



Llywodraeth Cymru  
Welsh Government

# Welsh Government Supplementary Budget 2025-2026

Explanatory Note

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February 2026



## Contents

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<b>1. Introduction</b>	<b>2</b>
<b>2. Key Allocations</b>	<b>3</b>
<b>3. Changes to the Wales Budget since 1<sup>st</sup> Supplementary Budget 2025-26</b>	<b>9</b>
<b>4. Transfers between Ministerial Portfolios</b>	<b>20</b>
<b>5. Transfers within Ministerial Portfolios</b>	<b>23</b>
<b>6. Changes to Reserves</b>	<b>27</b>
<b>7. Annually Managed Expenditure (AME) Budgets</b>	<b>33</b>
<b>Annex 1 – Reconciliation between the Portfolio Budgets in the Action Tables and those the Budget Motion</b>	<b>36</b>
<b>Annex 2 – Glossary</b>	<b>38</b>

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## **1. Introduction**

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- 1.1** The Welsh Government today tabled the second supplementary budget for 2025-26 in accordance with Standing Order 20. This supplementary budget proposes changes to the First Supplementary Budget for 2025-26 as approved by Senedd Cymru ('the Senedd') on 8 July 2025.
- 1.2** This supplementary budget regularises allocations to and from reserves, transfers within and between portfolios and includes adjustments to the Wales budget to reflect the impact of UK Government fiscal events.
- 1.3** The changes proposed in this budget are summarised in the following chapters.
- 1.4** This document supports the detailed 'Budget Expenditure Line (BEL) Tables' available on the Welsh Government's website.

## 2. Key Allocations

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### 2.1 Funding for public sector pay awards

**£125.8m** has been allocated across the Main Expenditure Groups (MEGs) to support the devolved public sector to meet increases in staff costs as a result of public sector pay awards in 2025-26.

The table below sets out the MEG allocations. The breakdown of these allocations by Budget Expenditure Line (BEL) can be found in the Reserves table, annexed to this Explanatory note.

<b>PAY ALLOCATIONS</b>	
<b>MAIN EXPENDITURE GROUPS (MEGs)</b>	<b>£m</b>
Health and Social Care	87.665
Housing and Local Government	15.240
Education	16.428
Transport	2.244
Climate Change and Rural Affairs	1.201
Economy, Energy and Planning	0.811
Social Justice	0.105
Central Services and Administration	2.136
<b>Total Pay Allocations to Welsh Government MEGs</b>	<b>125.830</b>

### 2.2 Health and Social Care

An additional **£200m** of revenue funding has been allocated to the Health and Social Care MEG to support front line NHS services with in-year pressures and continue to support the NHS to maintain progress against its priority of reducing waiting times in 2025-26.

### 2.3 Transport

An additional **£72.2m** of capital funding has been allocated to the Transport MEG to meet additional costs associated with rolling stock on the rail network. This will support work to modify and decarbonise the Transport for Wales train fleet.

## 2.4 Education

An additional **£60.5m** capital funding has been allocated to the Education MEG to support capital programmes in our schools, Further Education and Higher Education establishments. This includes:

- £35m to support essential capital repairs and maintenance across schools and colleges in Wales. This funding, which is part of the Sustainable Communities for Learning Programme, will support large scale maintenance works such as replacement of roofs, window systems, heating and ventilation systems, and electrical works; and,
- £25.5m to support the Higher Education and Further Education sectors equally with invest to save capital transformation and capital maintenance.
- The Education MEG has also received an allocation of **£2,584.4m** non-cash to the student loan ringfenced budget. This follows a change to the student loans valuation model which brings the model in Wales in line with the model used by the UK Government's Department for Education.

## 2.5 Other Allocations to and from Reserves

A further **£150.8m** is regularised in this supplementary budget. The allocations include ringfenced funding received from other government departments, support for emerging pressures, and enabling switches between capital and revenue.

Key MEG movements include:

### Health and Social Care

- **£73.9m** revenue allocated from reserves to reflect funding received from the UK Government in relation to the Immigration Health Surcharge;
- **£11.4m** general capital allocated from reserves to establish the development of a research and development programme for patient and public benefit; and

- **£65m** (£35m IFRS16 and £30m general capital) has been returned to reserves to support wider priorities across Welsh Government.

### **Housing and Local Government**

- **£37.9m** general capital has been returned to reserves in exchange for the use of financial transaction capital underspends. This general capital has been used to support other priorities across Welsh Government;
- **£5m** revenue allocated for improvements through small scale enhancement work with the aim of increasing pride in local areas;
- **£4.8m** general capital funding received from UK Government and ringfenced for Affordable Housing.
- **£1.6m** revenue has been allocated from reserves to support the timely registration of absent voters for Senedd elections in 2026 and to support costs associated with the Caerphilly By-Election during 2025; and
- **£1.2m** financial transactions capital to support the Green Homes programme.

### **Education**

- **£2.9m** revenue has been surrendered to HM Treasury. A ring-fenced allocation of £3.671m was provided from the UK Government in 2025-26 to compensate for VAT expected to be charged on all post-16 specialist placements for pupils with additional learning needs, following the UK Government's decision to remove the VAT exemption on independent school/college fees from 1 January 2025. The latest estimates of VAT being charged on these placements by providers is lower than originally forecast.

