



Llywodraeth Cymru
Welsh Government

WELSH GOVERNMENT

Budget Improvement Plan

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Introduction

The Budget Improvement Plan outlines our vision, setting out short and medium-term ambitions over the next five years, to improve the budget process using the Well-being of Future Generations Act (WFG Act) and the five ways of working to drive continuous improvement.

We have committed to publishing the Plan annually, to recognise the ongoing nature of driving and sustaining longer term change. Our overall aim is that these planned improvements to the budget process will result in greater transparency in the annual Budget documentation to demonstrate how the Act has influenced budget decisions.

This updated Plan continues to show how we have built, or plan to build, on this work in future years, including the measures we have undertaken during the current budget cycle.

This year's Plan has again been published against the backdrop of having to face incredibly difficult choices. While the actions we have needed to take to manage this fiscal context have required us to revise some of our plans, despite this context we have done all we can to maintain our focus on the longer-term ambitions to reform budget and tax processes. Our Budget Improvement Plan sets out the progress we have made across a range of areas along with our ambitions for reforms into the future.

To support us in this we have worked in partnership with the Budget Improvement Impact Advisory Group (BIIAG). The aim of this group is to engage and stimulate improvements to our budget and tax processes, in turn supporting the delivery of the Budget Improvement Plan. Details of the Terms of Reference and minutes for the meetings held this year, can be found on the [BIIAG webpage](#).

We continue to consult BIIAG alongside a range of experts and international Governments, on how we can best reform and make improvements to the way our budget and tax processes are conducted. We have also continued to engage with other Governments on the area of gender budgeting.

We have been working with Children in Wales, Young Wales Project Board and officials across Welsh Government, to co-produce a Young Person's version of the Budget Improvement Plan, which will be published alongside the Draft Budget in December 2023. An animated version has also been developed to engage with young people and help them understand how the Welsh Government works and what the Welsh Treasury does. The animation is set to be launched in January 2024.

Working with a range of internal and external colleagues, we have continued to promote a better understanding of gender budgeting across Welsh Government. The gender budgeting pilots which were conducted in 2022-23 have shaped our understanding of how this work can be further embedded and expanded. We are in the process of considering next steps to further embed these approaches in our Budget process.

We continue to take a co-ordinated and strategic approach to communications, a priority being engagement and collaboration with our key partners and stakeholders. We also remain committed to using existing tax levers to benefit Welsh taxpayers and deliver wider Welsh Government policy objectives.

If you require any additional information on the Budget Improvement Plan, please contact bgb.policyanddelivery@gov.wales

Pages 4, 5, 6, 7, 8 and 9 of this Plan include a more detailed summary of progress made across our budget and tax processes.

The Budget Improvement Plan is designed around five key areas:

1. Spending Decisions
2. Fiscal & Economic Analyses and Assessment of Impact
3. Infrastructure Planning
4. Welsh Taxes
5. Engagement

1. Spending Decisions – We are reviewing how we can improve our existing processes across Welsh Government to identify and develop better spending proposals, to improve capabilities and help us to prioritise decisions that more clearly align with the well-being goals and ways of working and explore opportunities to improve longer-term planning.

2. Fiscal & Economic Analyses and Assessment of Impact – We continue to evaluate how we can improve existing Fiscal and Economic Analyses across Welsh Government to better identify and assess the impact of our budget decisions.

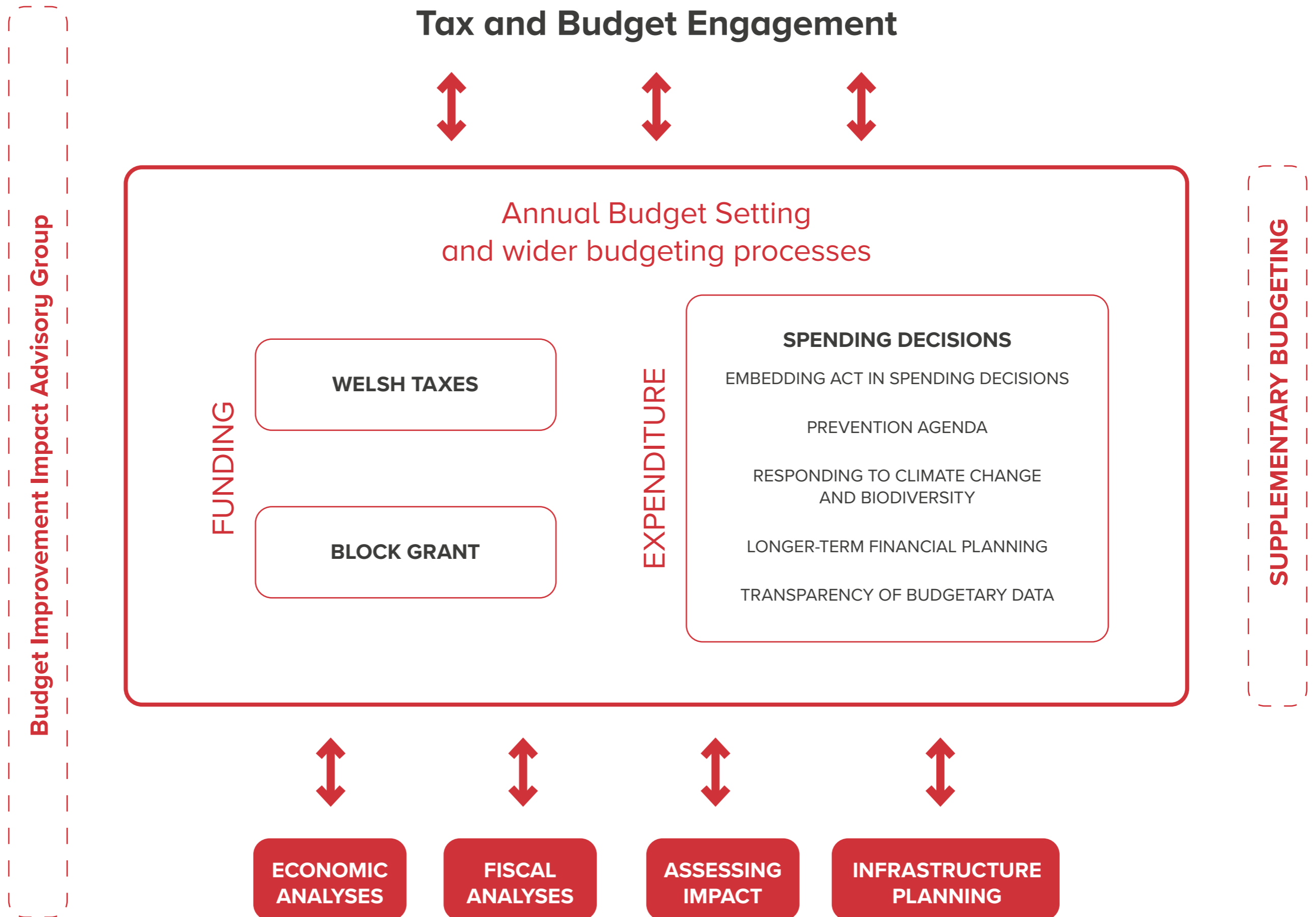
3. Infrastructure Planning – The Wales Infrastructure Investment Strategy (WIIS), is designed to set a framework for all our infrastructure investments. It is outcomes-focused, setting our priorities and ensuring our investments meet multiple objectives and deliver multiple benefits.

