

# Welsh Government Strategic Integrated Impact Assessment Final Assessment



Llywodraeth Cymru  
Welsh Government

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## **Foreword from the Cabinet Secretary for Finance and Welsh Language**

*This Final Budget comes at a time of continuing fiscal and economic challenge for Wales. Over the years, rising inflation, increased pay pressures, and growing demand for essential services have placed strain on public finances. We must face the long-term imperative to invest in prevention, sustainability, and resilience - ensuring that decisions made today support the wellbeing of future generations.*

*The Strategic Integrated Impact Assessment (SIIA) demonstrates how we have balanced these priorities, ensuring that the choices we make reflect our commitment to fairness, sustainability, and resilience.*

*This year, we have strengthened the SIIA process significantly, moving from a relatively static exercise to a more open, collaborative approach. Using targeted workshops and cross-portfolio engagement, we have been able to identify cumulative impacts, test mitigating actions and better connect evidence to decisions. These improvements have enriched the conversations underpinning the budget and provided deeper insights into how choices affect different communities and sectors.*

*While this represents real progress, we recognise there is more to do, particularly in embedding lived experience and strengthening engagement beyond government.*

*This assessment builds on the interim assessment published at the Draft Budget and explains how our decisions were made following the scrutiny and engagement that has taken place between the Draft and Final Budget stages.*

*Through a budget agreement with Plaid Cymru, we have been able to protect local government and health services, providing stability for the services people rely on most. This partnership will deliver additional funding for councils and the NHS, supporting our schools and frontline provision at a time when demand and pressures continue to grow.*

*Prevention remains a priority. We recognise that investing now, even when budgets are tight, will help to reduce future need and avoid greater costs later. This principle runs through our decisions, from supporting early intervention in health and social care to strengthening local services that help communities thrive.*

*The assessment sets out the cumulative impact of these decisions, informed by evidence and engagement across Wales. It underlines our determination to reduce inequality, strengthen communities, and invest in a greener, fairer future.*

**Mark Drakeford MS**

**Cabinet Secretary for Finance and Welsh Language**

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## Introduction

The Strategic Integrated Impact Assessment (SIIA) is the tool the Welsh Government uses to assess the impact of our spending decisions, particularly in relation to equality, sustainability and wellbeing. It helps us better to understand how the budget is likely to affect different groups of people in Wales and helps to ensure our funding is aligned with the principles of the Well-being of Future Generations (Wales) Act 2015.

It considers what the Welsh Government is proposing to spend through its 2026-27 Budget, and how changes to previous spending plans might impact some people more than others. The SIIA analyses the cumulative and cross cutting impacts of budgetary decisions made by the Welsh Ministers, but does not replace the detailed Impact Assessments that are undertaken on new policies, legislation and key strategies. The SIIA should be read alongside the Distributional Analysis of the Budget which shows how spending is distributed across the household income distribution.

The SIIA provides an evidence-based approach to help us understand how choices about allocating resources impact different communities. By highlighting where disproportionate effects may occur, it enables us to identify and address potential risks early in the process. While the SIIA itself does not eliminate these impacts, it equips decision-makers with the insight needed to mitigate them and make more informed, equitable choices.

In previous years, the SIIA was published annually at Draft Budget. For the 2026-27 Budget, a new approach has been taken, with an interim assessment published at Draft Budget and a final assessment published at Final Budget.

We have also taken a more collaborative and interactive approach to developing the SIIA, moving away from a relatively static paper-based process to one that fosters richer dialogue and deeper exploration of impacts. Through a series of workshops during preparations for the Draft Budget, we focused on the evidence underpinning spending decisions, enabling participants to share perspectives and challenge assumptions in real time. This shift has allowed for more dynamic conversations that cut across MEGs, highlighting interdependencies and uncovering insights that might otherwise have been missed. Ahead of agreeing the Final Budget, we held further targeted workshops to examine the positive and negative impacts of key decisions, identify mitigating actions, and consider how the five ways of working are being applied. This approach ensures that impacts are assessed throughout the budget planning process and that decisions made between Draft and Final Budgets are informed by a more holistic understanding of cross-cutting effects.

## Budget Strategy 2026-27

The strategy set out at the Draft Budget remains in place for the Final Budget. Our approach continues to prioritise stability for essential public services, while responding to the most pressing pressures identified during scrutiny and engagement. This means maintaining the commitments made in the Draft Budget and ensuring that the additional funding available at Final Budget strengthens delivery rather than changing direction.

The Final Budget has been secured through an agreement with Plaid Cymru. This agreement provides the certainty required to pass the Budget and implement the spending plans in full. It preserves the strategy set out at the Draft Budget by underpinning priority investments - most notably support for the NHS and local government - while enabling targeted responses to inflation and pay pressures across Main Expenditure Groups (MEGs). This agreement ensures a stable fiscal framework, allowing departments and delivery partners to plan with confidence and sustain essential services.

By reaching this agreement, we have mitigated the very real risks associated with a failure to pass the Budget. Such risks include disruption to grant payments, delays to local government settlements and service delivery, heightened uncertainty for NHS providers and social care, and the potential need for short-term contingency measures that could reduce value for money. Senedd approval avoids those outcomes, maintains continuity of funding, and ensures statutory obligations can be met - protecting jobs, safeguarding front-line services, and supporting a smooth transition into the next Senedd term.

