

Welsh Government Budget Improvement Plan



Llywodraeth Cymru
Welsh Government

October 2025



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Introduction

The 2026-27 Budget Improvement Plan completes a five-year journey of transformation in how the Welsh Government plans, delivers, and engages on its budget. In 2019 we developed the Plan to improve the budget process using the Well-being of Future Generations Act (WFG Act) to drive continuous improvement. Since the first Plan, our process has been progressively shaped by the five ways of working – embedding sustainability, prevention, collaboration, long-term decision-making, and integration involvement at each turn.

We have strengthened transparency, better aligned our fiscal processes with broader well-being objectives, and significantly improved the quality of our spending decisions, analysis, infrastructure planning, tax policy, and stakeholder engagement. Alongside continued collaboration with our Budget Improvement and Impact Advisory Group (BIIAG), we have refined tools, piloted innovative approaches, and begun presenting budget information that is not only more accessible but also more aligned with long-term outcomes.

While national and global financial contexts have presented challenges – such as the inflation peaks which eroded our budgets – we have nonetheless sustained our commitment to reform. This final iteration of the Budget Improvement Plan for this term demonstrates the mature, embedded practices we’ve built and outlines how they will carry forward, supporting robust budgeting and well-being for future generations.

This Plan celebrates the progress made and provides a roadmap for maintaining continuous improvement, grounded firmly in what we’ve achieved between 2021 and 2026.

What has the Budget Improvement Plan Delivered?

Over the last five years, our work has focused on the five core areas identified in the first Plan. Each one is now, supported by well-established practices and clearer demonstrable impact:

1. Spending Decisions

- The Strategic Integrated Impact Assessment (SIIA) is embedded across major budget decisions, improved through iterative refinements and in 2025-26 a BIIAG supported review.
- We've completed gender budgeting pilots and built on learning from other Governments, including Canada, Iceland, and Scotland, to mainstream equality-focused budgeting throughout Welsh Government.

2. Fiscal and Economic Analyses, and Assessment of Impact

- We have replaced the Chief Economist's Report with the Wales Economic and Fiscal Report (WEFR), which provides sharp analysis of fiscal and economic trends, including productivity. Alongside the annual Well-being of Wales Report, this allows for the economic, fiscal and well-being considerations to be included.
- We introduced a distributional impact analysis, which plays a key role in new and improved methodologies and greater transparency helps to ensure informed and equitable decision-making.

3. Infrastructure Planning

- We published the Welsh Infrastructure Investment Strategy (WIIS) in 2021. Setting out the WIIS committed Welsh Government to more holistic and multi-objective infrastructure planning, including integrated consideration of other essential benefits such as, decarbonisation, resilience and biodiversity.

- The publication of successive Infrastructure Finance Plans (IFP) identified investments that deliver the strategic outcomes of the WIIS. The investment project pipeline is published annually and an evaluation framework has been developed to support delivery of positive outcomes for Wales.

4. Welsh Taxes

- Under the Tax Policy Work Plan 2021-26, and complemented by the Tax Policy Framework, we have taken forward work across our devolved and local tax responsibilities as well as considering future tax devolution.
- Independent reviews of Land Transaction Tax and Landfill Disposals Tax.
- Significant reform of the local taxes to make them fairer and introducing legislation enabling local authorities in Wales to introduce a Visitor Levy, which was passed by the Senedd in July 2025.
- We have embedded tax considerations across Welsh Government policy development.

5. Engagement

- The Young Person's version of this Plan, co-produced with young volunteers from Children in Wales and launched in animated form, enhancing understanding among young audiences.
- We expanded work with Discover Economics to engage under-represented young people in economics.
- We have established dedicated Treasury social media channels @WelshTreasury and @TrysorlysCymru to strengthen citizen insight into budget priorities.
- Annual tax conferences continue to foster expert input and cross-sector dialogue.

These achievements highlight how, over five years, the Budget Improvement Plan has moved from vision to embedded practice. Each theme now stands on firm foundations – and sets the stage for sustainable, transparent, and well-being-driven budgeting in 2026-27 and into the next Senedd term.

Progress in Delivering the Budget Improvement Plan

Spending Decisions

Over the last five years, supported by our valued stakeholders, we have made sustained progress in delivering the vision set out in the original Budget Improvement Plan BIP. We are proud of the work to embed the WFG Act and its five ways of working at the heart of our fiscal decision-making.

The start of the term focused on establishing the foundations, the principles of long-term thinking, prevention, integration, collaboration, and involvement were formally embedded in budget processes, while capacity was built to assess spending proposals in the context of well-being objectives.