4. Welsh Taxes – We are continuing to progress our commitments and take opportunities to use our existing tax levers to benefit Welsh taxpayers and deliver wider Welsh Government policy objectives. We continue to build constructive working relationships, conducting earlier engagement to support better policy making. Our focus is to raise revenue to fund public services as fairly as possible, to consider how the existing tax levers at our disposal can be used to deliver Welsh Government Programme for Government commitments and to develop our future tax interests to deliver wider fiscal and policy objectives. In line with the tax policy principles set out in the Tax Policy Framework, we will aim to ensure we develop tax policy so that our taxes are simple, clear, progressive and stable, with legislative and administrative clarity and efficiency.

5. Engagement – We have continued our strategic approach to engagement and collaboration on the Budget, raising awareness of public spending and taxation. We have engaged meaningfully with key stakeholders and individuals impacted by budget decisions, enabling them to set out and have their views considered; and have collaborated with stakeholders to shape improvements to spending and taxation proposals.

The conceptual diagram on the next page sets out the relationship between the various aspects of the annual Budget included in this Plan and summarised above.

How does it all work together?



Update on progress against planned improvements during 2023

An outline of progress against planned improvements during this period is provided below. While the actions we have needed to take to manage this fiscal context have required us to revise some of our plans, despite this context we have done all we can to maintain our focus on the longer-term ambitions to reform budget and tax processes. Our Budget Improvement Plan sets out the progress we have made across a range of areas and sets out our ambitions for reforms into the future.

Through the work of the 2024-25 Budget, we have continued to explore how we improve our integrated approach to budgeting, understanding intersectionality and the unintended impacts of our spending decisions. We are also looking to the future and intend to undertake a more detailed review of our Strategic Integrated Impact Assessment in 2024. We have undertaken early engagement with BIIAG and will be engaging with a range of stakeholders to take this forward with the intention of concluding this review alongside the 2025-26 Draft Budget and taking forward any reforms for the 2026-27 Budget.

We have refined and extended our distributional impact model for analysing public spending in Wales, providing a high-level understanding on the largest areas of devolved spending. The distributional analysis update has been published as part of the 2024-25 Draft Budget package.

We held our annual tax conference which helps promote the Welsh tax agenda on 9 November 2023. The Wales Governance Centre, Welsh Revenue Authority and the Chief Economist were amongst a range of presenters, and attendees fed back on the value of our open and inclusive approach to engagement.

The Budget Improvement Impact Advisory Group (BIIAG) has continued to explore a range of areas including our understanding of how gender budgeting can be embedded and expanded across the organisation; exploring how a whole budget approach to preventative activity can best be supported and encouraging and reinforcing the work to co-produce a Young Person's version of the Budget Improvement Plan. Further details of BIIAG's work plan for 2024 will be published on BIIAG's web page in the New Year.