The vast majority of the Welsh Government's Budget is unchanged from last year. These allocations were assessed in the 2025-26 SIIA and continue to reflect our long-term priorities. This SIIA therefore focuses on the new decisions taken since the Draft Budget, which represent a small proportion of overall spending, but are significant in addressing emerging risks and opportunities.

Since the Draft Budget was published, the Office for Budget Responsibility (OBR) has updated its forecasts for 2026-27, with both CPI inflation and the GDP deflator expected to average 2.2%, and wage growth forecast at 3.2%. These changes have increased cost pressures across public services. To maintain the strategy set out at the Draft Budget, we have provided additional funding to all MEGs to reflect these updated forecasts. This ensures that departments can continue to deliver their core services without compromising quality or access.

Alongside these uplifts, the Final Budget allocates further resource and capital funding to priority areas identified during scrutiny and engagement. These include protecting bus services, supporting apprenticeships, increasing participation in further education, improving water quality, and maintaining the education estate. Additional funding for health and local government - agreed as part of the budget agreement - provides certainty for the NHS and councils, enabling them to sustain vital public services. This approach ensures that we can deliver our objectives for 2026-27 while laying a stable foundation for the next Senedd.

## Collaboration and Involvement

Our 2026–27 SIIA has been developed through a more collaborative, iterative process than in previous years. Building on the Budget Improvement and Impact Advisory Group’s (BIIAG) advice and Senedd scrutiny, we are moving beyond a single, linear assessment to an ongoing programme of engagement that brings together policy, analytical and delivery expertise at multiple points in the budget cycle. This strengthened both the quality of evidence and our understanding of cumulative and cross-portfolio impacts.

**Co-design and challenge:** BIIAG provided structured challenge on scope, methods and transparency. Members contributed evidence and presented insights in SIIA workshops, helping us refine focus, surface gaps, and improve the traceability from evidence to decision.

**Embedding lived experience:** Following BIIAG’s recommendation, we have begun reaching out to Welsh Government staff networks to explore how we can strengthen engagement and improve the evidence base for future budgets, particularly for 2027–28. While this work is at an early stage meaning progress is limited, these initial steps will help us build the foundations for centring lived experience, especially for people with protected characteristics and those at greater socio-economic risk, in future budget processes.

**Targeted, facilitated conversations:** After publishing the Draft Budget, we convened a series of targeted, facilitated conversations that brought together policy officials and evidence leads from across portfolios.

These sessions were designed explicitly to:

- **Reinforce connections** between related policy areas where impacts are shared or interdependent.
- **Interrogate cumulative effects** across services and groups, including where multiple decisions may compound disadvantage or, conversely, deliver co-benefits.
- **Explore and test practical options for mitigating negative impacts**, while identifying any delivery challenges that could affect implementation before Final Budget decisions are made.

We chose themes where (i) scrutiny and stakeholder feedback highlighted material risks or opportunities, (ii) evidence pointed to disproportionate or cross-cutting impacts, and (iii) budget decisions span multiple portfolios, creating the greatest scope for cumulative effects, positive or negative.

**Preventative Health** – to connect social care, housing quality, education, and community services with NHS demand and outcomes, and to explore the balance of acute versus preventative spend.

**Arts and culture** – to address inequalities in cultural participation and the sector’s role in wellbeing, skills, Welsh language, and local growth.

**Cymraeg** – to consider how Welsh language needs are embedded across all MEGs, ensuring that language policy and funding decisions collectively support Cymraeg 2050 outcomes. This included looking beyond education, culture, and community programmes to understand how services and investments across portfolios contribute to access and use of the Welsh language across regions and groups.

**Connecting communities** – to discuss the trade-offs between funding decisions in bus and rail, and how these intersect with wider policy areas such as access to education, employment and services.

**Local government** – to explore the current pressures facing local authorities and downstream impacts on statutory and preventative services.

**Opportunity for every family** – enabling a focus on children’s rights and the impact of household poverty, this theme considered childcare, education, Additional Learning Needs (ALN), and skills.

### **What the facilitated conversations changed**

The conversations sharpened our view and led to specific improvements in the SIIA and in advice for Ministers. In several areas, they directly informed targeted Final Budget allocations or helped refine how funding should be used to mitigate risk, guard against cumulative disadvantage, and protect service continuity.

#### **1) Connecting communities**

**Insight from conversations:** Regional transport choices (bus and rail) intersect with access to education, skills, health appointments and employment—particularly in rural areas and for young people and disabled people. We traced how bus subsidy design, school/FE transport, and local government settlement parameters interact with low car ownership and long travel times.

#### **Linked allocations:**

- £5m resource to protect bus services and reduce the Transport for Wales (TfW) efficiency target to prevent service cuts; £10m capital for depot and fleet investment to support franchising and fair competition for operators.
- £65m resource to fund the Non-Domestic Rates (NDR) transitional relief scheme, ensuring local authorities can maintain service continuity while bills adjust.
- £20m capital for maintenance of the education estate, supporting safe access and learning environments.