## Transport

- **£25.7m** general capital has been allocated to the Transport MEG to support in year pressures and additional activity on the Core Valley Lines Transformation project; and
- **£129.7m** non fiscal resource has been allocated in respect of depreciation relating to Transport for Wales.

## Climate Change and Rural Affairs

- **£57m** non-fiscal resource has been allocated as a general budget to support non cash costs within the portfolio;
- **£0.4m** revenue and **£9.1m** general capital has been allocated from reserves to reflect funding received from the UK Government to support local renewable energy generation;
- The surrender of **£0.4m** revenue and **£17.5m** general capital ring-fenced funding to HM Treasury. The funding was allocated from HM Treasury to support the construction of Border Control Posts in Pembrokeshire. This work is currently paused whilst we await the outcome of the UKG/EU negotiations. This funding, that we now do not expect to spend in 2025-26, has been returned and will be reprofiled where appropriate into future years; and
- **£5.3m** financial transaction capital has been allocated to support public sector decarbonisation and adaptation work.

## Economy, Energy and Planning

- **£70m** revenue has been surrendered to reserves following an exceptional property sale. This was repurposed to support other priorities across Welsh Government;

- **£8.7m** revenue and **£10.8m** capital has been allocated from reserves following allocations from the UK Government in relation to the Flintshire and Wrexham Investment Zones;
- **£4.2m** revenue has been allocated from reserves following an allocation from the UK Government to support the Trailblazer programme which supports localised approaches to reducing economic inactivity;
- **£10m** general capital ring fenced funding has been returned to HM Treasury and will be reprofiled into future years to support Holyhead Breakwater; and
- **£20m** financial transaction capital has been returned to reserves in relation to Holyhead Breakwater; this relates to the reprofiling of expenditure. Costs in 2026-27 have been addressed through the 2026-27 Final Budget.

### **Social Justice**

- **£0.2m** revenue and **£0.3m** general capital has been allocated from reserves following the receipt of ring-fenced funding from the UK Government in respect of Digital Inclusion;
- **£0.8m** revenue has been allocated from reserves following receipt of ring-fenced UK Government funding to support the Homes for Ukraine programme;
- **£1m** general capital has been allocated from reserves to support demand against the Communities Facilities Programme; and
- **£1.5m** financial transaction capital to support the Community Asset Loan Fund.

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## Central Services and Administration

- **£4.3m** revenue has been allocated from reserves to support staff cost pressures.

### **3. Changes to the Wales Budget since 1<sup>st</sup> Supplementary Budget 2025-26**

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**3.1** Tables 3.1 to 3.4 set out the net impact of all the changes to the Welsh budget. Table 3.5 summarises the total allocations by MEG.

**Table 3.1 – Sources of Finance for Welsh Government**

COMPONENTS OF WELSH GOVERNMENT FINANCING	2025-26 Supplementary Budget June 2025	Changes	2025-26 Supplementary Budget New Plans February 2026
	£000s	£000s	£000s
<b>RESOURCE FINANCING</b>			
<b>Departmental Expenditure Limit (DEL):</b>			
Fiscal	18,010,901	124,692	18,135,593
Non-Fiscal	1,237,929	2,455,756	3,693,685
Drawdown from the Wales Reserve	40,000	245,901	285,901
<b>Annually Managed Expenditure (AME):</b>			
Fiscal	35,357	13,817	49,174
Non-Fiscal	227,928	361,437	589,365
<b>Wales Devolved Financing:</b>			
Non-Domestic Rates	1,078,000	0	1,078,000
Welsh Rate of Income Tax	3,602,716	0	3,602,716
Land Transaction Tax	342,912	31,392	374,304
Landfill Disposals Tax	32,833	1,438	34,271
Principal repayment of borrowing	-10,602	0	-10,602
<b>TOTAL RESOURCE FINANCING</b>	<b>24,597,974</b>	<b>3,234,433</b>	<b>27,832,407</b>
<b>CAPITAL FINANCING</b>			
<b>Departmental Expenditure Limit (DEL):</b>			
General	3,292,412	-664	3,291,748
General Drawdown from the Wales Reserve	0	53,395	53,395
Financial Transactions	85,130	-6,165	78,965
Financial Transactions Drawdown from the Wales Reserve	0	10,704	10,704
<b>Annually Managed Expenditure (AME):</b>			
Capital	1,392,753	145,992	1,538,745
<b>Wales Devolved Financing:</b>			
Borrowing	150,000	0	150,000
<b>TOTAL CAPITAL FINANCING</b>	<b>4,920,295</b>	<b>203,262</b>	<b>5,123,557</b>
<b>TOTAL WELSH FINANCING</b>	<b>29,518,269</b>	<b>3,437,695</b>	<b>32,955,964</b>