Spending Decisions

- As part of the extraordinary action, we have needed to take in 2023-24 and the work of the 2024-25 Budget, we have continued to explore how we develop our approach to improve how we understand the integrated impacts of the budget choices being taken. As part of this we have considered how we can better understand the intersectional and unintended impacts of our spending decisions and allow us to maximise the impact of available funding, alongside mitigating the impacts of the choices we have needed to take.
- In 2022-23, we adopted a new fiscal strategy to maximise available funding. This included a new reserves strategy and capital over programme, which will be monitored through the Supplementary Budget process.
- Both the Second Supplementary Budget of 2022-23 and the First Supplementary Budget of 2023-24 continued to provide a comprehensive narrative of the significant allocations and reprioritisations of existing budgets and their impacts, to enhance transparency. The Senedd Finance Committee is currently reviewing the process for directly funded bodies in respect of Supplementary Budgets. We will work with the Committee to improve processes as necessary.
- We are also looking to the future and intend to undertake a more detailed review of our Strategic Integrated Impact Assessment in 2024. We have undertaken early engagement with BIIAG and will be engaging with a range of stakeholders to take this forward with the intention of concluding this review alongside the 2025-26 Draft Budget and taking forward any reforms for the 2026-27 Budget.
- We have continued to engage with other Governments to share budget improvement experiences, most recently with the UK, Scottish and New Zealand Governments. This is helping to shape our learning in areas such as Spending Reviews, gender budgeting and budget engagement. The gender budgeting pilots which were conducted in 2022-23 have shaped our understanding of how this work can be embedded further and expanded. We are in the process of considering next steps to further embed these approaches in our budget process; this work will continue throughout 2024.
- As part of the work with BIIAG, a sub-group continues to look at embedding prevention into our processes, using biodiversity as an area to pilot ideas. Subject to the findings from this work, a whole budget approach to preventative activity will be explored, testing practicalities, and identifying the conditions needed to do this effectively across the whole organisation.
- We have also maintained delivery on prevention through refocusing the Invest to Save fund to concentrate on taking forward our Programme for Government commitments relating to improving outcomes for children who are looked after across Wales. The first tranche of funding has been agreed and is aimed at supporting foster carers.

Fiscal & Economic Analyses and Assessing Impact

- Drawing on the available data and evidence, Welsh Government economists have continued to play a central role in producing economic analysis and briefing on the evolving economic challenges related to the cost of living crisis, the pandemic and the transition to new trading relations with the European Union. This has included presentations to Cabinet and senior officials, the preparation of bespoke analysis and assessments set out in an internal Monthly Economic Report. We are continuing to improve our understanding of our investments on Net Zero by focusing on delivery of the Wales Infrastructure Investment Strategy (WIIS). Our Net Zero Delivery Plan contains further analysis on the impact of the policies and actions of Welsh Government and our partners on greenhouse gas emissions.
- We continue to develop the Chief Economist's report to provide a fuller account of Welsh economic developments and prospects and complement the Well-being of Wales Report. We have expanded coverage of fiscal issues and prospects within the Chief Economist's report and continue to advise on the application of Green Book principles in the context of the Well-being of Future Generations Act.
- We have refined and extended our distributional impact model for analysing public spending in Wales. The analysis focuses on the largest areas of devolved spending, providing a high-level understanding of how progressive spending on these areas is. This year we have updated all analyses based on the most recent Family Resources Survey data. In addition, we have improved the methodology for the analysis of health spend by basing this on newly available data from the National Survey for Wales. The distributional analysis update has been published as part of the 2024-25 Draft Budget package.
- We have continued to evolve our work to embed a gender focused approach and are ensuring that Welsh Treasury are driving forward this important activity. We continue to make use of valuable links through the Wellbeing Governments network to continue and formalise engagement with others operating in this area.

Infrastructure Planning

- The WIIS is our second 10-year, cross-governmental infrastructure strategy, designed to set a framework for all our infrastructure investments. The strategy is not a list of the specific infrastructure investments that will be delivered, rather it sets the outcomes which investment in infrastructure should enable. Being an outcomes-focused strategy, the framework set out in the WIIS for prioritising our infrastructure investments has been designed to ensure our investments meet multiple objectives and deliver multiple benefits.
- The strategy also describes how we intend to work to achieve those outcomes, setting out important baseline requirements that all future infrastructure investment proposals must meet. These cross-cutting principles, such as ensuring investment delivers against our decarbon justice – for example, through adopting gender budgeting approaches – will be embedded by all Welsh Government departments when infrastructure investments are designed.

- The delivery chapter of the WIIS also sets out a requirement for robust evaluation of infrastructure investments. Effective evaluation is essential to ensure that we are realising the benefits of our capital spending, and to assess the extent to which our capital budget allocations are contributing towards the outcomes of the Strategy. We expect evaluation, alongside regular assurance activities, to play a central role in decisions about future capital budget allocations and will be exploring options in the next financial year.

Welsh Taxes

- We are continuing to progress our commitments and take opportunities to use our existing tax levers to benefit Welsh taxpayers and deliver wider Welsh Government policy objectives.
- In November 2021, we published the Tax Policy Work Plan for 2021-2026 to coincide with publication of the updated Tax Policy Framework. The Workplan sets out our tax policy priorities to deliver strong and stable tax devolution and support delivery of our Programme for Government commitments in relation to devolved and local taxes. Our Tax Policy Work Plan provides clear direction and certainty in respect of our tax policy priorities for the five-year period.
- In December 2022, we published our second annual report against the five-year Tax Policy Work Plan and we continue to report progress annually against the plan. The next report will be published alongside the Welsh Government's 2024-25 Draft Budget which will be published in December.
- Earlier this year, the independent reviews of our two fully devolved taxes, the Land Transaction Tax (LTT) and the Landfill Disposals Tax (LDT), were completed and the reports have been published¹.
- Work to deliver the Programme for Government commitment to introduce legislation permitting local authorities to raise a visitor levy continues. A consultation was held over September-December 2022 and a consultation outcome document was subsequently published in March 2023. Legislation is intended to be introduced in Autumn 2024 and stakeholder engagement continues as we finalise our proposals.
- In response to the Programme for Government commitment to “develop further effective tax, planning and housing measures to ensure the interests of local people are protected”, in collaboration with our stakeholder partners we are continuing to develop a framework which could allow local authorities to request increased LTT rates for second homes and short-term lets to be applied in their local area. The intention being to support Ministers in making evidence-based decisions following local authority requests. Consideration is also being given to the wider legislative basis required to allow for increased LTT rates for second homes and short-term lets to apply in specified local areas.
- The Welsh Tax Acts etc. (Power to Modify) Act 2022 provides Welsh Ministers with greater flexibility to respond when changes are needed quickly to the Welsh Tax Acts because of external events. Work will commence on establishing the longer-term architecture for the Welsh Government and the Senedd to make changes to the Welsh Tax Acts in accordance with the time frame provided by the Act.