#### **2) Preventative health**

**Insight from conversations:** Evidence on damp and poor housing, delayed discharges, and community capacity demonstrated clear preventative co-benefits from social care and housing spend to health outcomes, and the risks of under-investment compounding NHS pressures.

#### **Linked allocations:**

- £180m resource uplift for Health to stabilise core services and address demand/cost pressures (agreed in the budget agreement).
- £2.6m resource for Housing to target homelessness prevention and support, aiding discharge pathways and reducing downstream pressures.
- £112.8m resource uplift to local government (overall settlement increase of an average of 4.5%), supporting statutory and preventative services including social care.

### 3) Arts, culture and Cymraeg

**Insight from conversations:** Cultural funding and Welsh-medium opportunities support language use, youth engagement, wellbeing, creative skills pipelines, and local economies, especially where access to venues/provision is limited.

#### Linked allocations:

- £3.1m capital for Cymraeg 2050 programmes to support the Urdd, Eisteddfod and establishing the new statutory body for lifelong Welsh learning, the National Institute for Learning Welsh to expand informal Welsh-medium opportunities and lifelong learning routes.
- £4m capital for arts, culture and sport to invest in the National Library of Wales, local museums, libraries and archives, as well as investment programmes through the Arts Council of Wales and Sport Wales to widen access and participation.

### 4) Local Government

**Insight from conversations:** A more stable settlement supports multi-year planning and service continuity. Settlement and grant choices affect Additional Learning Needs (ALN) delivery, childcare sufficiency, attendance and attainment, particularly in higher-need communities.

#### Linked allocations:

- £0.7m to support implementation of the Child Poverty Strategy to facilitate development of more innovative provision of services

- £4.2m resource within Education for ALN system delivery and national consistency (building on £9.1m at Draft).
- £5m resource to increase FE participation (16–19), mitigating waiting lists and improving progression routes for learners.
- £112.8m resource uplift to local government supporting schools, social care and community services.

### 5) Climate, rural and environmental quality

**Insight from conversations:** The cumulative effects of flooding, environmental quality and coastal economic sustainability require coordinated investment in risk prevention, enforcement, and sector capacity.

#### Linked allocations:

- £3.8m capital increase to reach a record £83.8m for flood and coastal erosion risk, protecting communities and reducing future costs.
- £5m (resource and capital combined) for water quality enforcement (continuation and review of intelligence-led compliance and system investment).
- £1.3m combined (£0.6m resource; £0.7m capital) for fisheries to support environmental protection, capacity, and coastal growth.
- £3.5m uplift for agriculture support for the new Sustainable Farming Scheme.



## 6) Skills and economic resilience

**Insight from conversations:** Strengthening apprenticeship pathways and targeted support for young people with ALN builds resilience and tackles inequality in labour market access.

### **Linked allocations:**

- £5m resource for apprenticeships to remove identified pressures and sustain delivery against the 100,000 commitment.
- £1m resource enhancement for Jobs Growth Wales+ to improve support for young people with ALN.

### **How these changes demonstrate impact**

The facilitated conversations made a real difference to the Final Budget. They helped us move from broad principles to practical decisions by showing where risks and opportunities cut across different portfolios. This insight shaped the advice to Ministers and influenced how additional funding was allocated.

First, the conversations improved transparency. They created a clear link between evidence and decisions, so we could show why certain allocations were made. For example, discussions on rural transport highlighted how bus services affect access to education and jobs, which led to extra funding for bus subsidies and depot investment.

Second, they strengthened coordination across government. Many issues, such as housing quality, social care capacity, and NHS demand, cannot be solved by one department alone. By bringing policy and delivery teams together, we identified where spending in one area could prevent problems elsewhere.

This is why the Final Budget includes targeted investment in homelessness prevention and social care alongside health funding.

Bringing equality evidence into each theme highlighted where decisions might compound impacts (for example, transport changes affecting low-income families, young people, and disabled people) and where targeted mitigations can unlock multiple benefits (such as community-based prevention supporting women in the care workforce and improving outcomes for older people).

Finally, the conversations focused attention on prevention and practical delivery. They helped us prioritise funding that reduces future costs and improves resilience, such as flood protection, water quality enforcement, and support for apprenticeships. They also highlighted delivery challenges, ensuring that allocations for issues such as bus franchising and ALN provision were realistic and achievable.

This collaborative model embodies the Well-being of Future Generations Act's five ways of working. The facilitated conversations and BIIAG/staff network engagement strengthened involvement and collaboration, ensuring diverse voices shape choices. A clear emphasis on prevention and long-term stability guided decisions with the greatest system benefits, while joining evidence across portfolios improved integration.

In short, these changes show how collaborative engagement can lead to better decisions; decisions that are evidence-based, cross-cutting, and designed to deliver long-term benefits for people and communities.

## Underpinning Evidence

Decisions made at Draft Budget were supported by a wide range of evidence, including macro equality evidence, distributional analysis of public spending in Wales and evidence from health economists. Details of these are set out in the Interim SIIA.

The Draft Budget is just the starting point, and it was therefore important to ensure that any decisions taken as part of the Final Budget were also informed by the evidence collected, as well as further evidence that became available – for example through the scrutiny process.