**Table 3.2 – Allocation of the Wales Budget**

MAIN EXPENDITURE GROUPS (MEGs)		£000s		
		2025-26 Supplementary Budget June 2025	Changes	2025-26 Supplementary Budget New Plans February 2026
Health and Social Care		13,452,863	440,673	13,893,536
Housing and Local Government		7,956,957	9,452	7,966,409
Education		3,732,073	2,790,742	6,522,815
Transport		1,423,969	452,050	1,876,019
Climate Change and Rural Affairs		923,474	83,072	1,006,546
Economy, Energy and Planning		931,099	-69,703	861,396
Social Justice		162,259	3,441	165,700
Central Services and Administration		465,280	5,644	470,924
<b>Total Allocation to Welsh Government MEGs</b>		<b>29,047,974</b>	<b>3,715,371</b>	<b>32,763,345</b>
Unallocated Resource	Fiscal Resource	1,849	40,384	42,233
	Non-Fiscal Resource	339,732	-335,206	4,526
Unallocated Capital	General Capital	37,581	-7,367	30,214
	Financial Transactions	-13,720	28,524	14,804
Senedd Commission		84,618	-4,002	80,616
Public Services Ombudsman for Wales		6,476	-16	6,460
Wales Audit Office		10,180	0	10,180
Electoral Commission		2,742	1	2,743
Direct Charges to the Welsh Consolidated Fund		837	6	843
<b>TOTAL WELSH BUDGET</b>		<b>29,518,269</b>	<b>3,437,695</b>	<b>32,955,964</b>

**Table 3.3 – Changes to the Welsh Government MEG Resource Allocations**

MAIN EXPENDITURE GROUPS (MEGs)	£000s					
	FISCAL			NON-FISCAL		
	2025-26 Supplementary Budget June 2025	Changes	2025-26 Supplementary Budget New Plans February 2026	2025-26 Supplementary Budget June 2025	Changes	2025-26 Supplementary Budget New Plans February 2026
Health and Social Care	12,234,676	361,521	12,596,197	325,509	14,523	340,032
Housing and Local Government	5,575,753	21,864	5,597,617	0	0	0
Education	1,819,348	18,105	1,837,453	267,594	2,584,373	2,851,967
Transport	666,081	6,874	672,955	226,691	129,661	356,352
Climate Change and Rural Affairs	582,882	7,106	589,988	20,938	62,399	83,337
Economy, Energy and Planning	472,372	-50,492	421,880	32,728	6	32,734
Social Justice	142,205	671	142,876	487	0	487
Central Services and Administration	428,233	5,083	433,316	18,538	0	18,538
<b>Total Allocation to Welsh Government MEGs</b>	<b>21,921,550</b>	<b>370,732</b>	<b>22,292,282</b>	<b>892,485</b>	<b>2,790,962</b>	<b>3,683,447</b>

**Table 3.4 – Changes to the Welsh Government MEG Capital Allocations**

MAIN EXPENDITURE GROUPS (MEGs)	£000s					
	GENERAL CAPITAL			FINANCIAL TRANSACTIONS		
	2025-26 Supplementary Budget June 2025	Changes	2025-26 Supplementary Budget New Plans February 2026	2025-26 Supplementary Budget June 2025	Changes	2025-26 Supplementary Budget New Plans February 2026
Health and Social Care	623,225	-46,437	576,788	0	0	0
Housing and Local Government	1,196,280	-23,280	1,173,000	72,862	1,200	74,062
Education	374,500	55,500	430,000	-1,941	0	-1,941
Transport	529,197	98,440	627,637	0	0	0
Climate Change and Rural Affairs	302,654	-21,921	280,733	10,000	5,315	15,315
Economy, Energy and Planning	342,996	-8,217	334,779	16,478	-32,000	-15,522
Social Justice	17,890	1,270	19,160	1,451	1,500	2,951
Central Services and Administration	15,309	561	15,870	0	0	0
<b>Total Allocation to Welsh Government MEGs</b>	<b>3,402,051</b>	<b>55,916</b>	<b>3,457,967</b>	<b>98,850</b>	<b>-23,985</b>	<b>74,865</b>

**3.2** An overview of the changes to the sources of finance are provided below and details of allocations from reserves can be found in chapter 6.

## **Adjustments to Sources of Finance**

### **Fiscal Resource**

- 3.3** The Fiscal Resource baseline has increased by a net amount of £124,692k comprising:
- An increase from Barnett consequentials totalling £43,743k and comprising:
    - £5,231k arising from the UK Government's Spending Review 2025;
    - £26,991k arising from the UK Government's Autumn Budget 2025;
    - £11,521k received at the UK Government's Supplementary Estimates in January 2026.
  - A transfer in of £1,095k from the Department for Health and Social Care (DHSC) comprising:
    - £564k in respect of the Voluntary Scheme for Branded Medicines Pricing, Access and Growth (VPAG) Investment Fund – Health Technology Assessment;
    - £446k in respect of the HIV Infected Blood Support Scheme; and
    - £85k in respect of the HIV Infected Blood Support Scheme legal and administrative costs.
  - A transfer in of £62,337k from the Home Office in respect of the balance due for 2025-26 for the Immigration Health Surcharge;
  - A transfer in of £500k from the Ministry of Justice (MoJ) in respect of 2024-25 and 2025-26 pay award for the public sector staff that deliver learning and skills provision in South Wales prisons;
  - Transfers in totalling £11,328k from the Ministry for Housing, Communities and Local Government (MHCLG) comprising:
    - £8,700k for the Flintshire and Wrexham Investment Zone;
    - £535k in respect of the Site Accelerator Grant;