¹ [Written Statement: Independent Review of the Land Transaction Tax \(15 February 2023\) | GOV.WALES](#)

- During this year we have continued to build constructive working relationships with HM Revenue and Customs (HMRC) and HM Treasury on reserved taxes. The engagement has meant issues to be addressed being highlighted earlier, supporting better policy making.
- We are continuing to improve Welsh Government internal processes so that, where appropriate, taxation is considered as part of policy development to ensure that there are no unintended taxation or other liabilities.

Engagement

- We take a co-ordinated and strategic approach to communications and engagement, ensuring activity aligns with Ministerial objectives, which are agreed with the Minister for Finance and Local Government at the start of each Senedd term. Engagement and collaboration with our key partners and stakeholders continue to be a priority, particularly given the ongoing difficult financial situation.
- We have continued to engage with our key partners, including local authorities, statutory commissioners, third sector organisations and social partners, at an early stage of the preparations for the Draft Budget for 2024-25. Round table meetings provided the opportunity for the Minister for Finance and Local Government to set out the challenging economic and fiscal position. It gave partners the opportunity to set out their views on priorities for funding to achieve the greatest impact and benefit, and where there might be the potential to consider savings, as we work collectively to respond to the current context and tackle longer term challenges.
- We held our annual tax conference, which helps promote the Welsh tax agenda, on 9 November 2023. There were a range of presenters including the Wales Governance Centre, the Chief Economist and the Welsh Revenue Authority. One of the breakout sessions focused on engaging with stakeholders on devolved taxes. Attendees have fed back that they value our open and inclusive approach to engagement.
- We continue to work closely with the Welsh Revenue Authority, the body responsible for the administration and management of the collection of the two fully devolved taxes in Wales. We also maintain our Service Level Agreement with HMRC to administer and manage Welsh Rates of Income Tax.
- Work to improve budget literacy and engage with young people on Welsh taxes and the Budget has progressed well this year. Members of the Children in Wales Youth Board have presented their initial work on the young person's version of the Budget Improvement Plan to the Minister for Finance and Local Government and the Chairs of the Senedd Finance Committee and Children, Young People and Education Committee at an event in the Senedd in September 2023. The final product will be launched in early 2024.

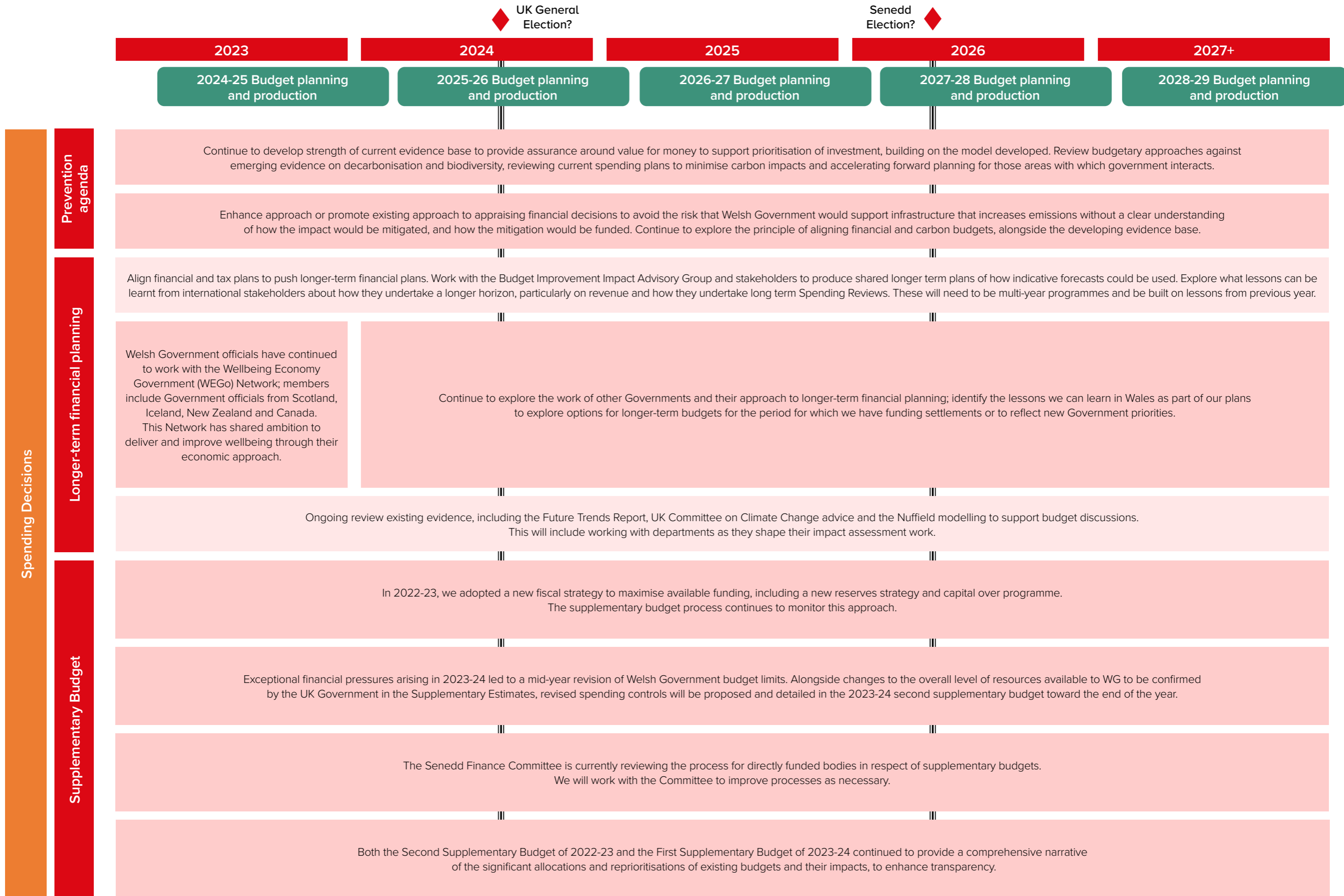
- Public awareness that the Welsh Government can set different income tax rates in Wales has risen from 32% to 38% this year. The main channels driving awareness are television, the internet and word of mouth. This supports our approach of using no cost and low cost communication and engagement channels.
- Welsh Treasury has two Twitter channels @WelshTreasury and @TrysorlysCymru and publishes content on the Finance Minister's position on fiscal matters, Welsh Budget, Welsh Taxes, collaboration with other devolved Governments and Welsh Government policy and spending announcements. Followers have increased over the past year with @WelshTreasury having 8.3k followers and @TrysorlysCymru 1.5k followers.