Some of the overarching evidence used included:

- <sup>1</sup>Wellbeing of Wales Report
- <sup>2</sup>National Survey for Wales
- <sup>3</sup>Welsh Local Government Association Financial Outlook Evidence Paper

We also considered more targeted sector specific evidence in relation to:

- Statutory schooling (aged 3-16)
- Priorities for Culture
- Climate Change
- Further Education
- Housing and Homelessness
- Transport

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<sup>1</sup> [Wellbeing of Wales 2025 \[HTML\] | GOV.WALES](#)

<sup>2</sup> [National Survey for Wales | GOV.WALES](#)

<sup>3</sup> [Welsh Local Government Association Financial Outlook Evidence Paper](#)

## What the Evidence Told Us

This section provides a high-level summary of evidence considered during the SIIA process. While the whole range of evidence cannot be published in full, the headline data is outlined below and mapped to the Wellbeing Goals. This helps make the connection between how evidence informs our spending decisions to support the long-term vision of the Well-being of Future Generations (Wales) Act 2025.

### **A Prosperous Wales**

- Wales still lags behind UK averages in economic output and household income, though relative income poverty has declined (22% vs. 25% in late 1990s).
- Employment gaps with the rest of the UK have narrowed; youth engagement in education, employment, or training rose to 86.4% (towards 90% milestone by 2050).
- The long-term impacts of low participation and poor attendance in education have led to lower attainment, limited job opportunities, lower income, poorer health, perpetuating disadvantage.
- Participation in education and employment has fallen across all age groups.
- Qualification levels are improving: 68.6% of working-age adults at Level 3 or higher.

### **A Resilient Wales**

- Biodiversity has declined long-term but recently stabilised.
- Soil carbon is generally stable; there have been losses in arable land and broadleaf woodland.
- Water and air quality have improved over decades, though risks persist.
- Waste reduction and recycling rates are strong, but resource use is still unsustainable.
- Renewable energy capacity rose in 2023 (highest in 5 years), but below the 2015 peak.

### **A Healthier Wales**

- Healthy life expectancy has declined since 2011–2013; gaps have widened between deprived and affluent areas.
- Low birth weight babies have increased to 6.3% (the highest recorded).
- Adults with two or more healthy behaviours have improved slightly post-pandemic; youth behaviours have improved since 2017.
- Adult mental wellbeing has been stable; youth wellbeing has declined with affluence gaps widening.
- Housing conditions have improved: 82% of dwellings were free from serious hazards in 2017-18 (up from 71% in 2008).

### **A More Equal Wales**

- The gender pay gap has narrowed to 1.9%; ethnicity and disability pay gaps are volatile.
- Employment gaps have narrowed for disabled people and ethnic minorities.

- Poverty is stable with around 1 in 5 people living in relative income poverty. Children (31%), people in families with a disabled person (25%), and where head of household is from a Black, Asian or minority ethnic group (50%) are more likely to be in poverty, 20%; children, disabled people, and ethnic minorities are more affected.
- Mental wellbeing has declined since 2016–2017; older and non-disabled people report higher wellbeing.

### **A Wales of Cohesive Communities**

- Community cohesion indicators fell back towards pre-pandemic levels.
- Volunteering increased beyond the national milestone.
- Homelessness prevention declined slightly; rough sleeping increased.
- Crime victim rates stable, but public concern about crime rose to pre-pandemic levels.

### **A Wales of Vibrant Culture and Thriving Welsh Language**

- Adult engagement in arts and culture is stable (72% participate more than 3 times/year); children's participation has declined.
- Adult sports participation has increased long-term but fell in 2024–2025; school sports fell back to 2013 levels.
- Welsh speakers have decreased (Census 2021); daily use is stable at 11%.
- Museum and archive accreditation has improved; the condition of listed buildings has improved slightly; scheduled monuments have worsened.

### **A Globally Responsible Wales**

- Greenhouse gas emissions were down 6% in 2023 and 38% from base year.
- Wales is still using more than twice its fair share of the world's resources.
- Global citizenship education participation continues strongly.
- Carbon budgets (5-year periods) and decadal targets set limits on greenhouse gas (GHG) emissions.
- Both mechanisms aim to ensure Wales stays on track for net zero by 2050 (balance between emissions and removals).

### **Impacts of Key Decisions**

The Final Budget maintains the strategy set out at the Draft Budget and introduces targeted allocations to protect essential services, respond to updated inflation and pay forecasts, and strengthen prevention, resilience and long-term value for money. All MEGs receive appropriate uplifts - either as a result of the budget agreement in the cases of Health and Local Government or via adjustments reflecting the Office for Budget Responsibility (OBR's) revised forecasts, supporting continuity of delivery across portfolios.

#### **Key findings at a glance**

- **Health and Social Care:** Resource uplift stabilises access to NHS services and supports quality of care.
- **Local Government:** Stronger settlement sustains statutory and preventative services and supports economic stability through transitional rates relief.
- **Transport:** Targeted resource and capital funding protect bus connectivity and prepare for franchising, improving equitable access to jobs, learning and services.
- **Education:** Additional Learning Needs (ALN) and FE participation funding reduce waiting lists and improve inclusion; capital improves the condition and suitability of the school and college estate.
- **Social Justice:** Funding through the Social Justice MEG, alongside other budgets across the Welsh Government, contributes to tackling poverty and inequality, promoting human rights and improving the wellbeing of everyone in Wales.

