continues, working across the four nations of the UK, but have not yet reached the stage that the cost burden has yet shifted.
89. We have released £1.5m from Biodiversity, Evidence and Plant Health budgets through reprofiling the Nature Networks Programme. The programme aims to improve the condition, connectivity and resilience of protected sites, investment will continue next year albeit at a smaller scale. We have also released funding for marine projects (£0.25m), air quality (£0.25m) and reprofiled some coal tip safety spend (£0.7m).

Deliver the greatest benefit to households which are hardest hit.

90. We have had to make some incredibly difficult decisions to re-focus our spending plans on the public services which matter most to people – the NHS and everyday services delivered by local councils, such as schools and social care. Unfortunately, this means radically redesigning some of our departmental budgets.

Social Justice

91. Within the Social Justice portfolio, we are protecting key areas of support and maintaining emergency help for people hardest hit by the ongoing cost-of-living crisis. However, to achieve this we have had to refocus funding away from activities where the Welsh Government has stepped in to fund non-devolved policy areas to compensate for UK Government shortfalls.
92. We have taken action to increase funding for our Basic Income Pilot by £3.5m to ensure we continue to provide the basic income payment without reducing either the amount paid or the length of time it is paid for. This will continue to support more than 600 young care leavers enrolled on the pilot.
93. We are maintaining the funding for the Discretionary Assistance Fund (DAF) at £38.5m given the significance of this fund in assisting those who are most disadvantaged, marginalised and/or vulnerable and who are particularly impacted by the cost-of-living crisis. We have also protected our support for advice services. The decision to protect the budget for the Single Advice Fund in 2024-25 means people who are most disadvantaged and/or marginalised will continue to be able to access the advice and support they need to maximise their income and manage their debts.

94. In reprioritising £4.1m, we have acted to broadly maintain delivery against all Programme for Government commitments supported within the Equality, Inclusion and Human Rights and Cohesive Communities budgets. We will rationalise and focus grant schemes, aiming to provide support across the same range of groups with protected characteristics. We will focus funding where it will have the greatest impact in tackling inequality and discrimination and promoting human rights. We recognise this reprioritisation may impact on delivery by third sector equalities organisations particularly for people with protected characteristics. We will work closely with third sector organisations to mitigate any impacts as far as possible.
95. We have protected funding for the Violence Against Women, Domestic Abuse and Sexual Violence (VAWDASV) budget at £8m due to increased demand against this budget and given the importance of protecting those experiencing VAWDASV from physical, emotional and mental harms as well as changing attitudes and culture.
96. We have also protected key activities within other budgets including emergency food aid and some funding for emergency fuel support through the Fuel Bank Foundation within the Supporting Communities budget. This will enable us to continue to provide a level of emergency support to those who are not able to top up their pre-payment electricity meters next year and to support bulk purchase of fuels for people who are not on the gas grid and who cannot afford to pay for fuel. We will also continue our important work to implement our Child Poverty strategy.
97. We are reprioritising £1m from third sector infrastructure budgets. While we have focused on those areas that provide the greatest direct support to people, this has meant we have not been able to protect all areas. We recognise this will impact on volunteering support and will require reprofiling of activity to support resilience within the third sector. We will work closely with the sector to do all we can to mitigate these impacts, recognising that reprioritisation of funding across all portfolios will impact many third sector organisations, directly or indirectly, not just the support bodies which make up third sector support Wales (WCVA and County Voluntary Councils).
98. We are reprioritising £1m from the funding provided to Digital Communities Wales, which will mean reducing activity aimed at improving digital skills and access which enables people to better access a range of online services and employment opportunities. We are aware that those with particular protected characteristics are more likely to be digitally excluded and will work to mitigate the negative impacts where possible.
99. As a result of changes associated with the Community Bank, we are able to redeploy £1.75m of capital in 2024-25 while new plans are being developed. This has enabled us to provide capital support to several areas in 2024-25, including the Community Facilities Programme and the Women's Justice and Youth Justice Blueprints proposal to improve facilities within a secure children's homes, as well as capital costs for the Older People's and Children's Commissioners.