- £413k in respect of the Homes for Ukraine Fund Quarter 4 2024/25 Tariff;
- £421k in respect of the Homes for Ukraine Fund Quarter 1 2025/26 Tariff;
- £500k in respect of TATA supply chain intervention; and
- £759k in respect of the TATA Start-up, Resilience and Business Growth Flexible Fund;
- A transfer in of £5k from HM Revenue and Customs (HMRC) in respect of hidden economy conditionality;
- Transfers in totalling £5,030k from the Department for Work and Pensions (DWP) comprising:
  - £4,240k in respect of the Trailblazer programme; and
  - £790k in respect of the Individual Placement Support in Primary Care (IPSPC) project;
- Transfers in totalling £660k from the Department for Science, Innovation and Technology (DSIT) comprising:
  - £475k in respect of the Integrated Security Fund; and
  - £185k for Digital Inclusion;
- Transfers in totalling £1,132k from the Department for Energy Security & Net Zero (DESNZ) comprising:
  - £700k in respect of the joint Pembrokeshire Regional Skills Pilot Phase 2 with UK Government; and
  - £432k in respect of GB Energy;
- A transfer in of £11,563k from HMT in respect of the Immigration Health Surcharge 2024/25 adjustment;
- A transfer in of £590k from HMT in respect of a correction for a prior year error relating to financial advice services;
- A transfer in of £533k from HMT in respect of UK Government Spending Review Phase 2 transformation fund Barnett reconciliation
- A transfer in of £203k from HMT in respect of a cash management rebate;

- A transfer out of £2,880k to HMT in respect of VAT on post-16 specialist placement;
- A transfer out of £357k in respect of borders; and
- A decrease of £10,790m as a result of a revision to the block grant adjustment.

**£245,901k** fiscal resource has also been drawn from Wales Reserve.

### Non-Fiscal Resource

**3.4** Since the First Supplementary Budget the non-fiscal resource baseline has increased by £2,455,756k, comprising £77,000k in general depreciation and £2,378,756k due to a change in Student Loans.

### Wales Devolved Financing

**3.5** Devolved tax income forecast has increased since the first supplementary budget by £32,830k.

The amount required to repay principal borrowing has remained unchanged at £10,602k.

### General Capital

**3.6** The general capital baseline has decreased by a net amount of £664k since the First Supplementary Budget, comprising:

- A decrease from Barnett consequentials totalling £4,572k and comprising:
  - £1,028k deducted at the UK Government's Spending Review 2025; and
  - £3,544k deducted at the UK Government's Supplementary Estimates in January 2026;
- Transfers out totalling £37,582k to HMT comprising:
  - £17,480k in respect of borders;
  - £10,102k in respect of city and growth deals; and
  - £10,000k in respect of Holyhead breakwater;

- Transfers in totalling £15,893k from the Ministry for Housing, Communities and Local Government (MHCLG) comprising:
  - £10,800k in respect of the Flintshire and Wrexham Investment Zone;
  - £4,828k in relation to the outcome of UK Competition and Markets Authority Housebuilding Investigation into affordable housing programmes; and
  - £265k for the Site Accelerator Grant;
- Transfers in totalling £3,811k from the Department for Science, Innovation and Technology (DSIT) comprising:
  - £2,233k in respect of Enhancing Health Data Research Developments;
  - £1,323k for QuicDNA Max Research Programme;
  - £185k for Digital Inclusion – Research and Development; and
  - £70k for Digital Inclusion;
- Transfers in totalling £13,863k from the Department for Energy Security & Net Zero (DESNZ) comprising:
  - £4,800k for the Holyhead Hydrogen Hub;
  - £2,448k in respect of GB Energy; and
  - £6,615k for GB Energy – Additional Funding;
- Transfers in totalling £7,923k from the Department of Health and Social Care (DHSC) comprising:
  - £6,850k for the VPAG Investment Fund – Clinical Trials Programme; and
  - £1,073k in respect of the VPAG Investment Fund - Commercial Research Primary Care Fellowship.

**£53,395k** general capital has also been drawn from Wales Reserve.

## Financial Transactions Capital

**3.7** The financial transactions capital baseline has decreased by £6,165k since the First Supplementary Budget as a result of Barnett consequentials arising from the Supplementary Estimates.