- **Climate, Rural and Environment:** Further investment in flood risk management, water quality enforcement, fisheries and NRW strengthens environmental resilience and reduces future costs.
- **Skills, Culture and Cymraeg:** Investment sustains the apprenticeship pipeline and strengthens cultural and Welsh language infrastructure and participation.
- **Housing and Places:** Financial Transactions Capital (FTC) mobilised for town-centre regeneration and home retrofit finance accelerates local growth and decarbonisation.

#### **Health and Social Care: £180m resource uplift**

##### **Why we made this decision**

Demand pressures, inflation and pay dynamics continue to affect costs and capacity across health and social care. Without additional resource, health boards would have faced significantly tighter budgets, requiring deeper cost-saving measures, increasing risks to access, performance and equity - particularly for older people, disabled people and those in more deprived communities.

##### **What this delivers / who is affected**

- **Patients and families:** Sustained access to core services and reduced risk of treatment delays.
- **Integration with social care:** The strengthened Local Government settlement supports discharge pathways and community capacity, reducing avoidable admissions and length of stay.
- **Workforce stability:** Supports recruitment and retention in a competitive labour market.

##### **Prevention and long-term impact**

Stabilising core services reduces escalation to higher-cost interventions and protects system resilience, an example of prevention and long-term ways of working.

#### **Local Government settlement: £112.8m resource uplift and transitional rates relief**

##### **Why we made this decision**

Local authorities deliver statutory and preventative services that are fundamental to wellbeing; schools, social care, homelessness prevention and community provision. Updated evidence from scrutiny and stakeholders highlighted the risk of service retrenchment and acute pressures, especially in social care, ALN delivery and homelessness, without additional support.

##### **What this delivers / who is affected**

- **Children, young people and families:** Councils are better able to sustain school provision, ALN support and attendance interventions, thereby protecting participation, attainment and inclusion.
- **People at risk of homelessness:** Targeted resource to housing strengthens frontline services and supports the sector to maintain capacity.
- **Businesses and communities:** Funding for non-domestic rates transitional relief phases in increases following revaluation, smoothing cash-flow impacts and supporting local economic resilience.

### **Prevention and long-term impact**

A stable settlement protects early-help and preventative services that can avoid further demands on acute systems, supporting fair and sustainable local delivery.

### **Cross-government uplifts for inflation and pay**

#### **Why we made this decision**

The OBR's revised inflation and pay forecasts for 2026–27 increased input costs across portfolios. Applying proportionate uplifts to MEGs outside the budget agreement avoids unmanaged erosion of purchasing power and unplanned service reductions.

#### **What this delivers / who is affected**

- **Service users across Wales:** Programmes, grants and contracts can be maintained, protecting access and continuity.
- **Delivery partners and supply chains:** Greater certainty supports value for money and mitigates the risk of contract failure.

### **Prevention and long-term impact**

Timely adjustment to cost pressures prevents destabilisation, supports orderly delivery, and avoids higher remedial costs later.

### **Transport - protecting bus connectivity, preparing for franchising and supporting rail**

#### **Why we made this decision**

Bus services are a core enabler of access to education, employment, healthcare and social participation, particularly for young people, disabled people, and low-income and rural households with lower car ownership. Evidence shows bus subsidy is distributionally progressive. Capital investment is required now to prepare depots and fleet for franchising and to ensure fair market entry for operators.

#### **What this delivers / who is affected**

- **Communities and learners:** Resource funding protects current bus provision, sustaining links to FE, schools, workplaces and services.
- **Passengers and operators:** Capital investment in depots and fleet supports reliable, safe and efficient services and a smoother transition to franchising.
- **Rail users:** Targeted resource stabilises rail services in-year where pressures are acute.

#### **Prevention and long-term impact**

Maintaining connectivity mitigates exclusion, supports local economies and reduces future costs associated with disengagement from education, employment and healthcare.

## **Education – funding ALN system delivery, FE participation and capital for school/college estate**

### **Why we made this decision**

Evidence highlights rising ALN demand and complexity, persistent inequitable attainment and attendance, increased transport costs, demands and waiting lists for specialist education and FE places. Estate condition data shows a drift from “good” (Category B) to “poor” (Category C) in parts of the school estate, with implications for wellbeing, accessibility and energy efficiency.

### **What this delivers / who is affected**

- **Learners with ALN and their families:** Additional resource strengthens mainstream capacity and national consistency.
- **Young people (16–19):** FE funding reduces waiting lists and improves progression into training, work or further study.
- **All learners and communities:** Capital investment in the estate improves safety, accessibility (including for ALN), encourages Welsh-medium growth, digital readiness, and energy performance all of which support better attendance and learning outcomes.

### **Prevention and long-term impact**

Early and inclusive support reduces the need for specialist interventions; modern, efficient buildings lower lifecycle costs and carbon emissions, and improve learning conditions over the long term.