Housing & Regeneration

100. We want to ensure everyone in Wales has a decent place to call home.
101. We have protected front line support services including the Housing Support Grant and Care and Repair services.
102. To ensure no one is left out we have also protected an increase in the Homelessness Prevention budget. The increase of £2m is reduced from a previous £5m increase in the indicative allocations, reflecting the incredibly challenging budget setting round this year.
103. Alongside prevention we need more homes.
104. We have protected our capital investment in homes, supporting our drive for more homes through new build, acquisition, leasing, development of high quality, transitional accommodation and to bring empty homes back into use.
105. The reprofile of empty homes funding means we will continue the programme into 2025-26 (an extra year) meeting the commitment to invest up to £50m over the course of the programme, bringing 2000 homes back into use.
106. We have a route to remediation for all buildings through the Welsh Building Safety Fund.
107. The timeline for these complex works can be long so the amended profile - releasing £37m of capital in 2024-25 for a switch to revenue - ensures we have the right amount of money in each year to meet the cost of completed works. We have been able to prioritise work to release £2m of revenue funding.
108. This is not a reduction in budget commitment to these works but a change of budget profile which more closely reflects when payments will become due.
109. Finally, while we have protected our core regeneration funding, we have needed to review delivery of our programmes to enable reprioritisation of £1m. Given the importance of maintaining targeted and effective regeneration investments, we will carefully monitor delivery of our existing and future regeneration schemes.

Ukraine

110. We are reprioritising £15.5m from the Ukraine programme due to the reduced number of new arrivals alongside the success of our programme to move people on from their initial accommodation. By taking this action we can still deliver some of the key elements of the programme and continue to support Ukrainian people to move to longer term accommodation as part of their local communities. At this stage, the Ukraine budget does not include provision for grant funding to local authorities, however, the UK Government has announced a £120m Homelessness Prevention Fund which is provided in lieu of year two and three tariffs in 2024-25. The Welsh Government will receive a proportionate share of this funding which will be allocated to local authorities to assist move-on, integration and to prevent homelessness during 2024-25.

Children and Families

111. Based on latest forecast demand for our Childcare offer we are reprioritising £11.2m, with no anticipated direct impact to delivery. We are reprioritising funding of £7m from our Children and Communities Grant (CCG) which supports early intervention and prevention activities for children, young people and their families. While the CCG still provides funding of £171.4m, we will work with local authorities to mitigate impacts of the reprioritisation of funding.
112. We are also refocusing our Bwndel Babi programme releasing £3.5m. We are moving from a universal to a more targeted model to ensure it can reach those expectant parents in most need of support.

Prioritise jobs, wherever possible

Non-Domestic Rates

113. We recognise businesses and other ratepayers are continuing to experience pressures in the current economic climate, especially from persistently high inflation rates and from the successive interest rate rises introduced by the Bank of England this year aimed at reducing inflation.
114. We have taken the decision to cap the increase to the Non-Domestic Rates (NDR) multiplier for 2024-25 to 5% at a recurring annual cost of £18m. This is lower than the 6.7 per cent increase that would otherwise apply from the default inflation of the multiplier in line with CPI and will benefit all ratepayers who do not already receive full relief. This is the maximum level of support affordable using all the consequential funding which came to Wales as a result of decisions announced in the UK Government's Autumn Statement.
115. Almost half of ratepayers, including thousands of small businesses across Wales, will not be affected by an increase in the multiplier, as our generous system of full reliefs mean they do not pay rates at all.
116. We will also be investing an additional £78m to provide a fifth successive year of support for retail, leisure and hospitality businesses with their Non-Domestic Rates bills. This builds on the almost £1bn of support provided through retail, leisure and hospitality rates relief schemes since 2020-21.
117. Eligible ratepayers will receive 40% NDR relief for the duration of 2024-25. As in previous years, the relief will be capped at £110,000 per business across Wales. This temporary relief was never intended to continue indefinitely and our move to more frequent revaluations will ensure that NDR bills better reflect up-to-date market conditions for all sectors of the tax-base.
118. We will continue to support ratepayers with increased liabilities following the 2023 NDR revaluation. Our transitional relief scheme continues to phase in changes for eligible ratepayers at a cost of £38m in 2024-25.
119. From 2024-25, the NDR system will also include new measures to support ratepayers investing in property improvements and renewable energy.
120. In total, these measures will provide £134m of additional support for 2024-25. Combined with our fully funded permanent relief schemes, which are worth £250m to businesses and other ratepayers every year, £384m will be spent in 2024-25 on Non-Domestic Rates support.