By 2021-22, these principles had begun to shape the evaluation of proposals, with steps taken to strengthen longer-term planning and align investment with the well-being goals. Throughout 2022-23, Gender Budgeting was piloted, and we published a new guide 'An Introduction to Gender Budgeting' to support staff. Early work was undertaken on intersectional and unintended impact analysis, to ensure budgetary decisions considered the diverse ways in which policies affect different groups.

The emphasis on inclusivity and evidence deepened throughout 2023-24, with intersectional analysis integrated more systematically into Equality and Human Rights Impact Assessments. We undertook a comprehensive review of the SIIA. This found that the SIIA is widely recognised as a valuable tool that brings together multiple statutory and strategic considerations into a single process, supporting better-informed and more balanced spending decisions.

This work will now mature into a consistent, embedded practice, with refined approaches to assessing unintended impacts and integrating prevention-focused thinking into spending choices, implementing the SIIA review's recommendations in future budget cycles.

Fiscal and Economic Analyses, and Assessment of Impact

In parallel, the analytical and economic foundations of the budget process have been steadily strengthened. The WEFR replaced the Chief Economist's Report early in the Plan's lifetime, with a more comprehensive assessment of Wales's economic and fiscal outlook, complementing the Well-being of Wales report.

Since its first publication in December 2020, the distributional analysis of devolved public spending in Wales has been steadily refined and expanded. This analysis shows broad patterns, providing a crucial backdrop to strategic thinking about broader spending priorities. Transport was added to the analysis in December 2021, alongside specific modelling of Free School Meals and the Pupil Development Grant. The analysis also shifted to a forward-looking approach, focusing on spending plans for the year ahead.

Additional questions in the National Survey for Wales were added in December 2023, enhancing the estimates for health and education services usage by households.

The boost to the Family Resources Survey sample size in Wales, funded by the Welsh Government, has improved the robustness of the evidence base for this analysis in recent years and will continue to do so in future iterations.

To ensure we take advantage of new and changing data sources additional opportunities for data-linking processes are in place to review and adapt the methodology underpinning the distributional analysis.

Alongside the WEFR in 2025-26, this strengthened evidence base will continue to support greater transparency in the budget process. The Chief Economist regularly presents this information to Cabinet, particularly at the beginning of the budget cycle, to ensure Ministers have sight of this evidence early in the process, ensuring that fiscal choices are grounded in robust, well-understood analysis.

Infrastructure Planning

Infrastructure planning has been another core area of progress. The publication of the WIIS in 2021 set a ten-year vision for outcome-focused infrastructure, aligning investment with decarbonisation, climate resilience and increasing biodiversity.

This enabled capital commitments across the period of the IFP 2022-23, to 2024-25 when significant investment was made, such as over £1.3 billion in NHS infrastructure, more than £2 billion in housing, and in excess of £1 billion in education through the Sustainable Communities for Learning programme.

Building on this strong foundation, the second IFP which was published alongside the Draft Budget 2025-26. The second IFP set out in excess of £3bn of capital investment to deliver on the WIIS vision, from maintaining and upgrading our roads, to decarbonising more homes through retrofit.

We have continued to publish an annual WIIS project pipeline which provides further transparency around the infrastructure investments that both we and our delivery partners are planning over a three year period. This supports delivery of our long-term outcomes, helping stakeholders identify opportunities to collaborate and join up planning and delivery of investments in Wales.

Over the term, an evaluation and monitoring approach has been developed to assess the effectiveness of capital spending and its contribution to strategic outcomes, to ensure capital allocations are evidence-based and outcome-driven.

Welsh Taxes

Welsh taxes have continued to develop over the life of the Plan. Our devolved taxes along with Non Domestic Rates are now contributing over £4 billion to the Welsh Government's budget.

The 2021-26 Plan and the updated Tax Policy Framework, laid the basis for a coherent, long-term approach to Welsh taxes. In 2022 the Senedd passed the Welsh Tax Acts etc. (Power to Modify) Act. This established the architecture for the Welsh Ministers and Senedd to effect changes to the Welsh Tax Acts. We are currently consulting on the future development of this architecture.

Independent reviews of Land Transaction Tax and Landfill Disposals Tax, completed in 2023, informed changes to ensure these taxes remain effective and fair. We have subsequently consulted on changes to these devolved taxes and acted on the responses to those consultation exercises.

The Act to allow for local authorities in Wales to introduce a Visitor Levy became law in 2025. Attention now focuses on working with the Welsh Revenue Authority on the systems to allow local authorities to implement a visitor levy if desired. As our tax policy has developed and matured, so has our partnership with the Welsh Revenue Authority who has now been in operation for more than seven years collecting and administering the two fully devolved taxes. At the end of 2024-25 it had collected more than £2 billion in devolved taxes since its inception in 2018. Throughout this period, the development of tax policy has also been accompanied by improved analytical transparency, including ready-reckoner tools and preparation of tax forecasts, enabling better public and stakeholder understanding of policy impacts.