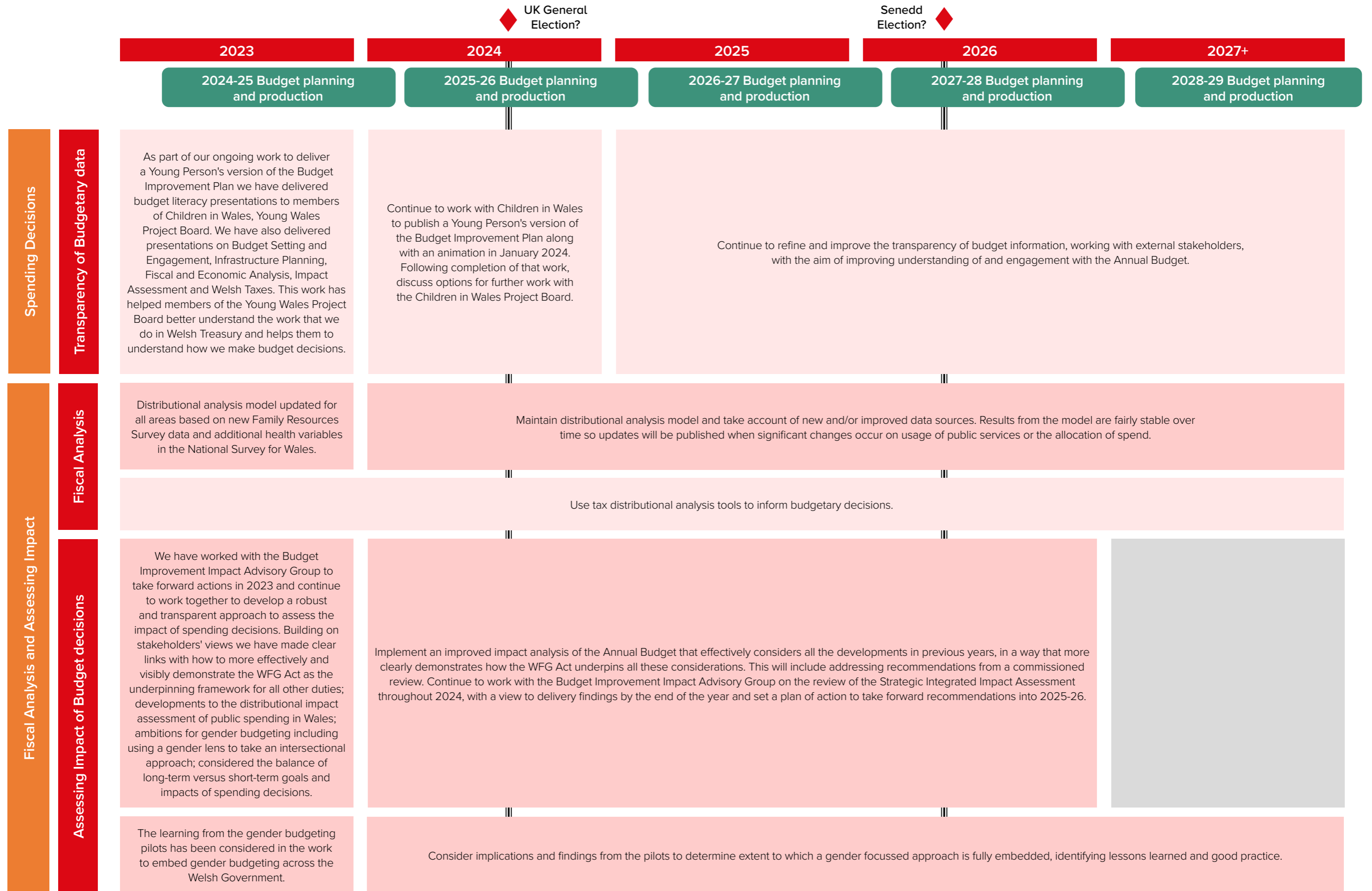
Spending Decisions

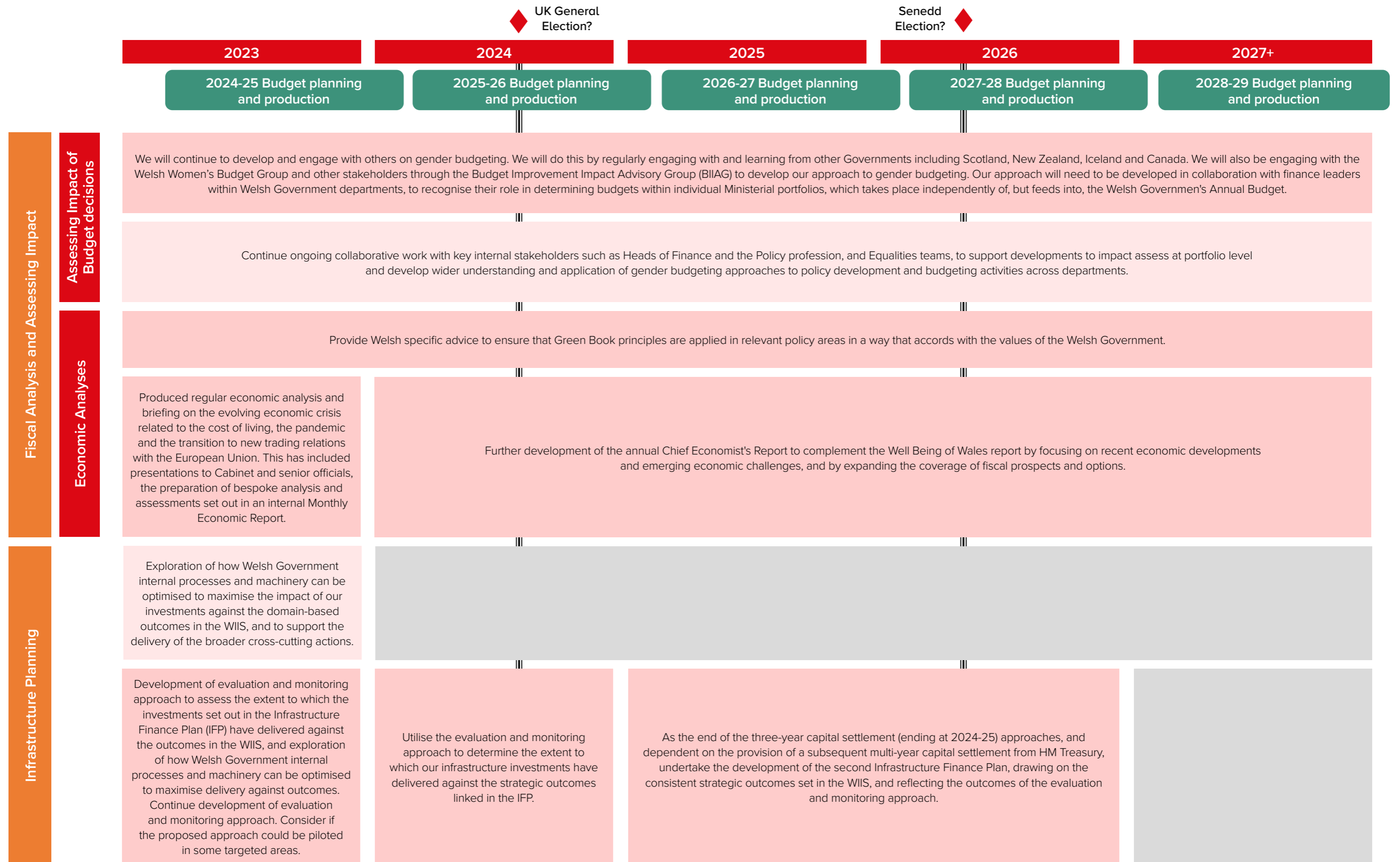
Embedding Act in spending decisions

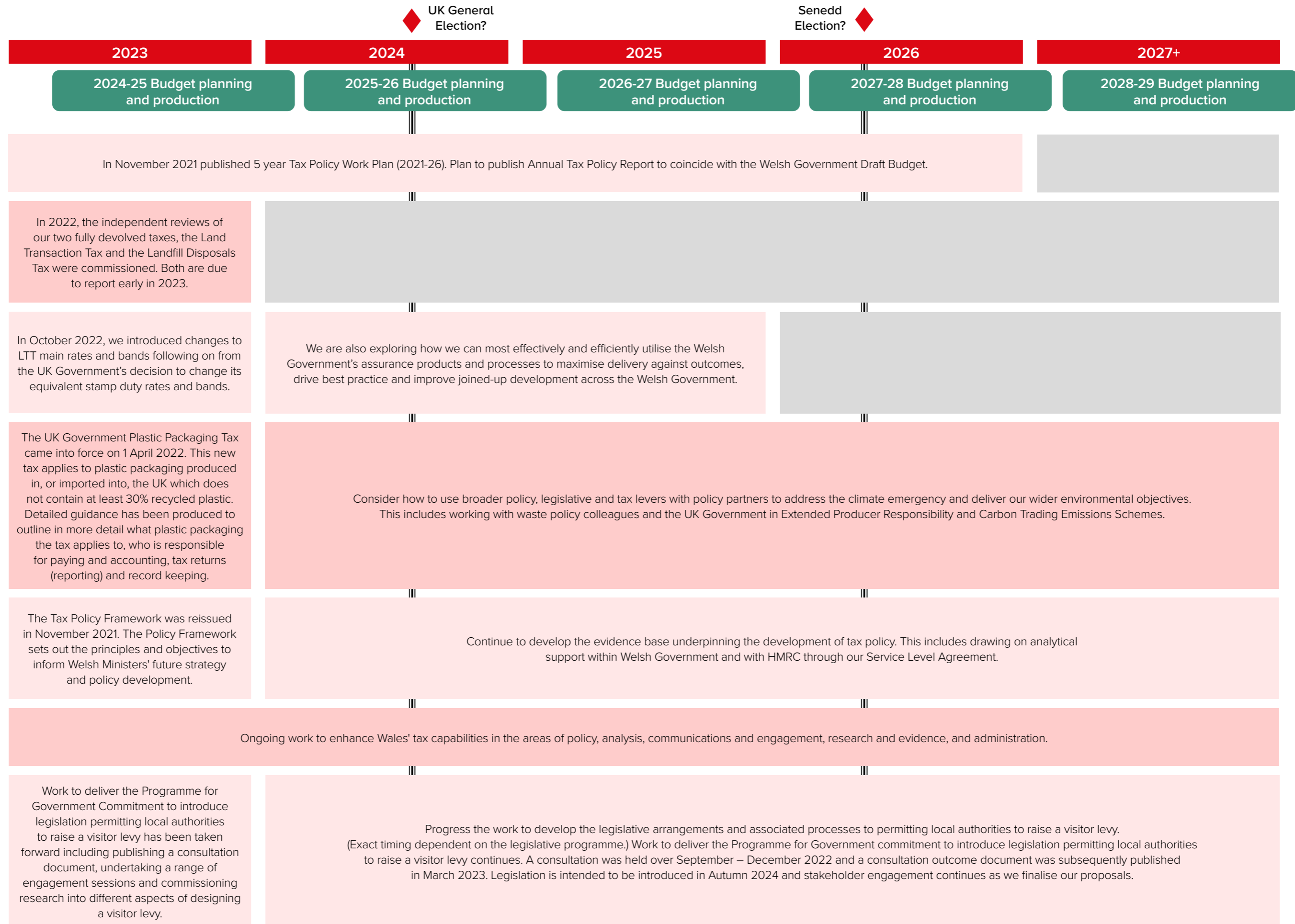
Prevention agenda

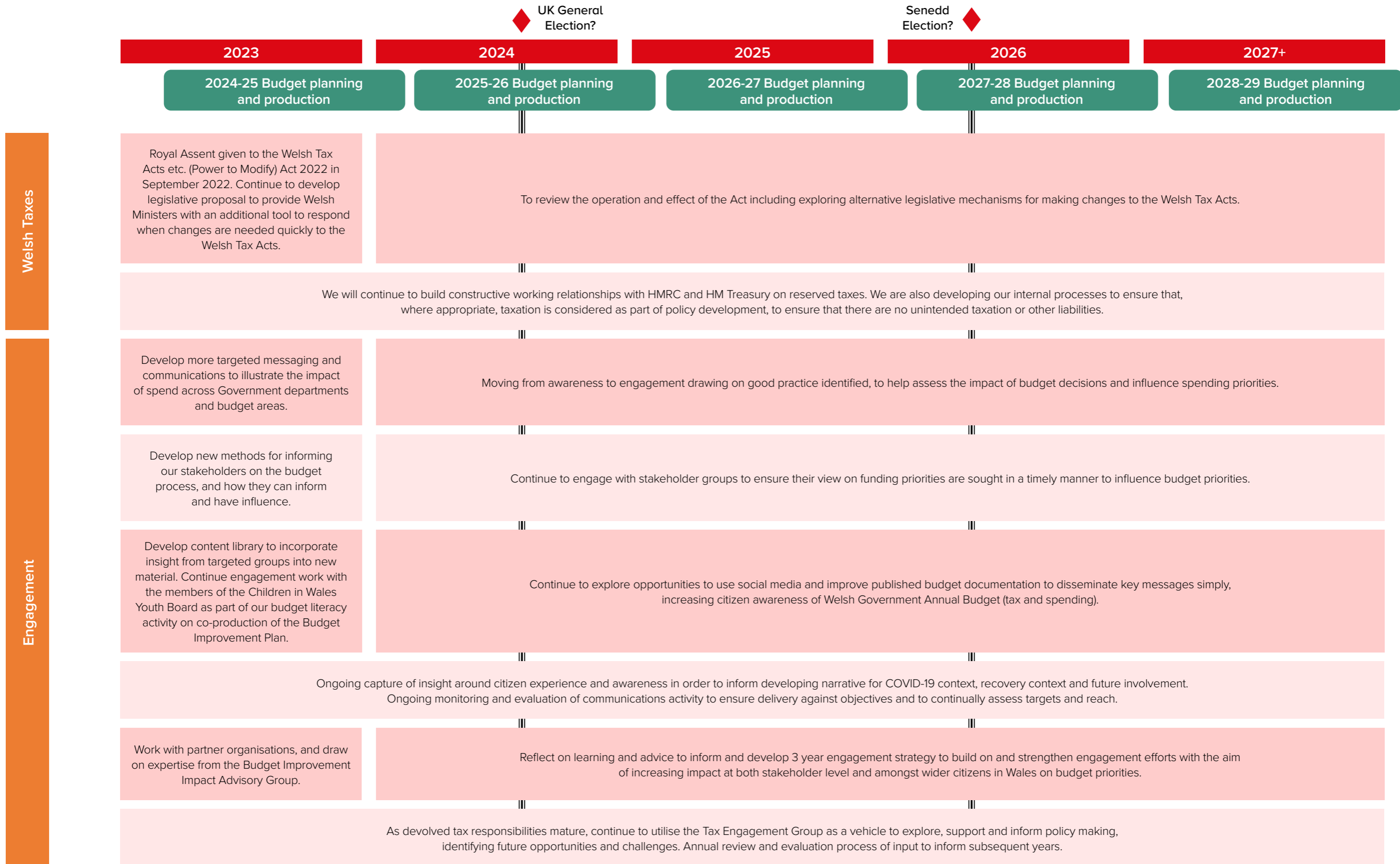
	2023	2024	2025	2026	2027+
		UK General Election?		Senedd Election?	
	2024-25 Budget planning and production	2025-26 Budget planning and production	2026-27 Budget planning and production	2027-28 Budget planning and production	2028-29 Budget planning and production
		Continue to engage with other Governments and the Budget Improvement Impact Advisory Group to ensure it delivers its outcomes, continues to engage and influence improvements to budget and tax processes and supports the Budget Improvement Plan.			
		Continue to work with the Budget Improvement Impact Advisory Group (BIAG) to improve the SIIA process and ensure a culture of monitoring and continuous improvement is implemented.			
		Work with the Budget Improvement Impact Advisory Group to shape the future of the prevention agenda. Subject to findings from previous work, explore how a whole budget approach to preventative activity could be best supported; consider potential evaluation to test practicalities and impact of shifting spend towards preventative activities; and the conditions needed to do this effectively across the whole organisation.			