**£10,704k** financial transactions capital has also been drawn from Wales Reserve.

**Table 3.5 – Summary of the Welsh Government MEG Total Allocations**

2025-26 TOTAL MEG ALLOCATIONS as per SUPPLEMENTARY BUDGET										
£000s										
MAIN EXPENDITURE GROUPS (MEGs)	Resource			Capital			AME			TOTAL MEG ALLOCATION
	Fiscal	Non-Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total	
Health and Social Care	12,596,197	340,032	12,936,229	576,788	0	576,788	353,524	26,995	380,519	13,893,536
Housing and Local Government	5,597,617	0	5,597,617	1,173,000	74,062	1,247,062	1,121,730	0	1,121,730	7,966,409
Education	1,837,453	2,851,967	4,689,420	430,000	-1,941	428,059	-106,941	1,512,277	1,405,336	6,522,815
Transport	672,955	356,352	1,029,307	627,637	0	627,637	219,075	0	219,075	1,876,019
Climate Change and Rural Affairs	589,988	83,337	673,325	280,733	15,315	296,048	37,700	-527	37,173	1,006,546
Economy, Energy and Planning	421,880	32,734	454,614	334,779	-15,522	319,257	87,525	0	87,525	861,396
Social Justice	142,876	487	143,363	19,160	2,951	22,111	226	0	226	165,700
Central Services and Administration	433,316	18,538	451,854	15,870	0	15,870	3,200	0	3,200	470,924
<b>TOTAL ALLOCATIONS TO WELSH GOVERNMENT MEGs</b>	<b>22,292,282</b>	<b>3,683,447</b>	<b>25,975,729</b>	<b>3,457,967</b>	<b>74,865</b>	<b>3,532,832</b>	<b>1,716,039</b>	<b>1,538,745</b>	<b>3,254,784</b>	<b>32,763,345</b>

## 4. Transfers between Ministerial Portfolios

4.1 There have been multiple transfers between Ministerial portfolios in this supplementary budget totalling £39,526k. The net impact of the transfers on each of the MEGs is summarised in the table below:

	Fiscal Resource £'000			Capital £'000		
	To	From	Net Transfers	To	From	Net Transfers
Health and Social Care	7,603	-9,532	-1,929	8,499	-1,618	6,881
Housing and Local Government	60	0	60	10,000	-175	9,825
Education	4,081	-24	4,057	-	-5,000	-5,000
Transport	-	-	-	587	-	587
Climate Change and Rural Affairs	-	-170	-170	-	-13,504	-13,504
Economy, Energy and Planning	353	-40	313	650	-	650
Social Justice	55	-558	-503	-	-	-
Central Services and Administration	6,020	-7,848	-1,828	1,618	-1,057	561
	<b>18,172</b>	<b>-18,172</b>	<b>-</b>	<b>21,354</b>	<b>-21,354</b>	<b>-</b>

4.2 Details of the transfers in excess of £1m are as follows:

### Fiscal Resource

4.3 £4,031k has been transferred from the Education and Training BEL within the Health and Social Care MEG to the Medr Programme Expenditure BEL within the Education MEG. The transfer relates to the North and West Wales medical expansion programme.

4.4 Budget responsibility for the Care Experienced Children element of the Invest to Save fund has transferred from the Central Services and

Administration MEG to the Health and Social Care MEG. The Care Experienced Children fund (formally the Looked After Children fund) was established to advance the Welsh Government's commitment towards the welfare of looked after children and young people as outlined in the Programme for Government. The budget transfer comprising:

- £7,603k transfer from the Invest to Save Fund Repayment BEL within the Central Services and Administration MEG to the Health and Social Care MEG (BEL renamed as Care Experienced Children Change Fund Repayment)
- £5,351k credit budget transfer from the Invest to Save BEL within the Central Services and Administration MEG to the Health and Social Care MEG (BEL renamed as Care Experienced Children Change Fund)

### General Capital

- 4.6** £5,000k has been transferred from the Education Infrastructure BEL within the Education MEG to the Local Govt General Capital Funding BEL within the Housing MEG. The transfer relates to Low Carbon Heat Grant.
- 4.7** £5,000k has been transferred from the Resource Efficiency and Circular Economy BEL within the Climate Change and Rural Affairs MEG to the Emergency Financial Assistance BEL within the Housing MEG. The transfer is in relation to isolated incident recovery work following previous large storms.
- 4.8** There have been three transfers from the Welsh Government Energy Service BEL in the Climate Change and Rural Affairs MEG to the Core NHS Allocations BEL in the Health and Social Care MEG. These comprise £3,536k for Aneurin Bevan University Health Board's decarbonisation programme; £2,231k for Hywel Dda University Health

Board's decarbonisation programme; and £1,500k for Cwm Taf Morgannwg University Health Board's decarbonisation programme.

**4.9** Budget responsibility for Invest to Save Care Experienced Children has transferred from the Central Services and Administration MEG to the Health and Social Care MEG as detailed in paragraph 4.4 above, comprising:

- £1,057k transfer from the Invest to Save BEL within the Central Services and Administration MEG to the Health and Social Care MEG (BEL renamed as Care Experienced Children Change Fund)
- £1,618k credit budget transfer from the Invest to Save Fund Repayment BEL within the Central Services and Administration MEG to the Health and Social Care MEG (BEL renamed as Care Experienced Children Change Fund Repayment)

## 5. Transfers within Ministerial Portfolios

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**5.1** In addition to the transfers between Ministerial Portfolios detailed in chapter 4, there are a number of transfers between BELs within the same portfolios which are included within the published BEL Tables. The transfers exceeding £1m are detailed below:

### Health and Social Care

**5.2** Multiple resource transfers totalling £176,526k have taken place within the Health and Social Care MEG. Many of these are part of a pay mapping exercise and others include:

- £48,426k transferred from the Research and Development BEL to the Core NHS Allocations BEL;
- £49,000k transferred from the Core NHS Allocations BEL to the Other Direct NHS Allocations BEL;
- £1,706k from Education and Training BEL to the Workforce (NHS) BEL in respect of the North and West Wales Medical Undergraduate Expansion Programme.