In relation to local taxes, significant progress has been made to make local taxes fairer over this Senedd term. The Local Government Finance (Wales) Act 2024 provided for a range of reforms and new tools to create a local tax system which can be tailored more responsively to reflect Welsh needs.

Engagement

Engagement has been a defining feature of our improvement of budget processes and throughout the Plan's delivery. From the outset, steps were taken to widen participation, including the co-production of youth-friendly materials with Children in Wales leading up to the launch of the animation and e-leaflet in March 2024.

We have targeted engagement with under-represented groups in partnership with Discover Economics and sponsored a new Wales award for the annual UK Young Economist of the Year competition. The increase in Welsh entries – up 188% between 2023 and 2024, reflects the increased understanding of economics amongst young people who would not traditionally see this as a potential career.

In 2024 we worked with two Welsh Universities, Cardiff and Bangor, to host events that aim to broaden the appeal of economics and change perceptions of economics and economists. 65 learners from four schools attended the event at Cardiff University in June 2024 and 83 students from eight schools attended the event at Bangor University in October 2024. Promotional videos capturing the events have been published to the Welsh Government's YouTube channel. Both events received positive feedback from the universities, schoolteachers, and learners.

Building on our relationship with Children in Wales, we will start to work with their young volunteers in Autumn 2025 on a project on Welsh Taxes. Our aim is to co-produce digital assets which will demystify taxes for other young people and make better connections between why tax is paid and how the money raised from taxes is spent on essential public services.

Looking forward

As we move to finalise the Budget Improvement Plan, our focus is on embedding and scaling what has proven effective over the last five years and advancing strategic ambition across all areas:

- **Spending Decisions:** Fully implement the recommendations of SIIA review; publish the findings of the gender budgeting pilots and look forward to how we can utilise this learning.
- **Fiscal & Economic Analysis:** Continue enhancing the Wales Economic and Fiscal Report and distributional analysis tools; further integrate the WFG lens across fiscal analysis.
- **Infrastructure:** Continually improve the Welsh Government approach to infrastructure planning; approaching the mid-point of the 10-year WIIS, maximise the opportunity to take stock of progress and evolve our infrastructure planning approach, including enhancing evaluation methodologies; undertake the development of the third IFP, drawing on the consistent strategic outcomes set out in the WIIS.
- **Welsh Taxes:** Build on our experience of developing and operating devolved taxes in Wales; continue to consider the opportunities and challenges from further devolution of taxes in Wales. Work closely with the Welsh Revenue Authority to implement the Visitor Levy in Wales. Also, in conjunction with the WRA, consult on possible improvements to the maintenance of our devolved taxes drawing on the experience to date of operating devolved taxes in Wales. We will also consult on how we make future legislative changes to our devolved taxes.
- **Engagement:** Deepen collaboration with diverse stakeholders; enhance budget transparency through targeted communications and public-facing materials. We are planning virtual and in-person events in 2025-26 with Welsh universities to inspire future economists. We are piloting virtual events in order to make our sessions more accessible for Year 11, 12 and 13 learners across Wales. The events will be co-produced with schools.

Welsh Spending Review

A major driver of this will be the Welsh Spending Review, a strategic approach to medium and longer-term fiscal planning for Wales. The programme will establish an evidence base to inform on the priorities and challenges Wales will face in the future and will provide longer-term options to address these areas. The Welsh Spending Review:

- has a strong governance structure incorporating a cross-government engagement approach;
- will apply the principles of the Well-being of Future Generations Act and the cross-cutting principles i.e. climate change and nature emergency, progressing Cymraeg 2050, tackling poverty and reducing inequality and using advances in digital technology to all spending options developed for the medium to longer-term;
- will engage with a range of key partners and stakeholders;
- will develop fully evidenced spending options for any incoming Cabinet endorsement into the next Senedd term and beyond.

The Welsh Spending Review programme will become an integral part of the Welsh Government budget process moving forward.

Conclusions

The 2026-27 Budget Improvement Plan marks the culmination of a transformative five-year journey in how the Welsh Government delivers budgets. Through sustained commitment to the principles of the WFG Act, we have made significant progress in embedding long-term thinking, prevention, integration, collaboration, and involvement into the heart of our fiscal processes. The achievements highlighted in this Plan reflect a maturing system, one that is more transparent, inclusive, and strategically aligned with Wales's long-term well-being.

As we look ahead, the Welsh Spending Review will be a cornerstone of our future planning, enabling us to build on this foundation with a robust evidence base and strategic foresight. The practices developed through this Plan are now embedded, positioning the Welsh Government to meet future challenges with confidence and clarity.

This Plan is not an end point, but a springboard – ensuring that budgeting in Wales continues to evolve, delivering better outcomes for current and future generations.