Apprenticeships

121. To live within our funding settlement and to accommodate the loss of EU funding, we have had to review our ability to deliver on our apprenticeship target. We have reviewed what we can achieve and have adjusted our funding accordingly.
122. As a result of reprioritising £5m of funding, we are now expected to achieve 110,000 apprenticeship starts. To ensure we protect those areas of funding with the greatest impacts we will be continuing the Employer Incentive Scheme for disabled learners and will be providing in-work support for this cohort to enable them to successfully complete their apprenticeship programme. We are also maintaining Supported Shared Apprenticeships which provide additional support to disabled apprentices with intensive and wide-ranging employment and learning needs to complete an apprenticeship. Within the available budget learners aged 16-24 will continue to be prioritised in alignment with Young Person's Guarantee commitments. To mitigate impacts across industry sectors, we will work with apprenticeship providers to sufficiently prioritise delivery and explore efficiency saving initiatives.

Employability and Skills

123. Skills and employment remain powerful tools to tackle poverty. Well-paid work is the best route out of poverty and the greatest protection against poverty for those at risk. It can also be a key factor in maintaining physical and mental well-being.
124. We are reprioritising £19m from funding for employability and skills budgets which enable delivery of key employability and skills activities, including Communities for Work + (CfW+), Jobs Growth Wales+ (JGW+) and ReAct+. These programmes support those with protected characteristics and those in or at risk of poverty.
125. While we have needed to reprioritise funding within the available budget, we are considering how programmes can be targeted to maximise the chances for all groups of people to obtain sustainable work across Wales. We have protected support for 16-19 years olds as far as possible. We also recognise these changes will affect participant numbers and impact public sector bodies in receipt of this funding. We will work closely with employers and providers to mitigate these impacts as far as possible.

Business, Regional Support and Trade

126. We are releasing £5.7m from our Business and Regional Economic Development budget to contribute to the wider Welsh Government re-prioritisation. In taking these steps we still plan to deliver most of the programme activity and will continue to bring a range of positive impacts for citizens and communities across Wales. Changes have been designed to minimise any negative impacts from budget reductions.
127. We are also reallocating £440,000 from our Export, Trade and inward Investment budgets. Despite needing to refocus our funding, we will ensure we maximise the impacts of our remaining budget in recognition of the impact that exports and inward investment play in boosting economic growth, increasing productivity, supporting job creation and wage growth.

Transport

128. Following the action we took in October to help manage pressures related to maintaining rail operations, we have provided additional funding in 2024-25 compared to when we set our plans in March 2023.
129. As previously outlined, these pressures have been caused by the ongoing impact of the pandemic on the ambitious revenue projections from the original KeolisAmey bid in 2018 alongside inflation-related increases in some operational costs.
130. Without this funding, Transport for Wales (TfW) would have been unable to maintain the continued operation of all of its rail services. We are continuing to work with TfW to make savings and to minimise the gap between income and costs.
131. The significant rail investments made already across Wales would have been jeopardised without the additional funding provided in the revised spending plans. The wider package of investment will also help to grow demand and increase revenue income significantly over the coming years.
132. Like all public services in Wales tough choices will be needed to live within this settlement. In response to these inflationary pressures TfW will also need to increase rail fares to help close the gap and ensure sustainability going forwards.
133. In addition to TfW rail budget changes, we have also needed to refocus £24m funding across a range of our other transport budgets.