### Housing and Local Government

**5.3** Capital transfers totalling £52,900k have taken place between BELs within the Housing and Local Government MEG. These include:

- £35,000k transferred between a number of BELs to reprofile Housing and Regeneration budgets, comprising:
  - £5,595k from the Social Housing Grants (SHG) BEL;
  - £4,619k from the Market Housing & Other Schemes BEL;
  - £7,786k from the Warm Homes BEL;
  - £17,000k from the Land Release Fund BEL;
  - £15,000k to the Residential Decarbonisation & Quality BEL;
  - £20,000k to the Major Repairs & Dowry Gap BEL;

- £14,100k transferred to the Residential Decarbonisation & Quality BEL from the Market Housing and Other Schemes BEL; and
- £3,800k transferred to the Residential Decarbonisation & Quality BEL from the Major Repairs Allowance and Dowry Gap Funding BEL.

## Transport

**5.4** Resource transfers totalling £4,500k have taken place between BELs in the Transport MEG. These include:

- £2,000k transfer to the Rail Service Support BEL from the Strategic Road Network Contractual Payments BEL;
- £2,500k transfer to the Bus Service Support BEL from the Strategic Road Network Contractual Payments BEL.

## Climate Change and Rural Affairs

**5.5** Resource transfers totalling £4,826k have taken place between BELs in the Climate Change and Rural Affairs MEG. These include:

- £1,580k transferred to the Natural Resources Wales BEL from the Rural Investments BEL; and
- £1,575k transferred to the RPW Administration BEL from the Rural Investment Schemes BEL.

Capital transfers totalling £27,173k have also taken place between BELs within the Climate Change and Rural Affairs MEG. These include:

- £7,900k transferred to the Flood Risk Management & Water Policy Delivery BEL;
- £6,380k to the Rural Payments ICT BEL from the Rural Investments Schemes BEL;
- £4,000k transferred to the Welsh Government Energy Service BEL;
- £4,000k transferred to the Natural Resources Wales BEL;
- £2,500k transferred to the Local Places for Nature BEL from the Invest to Save Green Growth BEL; and

- £1,543k transferred to the Rural Payments ICT BEL from the Rural Investments Schemes BEL;

### Economy, Energy and Planning

**5.6** Multiple resource transfers totalling £17,451k have taken place between BELs within the Economy, Energy and Planning MEG. These includes:

- £7,352k to the Cadw BEL from the Property Infrastructure BEL;
- £2,800k to the Cardiff International Airport BEL from the Property Infrastructure BEL;
- £2,500k to the Digital Strategy for Wales BEL from the Property Infrastructure BEL;
- £1,400k transferred to the Support for Local Culture and Sport BEL from the Property Infrastructure BEL; and
- £1,300k transferred to the Export, Trade and Inward Investment BEL from the Property Infrastructure BEL.

Multiple capital transfers totalling £34,914k have also taken place between BELs within the Economy, Energy and Planning MEG. These include:

- £15,350k to the Cardiff International Airport BEL from the ICT Infrastructure Operations BEL;
- £5,000k to the Sport Wales BEL from the Cadw BEL;
- £4,300k to the Green Energy BEL from the Business and Regional Economic Development BEL;
- £2,907k to the Ynni Cymru BEL from the Green Energy BEL;
- £2,500k to the Creative Wales BEL from the Property Infrastructure BEL; and
- £2,000k to the Tourism BEL from the Property Infrastructure BEL.

### Social Justice

**5.7** Multiple resource transfers totalling £7,548k have taken place between BELs within the Social Justice MEG. These include:

- £2,537k transferred to the Violence against Women, Domestic Abuse and Sexual Violence from the Financial Inclusion BEL;
- £2,528k transferred to the Support for the Voluntary Sector and Volunteering BEL; and
- £1,005k transferred from the Supporting Communities BEL.

Capital transfers totalling £1,336k have transferred from the Gypsy Traveller Sites BEL to numerous BELs within the Social Justice MEG; all individual transfers are under £1m.

## 6. Changes to Reserves

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**6.1** This budget regularises a number of allocations to and from reserves. The key resource and general capital allocations are detailed in Chapter 2. A summary of the net effect on each MEG can be found in table 6.1 below and a full list detailing all the movements on the Welsh Government's reserves is available on the Welsh Government's website.

### Allocations from Fiscal Resource Reserves

**6.2** Allocations totalling £443,969k have been made from fiscal resource reserves in this supplementary budget. The totals for each MEG are as follows:

- Health and Social Care - £363,450k.
- Housing and Local Government - £21,804k.
- Education - £16,928k.
- Transport - £6,874k.
- Climate Change and Rural Affairs - £7,633k.
- Economy, Energy and Planning – £19,195k.
- Social Justice - £1,174k.
- Central Services and Administration - £6,911k.

### Transfers to Fiscal Resource Reserves

**6.3** Transfers totalling £73,237k have been made into fiscal resource reserves in this supplementary budget. The totals for each MEG are as follows:

- Education - £2,880k.
- Climate Change and Rural Affairs - £357k.
- Economy, Energy and Planning - £70,000k.