## **Economy, Energy and Planning – additional funding for apprenticeships and inclusive pathways**

### **Why we made this decision**

Apprenticeships are central to the skills pipeline, productivity and inclusive growth. A residual delivery risk still exists against the 100,000 opportunities commitment requiring targeted resource. Additional support for young people with ALN in Jobs Growth Wales+ addresses barriers to participation and progression.

### **What this delivers / who is affected**

- **Learners and employers:** Apprenticeship investment secures places in priority sectors and strengthens pathways into sustained employment.
- **Young people with ALN:** Enhanced support improves access to training and work, reducing the risk of NEET outcomes.

### **Prevention and long-term impact**

Skills investment increases earnings potential and reduces scarring from unemployment; better early labour-market attachment raises productivity and tax receipts over time.

## **Climate Change and Rural Affairs – funding for flood risk, water quality, fisheries and the Sustainable Farming Scheme (SFS)**

### **Why we made this decision**

Flood and coastal erosion risks, water quality concerns, and pressures on marine and agricultural environments present significant social, economic and ecological costs. Targeted investment now reduces future liabilities and supports a just transition for rural and coastal communities.

### **What this delivers / who is affected**

- **Households and businesses in risk areas:** Increased flood risk funding enhances protection, resilience and recovery capacity.
- **Communities and ecosystems:** Water quality enforcement accelerates compliance and environmental improvement. Fisheries funding supports sustainability and coastal economic viability.
- **Farmers and land managers:** Support for the SFS underpins environmental outcomes and business resilience.
- **System stewardship:** Additional resource for NRW strengthens statutory functions and oversight.

### **Prevention and long-term impact**

Investing ahead of risk reduces future damage costs, protects critical infrastructure and habitats, and supports Wales' decarbonisation and nature recovery objectives.

## **Housing, Places and Regeneration - deploying FTC**

### **Why we made this decision**

Private capital is often hesitant to invest in early-stage town-centre redevelopment or home retrofit for households who can service loans but lack upfront capital. Using Financial Transactions Capital (FTC) through local authorities as intermediaries fills market gaps and accelerates delivery.

### **What this delivers / who is affected**

- **Town centres and local economies:** Transforming Towns lending unlocks regeneration projects aligned with placemaking plans, supporting local jobs and footfall.
- **Homeowners and the climate:** Green Home Wales finance enables energy-efficiency and low-carbon heating upgrades, reducing bills and emissions.

### **Prevention and long-term impact**

Place-based regeneration prevents decline and supports inclusive growth. Retrofit avoids future energy costs and contributes to net-zero pathways.

## **Cymraeg, Culture and Sport - targeted capital for participation and access**

### **Why we made this decision**

Cultural and Welsh language infrastructure underpins participation, identity, skills and wellbeing, with particular benefits for young people and communities with limited access to facilities. Modest, well-targeted capital can unlock significant community value.



### What this delivers / who is affected

- **Children, young people and learners:** Additional capital for **Cymraeg 2050**. Partners (including the Urdd, Eisteddfod and the National Institute for Learning Welsh) expands opportunities to learn and use Welsh in formal and informal settings.
- **Communities across Wales:** Targeted investment in arts and sporting facilities (via Arts Council of Wales and Sport Wales) widens participation, improves accessibility and supports local health and wellbeing.

### Prevention and long-term impact

Sustained participation in culture, language and sport supports mental health, social cohesion and skills development, with enduring benefits for individuals and places.

### Revenue assurance and organisational capacity - selected measures

### Why we made this decision

Small, targeted investments that improve compliance and collection, such as strengthening enforcement activity for devolved taxes, deliver a positive return and protect the fairness and sustainability of the tax system.

### What this delivers / who is affected

- **Taxpayers and public services:** Fair and effective revenue collection supports the integrity of the system and helps fund priority services without additional burdens on compliant taxpayers.

### Prevention and long-term impact

Sustained compliance reduces leakage, improves fiscal resilience and supports long-term planning.

### Cumulative and cross-cutting effects

The package is designed to mitigate cumulative disadvantage and reinforce co-benefits:

- **Children and young people (including ALN):** ALN and FE participation funding, coupled with improved estate condition and protected bus connectivity, reduces exclusion risks and strengthens progression into training and employment.
- **Low-income and rural households:** Support for bus services and local government sustains access where car ownership is lower and community capacity is constrained; flood investment reduces risk exposure and future losses.
- **Welsh language and culture:** Capital for Cymraeg 2050 and cultural infrastructure expands provision and use, enhancing community cohesion and identity.
- **System resilience and prevention:** Flood risk, water quality, retrofit and school estate investments reduce long-term financial and environmental costs, aligning with the five ways of working.

## Case Study: Additional Learning Needs (ALN)

### Decision

This Budget prioritises investment in ALN provision, providing a further £5m through the Local Authority Education Grant to support nationally consistent ALN reform delivery—bringing the reform strand to £37m annually from 2026–27. Funding of £4m has been baselined into the Revenue Support Grant (RSG) to support the move of ALN Coordinators (ALNCos) onto the leadership pay scale, and £4.1m is allocated to Medr to strengthen ALN support and system capacity in colleges.