Rural Affairs

134. We have maintained the Basic Payment Scheme (BPS) at the same level (£238m) for 2024 but we continue to feel the impact of decisions taken by the UK Government which mean we have lost £243m in replacement EU funding.
135. We have protected funding for the programmes which are important to the agriculture sector including offering eligible applications a contract under Habitat Wales; supporting the organic sector and making up to £20m available to support the implementation of the agricultural pollution regulations.
136. There are no changes to the budget for animal health and welfare activities. We will continue to focus on biosecurity and tackling animal disease.
137. We are proceeding with the next phase of our consultation on our proposals for future farm support. The Sustainable Farming Scheme (SFS) has been developed with farmers and is designed to be an integrated long-term approach to support the resilience of our agricultural industry in Wales. It will be introduced in 2025.
138. The changes in the Rural Affairs portfolio are focused on the support available to prepare farmers and the supply chain for SFS. These are necessary to minimise the impact on the wider budget.

Culture, Sport and Tourism

139. The protections we have afforded to employability and skills mean that we have needed to take the difficult decision to reprioritise £16m of funding from within culture sport and tourism activities, as well as £2m from Cadw.
140. Despite these decisions, we will still be able to deliver a significant amount of core activity and will prioritise the remaining budget to support and promote our cultural and sporting heritage while continuing to help the tourism and visitor sectors to recover from the Covid-19 pandemic and ongoing impacts of the cost-of-living crisis.
141. However, it is likely there will be an impact on expenditure linked to life-long learning, interpretation, volunteering and other public programmes in these sectors. This will also impact individual and community participation and engagement with culture and the arts and will impact engagement with children and young people. In considering how to meet inflationary pressures, culture bodies will need to explore other sources of income.
142. Evidence demonstrates that there are multiple barriers for people who share protected characteristics when accessing culture and heritage; these need to be addressed to tackle inequalities. To mitigate these impacts, we will consider options to maintain access to targeted groups of visitors such as disabled visitors and their carers, community education and youth groups and will continue to encourage attendance from schools.
143. We are also maintaining capital developments across the sectors we support, including via the Brilliant Basics fund in tourism development, multiple funding streams in the creative sector and by continued record levels of capital investment in grassroots sport via Sport Wales alongside ongoing delivery of its strategic capital programme.

Re-focus funding away from non-devolved areas, which the UK Government should be funding.

Police Community Support Officers (PCSOs)

144. Given the extraordinary fiscal constraints on our budget, we have reviewed all areas of our funding, including in non-devolved areas where we have stepped in to provide funding in the absence of support from the UK Government or to close gaps. In these difficult times, we have prioritised funding devolved areas for which we are responsible.
145. We have greatly valued the work of Welsh Government-funded PCSOs in supporting the safety of local communities and recognise the role they have played supporting groups who are more likely to be victims of crime, such as people from lower socio-economic backgrounds, people who are Black Asian or from other minority ethnic backgrounds.
146. It is no longer possible to sustain investment at the same level of funding, however. On this basis we are reprioritising £7.5m from the budget for PCSOs. While we will still invest £15.5m in Welsh Government funded Police Community Support Officers, our policing partners will need to reshape their workforce. We will work closely with our partners to minimise the negative impacts as far as possible.

Annex B: Technical information on Innovative Finance schemes

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 (RSG), 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 15 local authority schemes in the programme and, in allocating a multi-year settlement, we will monitor the delivery profile of these schemes.
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. The Welsh Government continues to work with the Welsh Education Partnership Company on the construction of a pipeline of schools and colleges. The first two Education MIM projects are now underway: an All-Through School being delivered in Mynydd Isa alongside Flintshire County Council and a batch of primary schools being delivered alongside RCT County Borough Council. 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 new infrastructure projects are available for public use.
6. Financial Transactions (FT) Capital will continue to be used to finance the public sector shareholding in MIM schemes. This shareholding will be managed by the Development Bank of Wales (DBW) on behalf of Welsh Ministers.
7. In support of our commitment to transparency, we published the first MIM report in July 2022, which describes our activities from June 2021 to June 2022. A second report for the period up to the end of 2023-24 is now in preparation. Alongside the first report, we published the Education strategic partnership agreement and A465 project agreement (with commercially sensitive information redacted).
8. 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 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 C: 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. This outlines our vision, including short- and medium-term ambitions over the next five years, to improve the budget process aligned to the Well-being of Future Generations (Wales) 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 2023.