### Allocations from Non-Fiscal Resource Reserves

**6.4** Allocations totalling £2,796,006k have been made from non-fiscal resource reserves in this supplementary budget. The totals for each MEG are as follows:

- Health and Social Care - £18,424k;
- Education - £2,584,373k relating to change in student loans;
- Transport - £129,661k in respect of depreciation relating to Transport for Wales;
- Climate Change and Rural Affairs - £63,542k; and
- Economy, Energy and Planning - £6k.

### Transfers to Non-Fiscal Resource Reserves

**6.5** Transfers totalling £5,044k have been made into non-fiscal resource reserves in this supplementary budget. The totals for each MEG are as follows:

- Health and Social Care - £3,901k; and
- Climate Change and Rural Affairs – £1,143k.

### Allocations from General Capital Reserves

**6.6** Allocations totalling £196,431k have been made from general capital reserves in this supplementary budget. The totals for each MEG are as follows:

- Health and Social Care – £11,682k.
- Housing and Local Government - £4,828k.
- Education - £60,500k.
- Transport - £97,853k.
- Climate Change and Rural Affairs - £9,063k.
- Economy, Energy and Planning - £11,235k.
- Social Justice - £1,270k.

### Allocations to General Capital Reserves

**6.7** Transfers totalling £140,515k have been made into general capital reserves in this supplementary budget. The totals for each MEG are as follows:

- Health and Social Care - £65,000k.
- Housing and Local Government - £37,933k.
- Climate Change and Rural Affairs - £17,480k.
- Economy, Energy and Planning - £20,102k.

### Allocations from Financial Transaction Capital Reserves

**6.8** There have been four transfers totalling £8,015k from the financial transaction capital reserves in this supplementary budget: The totals for each MEG are as follows:

- Housing and Local Government - £1,200k in respect of funding for Green Homes;
- Climate Change and Rural Affairs - £5,315k in respect of funding for public sector decarbonisation and adaptation.
- Social Justice - £1,500k in respect of the Community Asset Loan Fund (CALF).

### Allocations to Financial Transaction Capital Reserves

**6.9** There are transfers back to the financial transaction capital reserves in this supplementary budget totalling £32,000k from the Economy, Energy and Planning MEG relating to £20,000k in respect of Holyhead Breakwater and £12,000k repayment of investment funding.

### Other Transfers With Reserves

**6.10** There have been other transfers with central reserves not affecting the MEGs, the net result of which are as follows:

- An increase of £7,696k in fiscal resource reserves; and
- A decrease of £4,182k in general capital reserves.

**Table 6.1 - Changes to the 2024-25 Reserves since the First Supplementary Budget and the Allocations from Reserves being made in this Supplementary Budget**

	£000s						
	Fiscal Resource	Non-Fiscal Resource	Total Resource	General Capital	Financial Transaction Capital	Total Capital	Total
<b>Reserves as per First Supplementary Budget</b>	1,849	339,732	341,581	37,581	-13,720	23,861	365,442
Transfers & Consequentials since the First Supplementary Budget	124,692	2,455,756	2,580,448	-664	-6,165	-6,829	2,573,619
Change in Devolved Tax Forecast Adjustments	32,830	0	32,830	0	0	0	32,830
Drawdown from the Wales Reserve	245,901	0	245,901	53,395	10,704	64,099	310,000
<b>Revised Reserves</b>	<b>405,272</b>	<b>2,795,488</b>	<b>3,200,760</b>	<b>90,312</b>	<b>-9,181</b>	<b>81,131</b>	<b>3,281,891</b>
<b>MEG CHANGES AFFECTING RESERVES</b>							
Health and Social Care	-363,450	-14,523	-377,973	53,318	0	53,318	-324,655
Housing and Local Government	-21,804	0	-21,804	33,105	-1,200	31,905	10,101
Education	-14,048	-2,584,373	-2,598,421	-60,500	0	-60,500	-2,658,921
Transport	-6,874	-129,661	-136,535	-97,853	0	-97,853	-234,388
Climate Change and Rural Affairs	-7,276	-62,399	-69,675	8,417	-5,315	3,102	-66,573
Economy, Energy and Planning	50,805	-6	50,799	8,867	32,000	40,867	91,666

Social Justice	-1,174	0	-1,174	-1,270	-1,500	-2,770	-3,944
Central Services and Administration	-6,911	0	-6,911	0	0	0	-6,911
<b>MEG CHANGES AFFECTING RESERVES</b>	<b>-370,732</b>	<b>-2,790,962</b>	<b>-3,161,694</b>	<b>-55,916</b>	<b>23,985</b>	<b>-31,931</b>	<b>-3,193,625</b>
<b>OTHER CHANGES AFFECTING RESERVES</b>							
Senedd Commission	7,684	0	7,684	-4,182	0	-4,182	3,502
Public Services Ombudsman for Wales	16	0	16	0	0	0	16
Electoral Commission	-1	0	-1	0	0	0	-1
Direct Charges to the Welsh Consolidated Fund	-6	0	-6	0	0	0	-6
<b>OTHER CHANGES AFFECTING RESERVES</b>	<b>7,693</b>	<b>0</b>	<b>7,693</b>	<b>-4,182</b>	<b>0</b>	<b>-4,182</b>	<b>3,511</b>
<b>Reserves in this Budget</b>	<b>42,233</b>	<b>4,526</b>	<b>46,759</b>	<b>30,214</b>	<b>14,804</b>	<b>45,018</b>	<b>91,777</b>

## Wales Reserve

**6.11** The balances held in the Wales Reserve are updated each financial year to take account of the following movements:

- Increases due to underspends arising after the calculation of the final outturn position for the previous financial year; and
- Decreases due to the amounts drawn down from the Reserve in year.