		We will continue to utilise Invest to Save funding to concentrate on taking forward our Programme for Government commitments relating to improving outcomes for children who are looked after across Wales. The funding provided enables additional support in the areas of Fostering, Adoption and Advocacy services and this work will be subject to evaluation to assess the effectiveness of the approaches in the relevant fields. There is the wider issue of how preventative budgeting can be more widely adopted across the organisation. We will continue to monitor and use the findings of the evaluations to shape how preventative budgeting can be best implemented in the future.			
		Following publication of the Wales Infrastructure Investment Strategy (WIS) in 2021, a project pipeline has been published which identifies the critical steps needed to deliver the ambitions of the WIS. The pipeline sets out our planned infrastructure investment and those of our public and private sector partners over the next three years. Further editions of the pipeline will be published in future years as we continue to work with our partners on their approach to infrastructure planning and build on the work in the BIP.		Publication of Net Zero Wales (2026-2030).	
				Set the level of the third carbon budget (2026-2030).	
		A review of the membership of the Budget Improvement Impact Advisory Group (BIAG) was carried out in 2023 to ensure the group is fully aligned to the delivery of its outcomes and a workplan for 2023 was agreed.			
		We have worked with the Budget Impact Improvement and Advisory Group to take forward an approach where spending proposals are developed that balance long term benefits against short terms needs. As part of the 2023 work programme we have taken forward wider reforms to the Strategic Integrated Impact Assessment (SIIA), building on work from the 2023-24 Budget.			
		We engaged with BIAG and delivered a workshop on prevention agreeing on the definition to be used to progress with our plans. Various discussions were held to explore how we could progress this work. BIAG members agreed that we would develop a plan to embed prevention into the budget setting process, specifically in the area of biodiversity. This work would then be utilised to roll out and embed prevention into other areas across Welsh Government.			
		We have continued to fund the Looked After Children Programme for Government Commitment to improve outcomes for children looked after across Wales. This fund has provided additional Fostering, Adoption and Advocacy services.			
		We published our ten-year Wales Infrastructure Investment Strategy in December 2021, drawing on a robust evidence base to integrate consideration of other essential benefits – including decarbonisation, climate resilience and biodiversity – so that our infrastructure investments will have the maximum positive impact on Wales's wellbeing.			