The Budget Improvement Plan has been published as a separate document and can be found at: <https://www.gov.wales/budget-improvement-plan-2024-2025>

Annex D: Devolved Tax and Block Grant Adjustment Forecasts

Introduction

This report sets out the latest devolved tax revenue forecasts and the details of how they affect the Welsh Government's Budget.

Tax devolution impacts on the Welsh Government's Budget in two ways. Firstly, the devolved tax revenues represent a significant share of the overall funding for the Budget (together with Non-Domestic Rates, around 20%). Secondly, those revenues are accompanied by reductions to the grant from the UK Government known as block grant adjustments (BGAs).

The initial level of the block grant adjustments was based on the revenues in Wales from the relevant tax at the point of devolution. The year-to-year change in the adjustments is based on growth in the equivalent revenue streams in England and Northern Ireland. The detailed mechanisms are set out in the Welsh Government's Fiscal Framework Agreement¹.

The devolved tax revenue estimates used in the Budget are forecasts produced independently by the Office for Budget Responsibility (OBR), in accordance with the Welsh Government's fiscal framework agreement. The block grant adjustments are based on forecasts of equivalent revenues in England and Northern Ireland for the same year, also from the OBR. The devolved tax forecasts are set out in more detail in the Welsh Taxes Outlook published by the OBR alongside the Welsh Government Budget. The relevant forecasts for the block grant adjustments are included in the annex to that publication.

The first section of this report sets out the net impact of tax devolution - the difference between devolved tax revenues and the associated block grant adjustments each year.

As the budgetary impact of tax devolution is based on forecasts, a reconciliation process is required once annual outturn information is available. Reconciliation amounts are applied to the Budget in later years. The second section of this report shows the latest set of reconciliation amounts.

The third section sets out how revenues, block grant adjustments and reconciliation amounts affect the sources of finance in the Welsh Government's Draft Budget for 2024-25.

¹ [Agreement on the Welsh Government's fiscal framework | GOV.WALES](#)

Section 1 Revenues and Block Grant Adjustments

This section includes the latest tax revenue forecasts, alongside outturns for years where that is available. These are set out in table 1, together with the outturns and forecasts for the associated block grant adjustments.

Table 1: Tax Revenue and Block Grant Adjustment Outturns and Forecasts (£m)

	2020-21	2021-22	2022-23	2023-24	2024-25
Revenues					
Welsh Rates of income tax	2,140	2,384	2,616	2,972	3,171
Land Transaction Tax	211	402	372	280	251
Landfill Disposals Tax	32	45	42	31	29
Total	2,382	2,832	3,030	3,284	3,451
Block Grant Adjustments					
Welsh Rates of income tax	(2,078)	(2,312)	(2,595)	(2,862)	(3,017)
Land Transaction Tax	(177)	(287)	(312)	(241)	(236)
Landfill Disposals Tax	(22)	(26)	(25)	(21)	(22)
Total	(2,278)	(2,625)	(2,932)	(3,124)	(3,275)
Net revenue impact					
Welsh Rates of income tax	62	72	21	110	154
Land Transaction Tax	34	115	60	40	15
Landfill Disposals Tax	9	19	17	10	7
Total	104	206	98	160	176
Outturn					

The positive net revenue impact of devolved taxation nearly doubled between 2020-21 and 2021-22. It is expected to remain positive, falling back somewhat in 2022-23 before rising again in 2023-24 and 2024-25. The net revenue impact of the devolved taxes in 2024-25 is forecast to be +£176m in total, with positive contributions from all three taxes.

Section 2: Reconciliation amounts

Outturn information for both Welsh Rates of Income Tax (WRIT) revenues and the associated block grant adjustment is only available around 16 months after the end of the relevant year. The most recent outturn information for 2021-22 was published in July this year.

Both elements are fixed for budgetary purposes using the OBR's forecasts from the previous autumn. Outturn information is available for 2020-21 and 2021-22, enabling final reconciliation amounts to be calculated. A joint technical note with HM Treasury was published on 7th December, detailing the reconciliation amounts for 2021-22.