This decision reflects our commitment to the rights of the child: placing the best interests of children and young people at the centre of investment decisions and ensuring equitable access to high-quality, inclusive education.

### What the evidence told us

- **Growing demand and complexity:** Local authorities and the schools workforce report rising numbers of learners requiring support, rising transport costs, alongside increasingly complex learning, healthcare, behavioural and wellbeing needs. This has resulted in significant pressure on mainstream schools, specialist services and local authorities.
- **Widening attainment gaps:** The gap between learners with ALN and those learners without ALN has increased at Key Stage 4, with long term analysis showing ALN identification is a strong predictor of lower attainment.

- **Persistent absence and exclusions:** ALN learners experience higher rates of persistent absence and are disproportionately affected by both fixed-term and permanent exclusions, which strongly correlate with poorer long-term outcomes.
- **Post-16 transitions:** Evidence shows major challenges at transition points, with more ALN learners becoming NEET (not in education, employment or training) or struggling to access mainstream FE due to inconsistent identification and support pathways.
- **System strain without investment:** Schools and local authorities report increasing reliance on costly independent placements and rising transport costs, reflecting insufficient mainstream capacity.
- **Experience of children and their families:** Evaluation surfaces evidence of some children and young people facing delays in having needs identified, slow or insufficient support, inconsistent information and decisions, and in some cases parents withdrawing them from school due to unmet needs.

This evidence demonstrated that without targeted investment, inequalities would deepen, costs would rise, delivery of the ALN reforms under the Additional Learning Needs and Education Tribunal (Wales) Act (ALNET) would be undermined and the experience and outcomes of children and young people in education would be further impacted.

### **Why we invested**

The investment strengthens the delivery of ALNET reforms, supports a skilled workforce, and provides stability for local authorities and colleges at a time of escalating need. It ensures that early intervention and inclusive practice can be sustained, reducing system costs through lower reliance on expensive out of county provision, improving capacity for the mainstream system to meet need and improve learner outcomes across Wales.

### **Expected positive impacts**

- Improved learner experience, and outcomes through more timely and consistent identification and support to remove barriers to learning.
- Greater attendance and engagement due to strengthened pastoral and specialist provision, tailored support and early intervention.
- A more sustainable system, with strengthened mainstream provision reducing demand for non-maintained specialist settings.
- More effective transitions into FE, training and employment, supported by improved ALN capacity in colleges.
- A better resourced and supported workforce, including ALNCoS, specialist teachers, learning support and FE practitioners.

### **Without this investment:**

- Attainment, attendance and participation gaps in education for ALN learners would further widen.
- Local authorities would face rising financial and statutory pressures, including pressures for specialist provision, delays in ALN identification and inconsistent implementation of ALNET statutory responsibilities.
- Incompatible or insufficient mainstream capacity would lead to increased absence, exclusions and more learners accessing Education otherwise than in a school (EOTAS) provision or Elective home educated, leading to long term detachment from mainstream pathways to further education, training or employment, and risks of disadvantage for children and young people.
- FE transition challenges would worsen, increasing the risk of poor participation, lower qualification levels, increased NEET, youth unemployment and long-term reliance on welfare and public services for ALN learners.

### **Conclusion**

This investment is a preventative, evidence driven decision that responds directly to system pressures and widening inequalities. It strengthens the foundations of the ALN reforms, improves and contributes to longer term outcomes for ALN learners, and supports a sustainable, inclusive education system across Wales.

## Case Study: Sustainable Communities for Learning

### Decision

We have prioritised capital investment in the Sustainable Communities for Learning Programme, providing an additional £7.1m in 2026–27. This supports the nine-year rolling programme (transitioned in 2024) comprising 329 projects and planned £5.5bn investment at 2024 prices. The Programme remains dual track, traditional capital is complemented by the Mutual Investment Model (MIM) delivering a further £500m capital equivalent pipeline. The resource budget is protected at £15.8m in 2026–27 to safeguard delivery.

### What the evidence told us

- **Condition trends:** Across Wales, the share of schools in good (Category B) condition fell from 61.3% (2013) to 44.3% (2023), while poor (Category C) rose from 25.1% to 39.7%, indicating a significant maintenance backlog and a “hollowing out” of the middle tier of the estate. Category A improved modestly; Category D shrank—but a large block has slipped into Category C, especially in some authorities.
- **Polarisation and inequality:** The data shows diverging local trajectories—some areas lifting assets to Category A; others seeing pronounced decline into Category C—creating uneven learner experience and risk profiles.
- **Cost and resilience:** Deferred maintenance and outdated buildings drive higher operating costs, carbon and energy inefficiency, and access barriers (including suitability for ALN, Welsh medium provision, and community use). This undermines curriculum delivery and wellbeing.

### Why we invested

The evidence pointed to an urgent need to arrest deterioration, restore equitable standards, and future proof the estate against inflation, supply chain pressures, and climate imperatives. A rolling, multi-year programme enables strategic sequencing (replace, refurbish, right size), maintains delivery momentum, and supports regional balance.