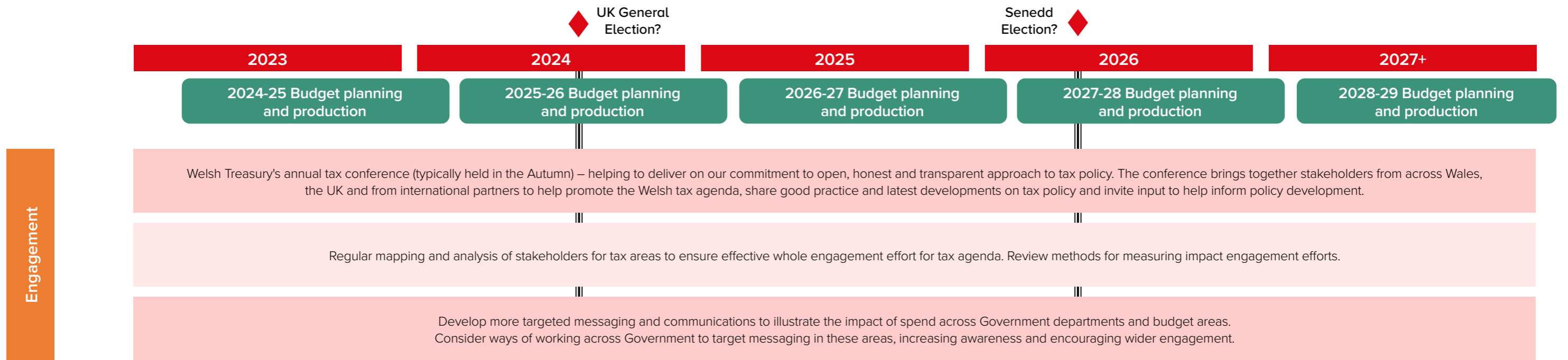












Key

BIAG – Budget Improvement and Impact Advisory Group

CLA – Children Looked After

HMRC – His Majesty's Revenue and Customs

LDT – Land Disposal Tax

WFG Act – Well-being of Future Generations (Wales) Act

SIIA – Strategic Integrated Impact Assessment

WIIS – Wales Infrastructure Investment Strategy

LTT – Land Transaction Tax