For other years up to 2023-24, reconciliation amounts are estimated using the most recent forecast. Actual and forecast reconciliation amounts are shown in Table 2.

Table 2: Reconciliation amounts, outturns and forecasts (£m)

	2020-21	2021-22	2022-23	2023-24
Welsh Rates of Income Tax				
<u>Used in Budgets</u>				
Revenues	2,170	2,064	2,478	2,795
Block Grant Adjustments	(2,156)	(2,099)	(2,447)	(2,733)
<u>Outturns and latest forecasts</u>				
Revenues	2,140	2,384	2,616	2,972
Block Grant Adjustments	(2,078)	(2,312)	(2,595)	(2,862)
<u>Reconciliation amounts</u>				
Revenues	(30)	320	138	177
Block Grant Adjustments	78	(213)	(148)	(129)
Fully devolved taxes				
<u>Block Grant Adjustments used in Budgets</u>				
Land Transaction Tax	(174)	(277)	(322)	(241)
Landfill Disposals Tax	(22)	(23)	(27)	(21)
<u>BGA outturns and latest forecasts</u>				
Land Transaction Tax	(177)	(287)	(312)	(241)
Landfill Disposals Tax	(22)	(26)	(25)	(21)
<u>Reconciliation amounts</u>				
Land Transaction Tax	(3)	(10)	9	
Landfill Disposals Tax	0	(3)	2	
<hr/>				
Outturn				

Outturn data for the fully devolved taxes (LTT and LDT) and UK equivalents is more timely and is now available up to 2022-23. As with WRIT, the block grant adjustments for the fully devolved taxes are set using the previous Autumn forecasts but, unlike WRIT, are revised in-year as well. This means that the reconciliation amounts for the BGAs tend to be relatively small. These are also shown in Table 2. (There are no reconciliations for the revenues for the fully devolved taxes themselves, as outturns affect the Welsh Government Budget with immediate effect.)

Section 3: Forecasts and reconciliation amounts in the Welsh Government Budget

This section brings together information from the first two sections to show the overall impact on the Welsh Government's funding for 2024-25. Table 3 provides details for 2024-25 consistent with the Sources of Finance table, Tab 1 in the [Tables Supporting Spending Plans](#) .ods workbook.

It also shows how this has changed since the indicative figures in the Final Budget for 2023-24.

The reconciliation amounts for WRIT revenues and BGA are applied to the Budget 3 years after the year to which they relate. The 2021-22 reconciliation amounts are therefore applied to the 2024-25 Budget.

The reconciliations for the BGAs relating to Land Transaction Tax and Landfill Disposals Tax are applied 2 years after the year to which they relate. The 2022-23 reconciliations are applied in 2024-25.

Table 3: Forecasts and reconciliation amounts in the Welsh Government's Draft Budget for 2024-25 (£m)

	2024-25 Indicative March 2023	Change	2024-25 Draft Budget December 2023
Tax revenues			
WRIT revenues	2,927	244	3,171
WRIT revenue reconciliation amounts	337	(16)	320
WRIT total	3,263	228	3,491
Land Transaction Tax	299	(48)	251
Landfill Disposals Tax	39	(10)	29
Total devolved tax revenues	3,601	170	3,771
Block Grant Adjustments			
Welsh Rates of income tax	(2,832)	(185)	(3,017)
Land Transaction Tax	(231)	(5)	(236)
Landfill Disposals Tax	(24)	3	(22)
<u>Reconciliation amounts from previous years</u>			
Welsh Rates of income tax	(286)	74	(213)
Land Transaction Tax	0	9	9
Landfill Disposals Tax	0	2	2
<u>Total</u>			
Welsh Rates of income tax	(3,119)	(111)	(3,230)
Land Transaction Tax	(231)	4	(227)
Landfill Disposals Tax	(24)	5	(20)
Total block grant adjustments	(3,374)	(103)	(3,477)
Total net budgetary impact	228	67	294

The overall net impact of devolved taxation on the 2024-25 Budget is +£294m, including reconciliation amounts in relation to previous years. This is £67m more than was included in the indicative 2024-25 figures alongside the Final 2023-24 Budget.