### Expected positive impacts

- **Learner outcomes and wellbeing:** Modern, accessible, digitally enabled facilities improve attendance, engagement and attainment, particularly for disadvantaged learners and those with ALN.
- **Equity and inclusion:** Prioritising the poorest condition assets reduces regional disparities, supports Welsh medium expansion, and provides better spaces for inclusive practice.
- **Financial sustainability:** Proactive capital reduces maintenance backlogs and lifecycle costs, easing pressure on local authority budgets.
- **Climate and nature:** New and refurbished assets deliver energy efficiency, lower emissions, and resilience—supporting decarbonisation targets.
- **Community value:** Schools designed for shared community access strengthen local wellbeing and social participation.

**Without sustained capital:**

- Condition decline would accelerate, widening regional inequalities and increasing health, safety and accessibility risks.
- Learning environments would deteriorate, hindering curriculum delivery and inclusive provision (including ALN).
- Whole life costs would rise, with urgent reactive maintenance displacing planned investment and eroding local authority resilience.
- Project delays/escalation would grow if MIM resourcing is not protected, undermining value for money and delivery confidence.
- Carbon and energy inefficiency would persist, increasing revenue pressures and missing climate goals.

**Conclusion**

This investment is a preventative, evidence led decision that stabilises and renews Wales' education estate, improves outcomes for learners, reduces long term costs for the public sector, and supports the Programme for Government commitment to invest £1.5bn in this Senedd term.

## Spending Decisions with Identified Negative or Disproportionate Impacts

While the Final Budget seeks to protect essential services and strengthen prevention, some decisions carry risks of negative or disproportionate impacts for certain groups or communities. These risks reflect the scale of underlying pressures and the limits of available resources. The following examples illustrate where impacts may arise, based on evidence reviewed during the SIIA process.

### Transport: Support for Bus Services and Rail Pressures

**Decision:** Additional resource has been allocated to protect bus services and prepare for franchising, alongside targeted in-year support for rail services.

**Why this matters:** Bus connectivity is critical for equitable access to education, employment and health services, particularly for young people, disabled people and low-income households. While the Final Budget prioritises bus investment, the inclusion of rail support introduces a distributional risk.

#### Evidence:

Our Distributional Analysis highlights some areas where spending is not progressive. For example, public transport spending is found to be slightly regressive overall; while spending on bus services is progressive, rail subsidies tend to benefit higher-income households more.

**Potential impact:** Any relative shift towards rail subsidy even if modest could reinforce regressive patterns, with benefits skewed towards higher-income households. Groups most

affected by reduced bus connectivity would include rural communities, young people and those without access to private transport.

### Local Government and Housing: Settlement Uplift versus Persistent Pressures

**Decision:** The Final Budget provides an additional £112.8m for local government and £2.6m for homelessness prevention. This strengthens the settlement but does not fully resolve structural pressures.

#### Evidence:

From evidence provided by the Welsh Local Government Association, we know the difficult position schools are in with ALN costs driving over a quarter of school budget pressures and recruitment and retention challenges, especially in Welsh medium schools. We have seen that net spend on temporary accommodation has grown eightfold in 10 years, with nearly 11,000 people in temporary housing.

**Potential impact:** Even with the uplift, councils may need to make difficult choices, risking reductions in social care, ALN support and homelessness services. These impacts would fall disproportionately on vulnerable groups - children and young people, older people, disabled people and those experiencing housing insecurity - particularly in areas with higher deprivation.

### Further Education

**Decision:** The Final Budget allocates extra resource to increase participation in Further Education and reduce waiting lists for 16–19 learners.

### **Evidence:**

Colleges Wales have found that growth in learners is being driven by an increase in the numbers at lower levels of study, in particular at Level 1 and Entry Level. This creates pressure from both the increased number of additional learners, but also the level of support they require.

**Potential impact:** While the additional funding will help, unmet demand is likely to persist, particularly for learners at Level 1 and Entry Level who require more support. This creates a risk of increased NEET rates and long-term disadvantage for those already at greater socio-economic risk.

### **Mitigation and Monitoring**

Beyond the allocations made in the Final Budget, further mitigating action will aim to focus on:

- Working with local authorities and providers to protect core preventative services and monitor local variation.
- Strengthening outcome tracking across transport access, FE participation, ALN delivery and homelessness prevention to identify emerging inequalities early and support corrective action.

### **Conclusion**

The new approach we have taken to the SIIA for the 2026-27 Budget, reflects our commitment to be greater transparency and wider engagement across Welsh Government and with external stakeholders, to ensure the cumulative impacts of our spending decisions are carefully considered at each stage of the budget process.

The feedback provided on the new approach, particularly from members of the Budget Impact and Improvement Advisory Group, has been very helpful. We have been able to take on board some of the recommendations in time for this assessment, including providing more details on the evidence used to make spending decisions, the inclusion of some case studies on key impacts and making the document more accessible.

Subject to the agreement of the incoming Government, we will take forward further improvements for the 2027-28 Budget focused on making better links between the evidence and decisions, clearer mapping of decisions to wellbeing goals and ways of working, and ensuring earlier and ongoing engagement with a more diverse group of Welsh Government officials who can bring a range of perspectives in developing the SIIA.

This approach marks an important step toward embedding transparency and collaboration in our budget process, ensuring decisions contribute towards achieving positive outcomes for communities across Wales.