Annex E: Implementation costs of legislation

Costs of Implementing Enacted Legislation in 2023-24 and 2024-25

[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 to March 2027	2024-25	643,000	1,020,000
Public Health (Wales) Act 2017¹	Health Improvement & Healthy Working (0231)	July 2017 to On-going	2024-25	26,700	44,700
Regulation and Inspection of Social Care (Wales) Act 2016²	Sustainable Social Services (0920)	2016 to On-going	2024-25	599,000	0
Public Health (Minimum Price for Alcohol) (Wales) Act 2018	Substance Misuse (1682)	2019-20 to 2023-24	2024-25	N/A	N/A
Health and Social Care (Quality and Engagement) (Wales) Act 2020	Healthcare Quality Improvement	2020 to 2023-24	2024-25	N/A	N/A

¹Opportunity 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.

²Due 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 (£)
	(0233)				
Education and Welsh Language					
Additional Learning Needs and Education Tribunal (Wales) Act 2018³	Additional Learning Needs (5115)	September 2021 to August 2024	2024-25	0	13,165,000
Curriculum and Assessment (Wales) Act 2021⁴	Curriculum Reform (5167) Curriculum and Assessment (5162) Qualifications Wales (5166) Teacher Development & Support (4880)	April 2021 to September 2026	2024-25	19,120,000 to 20,700,000	31,000,000 ⁵
Social Justice					

³Implementation period will continue for longer than anticipated in RIA

⁴Amounts set aside in Budget for financial year 2023-24 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 - £5m and 2024-25 - £1.66m)

⁵ The costs for 2024-25 have been updated to reflect the reduction to curriculum reform budgets of £1.6m being actioned as part of Draft Budget

Title of Act	Which BEL funds the costs?	Implementation phase	Year	RIA estimate of costs (£)	Amount set aside in Budget (£)
Social Partnership and Public Procurement (Wales) Act 2023	Social Partnership 1693	June 2023 – December 2025	2024-2025	£777,800	873,000 ⁶

⁶ This BEL includes other divisional costs as well as those directly resulting from implementation of the Act.

Health and Social Services

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

1. The Act came into force on 21st March 2022. The Act helps to protect children and their rights by prohibiting the use of physical punishment in Wales. It does this by abolishing the defence of reasonable punishment, which was previously available to parents or those acting in loco parentis as a defence to assault or battery against a child. 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.

Education

Additional Learning Needs and Education Tribunal (Wales) Act 2018

8. 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).
9. 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

10. 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.

Social Justice

Social Partnership and Public Procurement (Wales) Act 2023

11. The Act fulfils a Programme for Government commitment to place social partnership on a statutory footing in Wales. The Act provides for a framework to enhance the well-being of the people of Wales by improving public services through social partnership working, promoting fair work and social responsible public procurement. In summary the Act makes provision for a permanent Social Partnership Council for Wales, bringing together government, employers, and worker representatives. The Act will also place social partnership duties on certain public bodies and on Welsh Ministers, will make provision in relation to fair work, and strengthen socially responsible procurement.

Annex F: Glossary of financial terms

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 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.

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. Local authority expenditure financed by Non-Domestic Rates is also reflected in AME Budgets.

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 in [Welsh Government budgets](#).

Barnett formula

The formula used by the UK Government to calculate changes to the block grant allocated to the Welsh Government (and other Devolved Governments). 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 5%.

Budget Motion

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.

Capital

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.

Departmental Expenditure Limit (DEL)

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.

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 Capital

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.

Fiscal Resource DEL (previously known as near-cash)

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.

Main Expenditure Group (MEG)

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.

Non-Fiscal Resource DEL (previously known 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.

Resource (previously known as revenue)

Current expenditure, for example funding for the pay of public sector workers and to purchase consumable goods and services.

Spending Review

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 Governments 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.

Spending Round

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.

Total Managed Expenditure (TME)

This is an HM Treasury control total which is comprised of the total Departmental Expenditure Limit plus Annually Managed Expenditure.

Wales Reserve

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 into the Reserve.

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.