The Chief Secretary to the Treasury has waived the limits on drawdown from the Wales Reserve in 2025-26 thereby allowing Welsh Government to drawdown resource and capital up to the maximum amounts available in the Wales Reserve.

Table 6.2 below illustrates the confirmed amounts currently held in the Wales Reserve.

**Table 6.2 - Balances currently held in the Wales Reserve**

MOVEMENTS	£'000		
	Non Ringfenced Resource	General Capital	Financial Transaction Capital
Balance brought forward from 2024-25	285,901	53,395	10,704
Drawdown in the 2025-26 First Supplementary Budget	-40,000	0	0
Drawdown included in this Supplementary Budget	-245,901	-53,395	-10,704
<b>Current Balance Available in Wales Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 7. Annually Managed Expenditure (AME) Budgets

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**7.1** AME budgets detailed in this supplementary budget reflect the last forecasts provided to HMT in January 2026. Adjustments made since the First Supplementary Budget was approved comprise:

- A net increase of £111,066k in the Health and Social Care MEG AME budget to reflect the latest forecasts for impairments and provisions relating to the NHS in Wales, comprising:
  - A increase in resource AME of £90,571k; and
  - An increase in capital AME of £20,495k.
- An increase of £9,668k in the Housing and Local Government MEG resource AME budget comprising:
  - £13,817k to reflect a change in the Fire Service Pensions provision;
  - -£4,149 in respect of help to buy fair value adjustments.
- An increase of £132,564k in the Education MEG AME budget to reflect £200k in relation to the bad debt provision and the latest Student Loans forecasts, comprising:
  - An increase in resource AME of £6,540k; and
  - An increase in capital AME of £126,024k.
- An increase of £217,075k in the Transport MEG comprising:
  - £214,775k to reflect an increase in the impairments of the roads network; and
  - £2,300 impairments relating to Transport for Wales
- A total increase of £30,173k in the Climate Change and Rural Affairs MEG resource AME budget comprising:
  - £28,700k resource increase in respect of the impairment relating to forestry and biological assets;

- £4,000k resource increase in respect of the bad debt provision;
- -£2,000k resource decrease in respect of NRW pension provisions;  
and
- -£527k capital decrease in respect of NRW dilapidation provisions.
- An increase of £21,000k in the Economy, Energy and Planning MEG resource AME budget comprising:
  - £5,000k increase in respect of property related infrastructure impairments;
  - £10,000k in respect of ICT infrastructure impairments; and
  - £6,000k in respect of business finance funds provisions.

Table 7.1 below sets out the current AME budgets.

**Table 7.1 – Changes to the Welsh Government MEG AME Allocations**

MAIN EXPENDITURE GROUPS (MEGs)	£000s					
	RESOURCE			CAPITAL		
	2025-26 Supplementary Budget June 2025	Changes	2025-26 Supplementary Budget New Plans February 2026	2025-26 Supplementary Budget June 2025	Changes	2025-26 Supplementary Budget New Plans February 2026
Health and Social Care	262,953	90,571	353,524	6,500	20,495	26,995
Housing and Local Government	1,112,062	9,668	1,121,730	0	0	0
Education	-113,681	6,740	-106,941	1,386,253	126,024	1,512,277
Transport	2,000	217,075	219,075	0	0	0
Climate Change and Rural Affairs	7,000	30,700	37,700	0	-527	-527
Economy, Energy and Planning	66,525	21,000	87,525	0	0	0
Social Justice	226	0	226	0	0	0
Central Services and Administration	3,200	0	3,200	0	0	0
<b>Total Allocation to Welsh Government</b>	<b>1,340,285</b>	<b>375,754</b>	<b>1,716,039</b>	<b>1,392,753</b>	<b>145,992</b>	<b>1,538,745</b>

## **Annex 1 – Reconciliation between the Portfolio Budgets in the Action Tables and those in the Budget Motion**

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The Explanatory Note supports the Supplementary Budget Motion published alongside this document, which sets out the changes to both the resources that the Welsh Government is proposing to use in 2025-26 and the cash it is seeking authority to draw from the Welsh Consolidated Fund. The tables within this note use the HMT control totals and align with the BEL Tables. However, the figures in the Supplementary Budget Motion align with the Statement of Resource Outturn which is used in the Welsh Government accounts and is prepared on a slightly different basis.

The Welsh Government's budget includes items which do not score as part of the 'Resources Requested' by Welsh Ministers. This Annex provides a reconciliation between the two by each portfolio.

2025-26 SUPPLEMENTARY BUDGET									
£000s									
	Health and Social Care	Housing and Local Government	Education	Transport	Climate Change and Rural Affairs	Economy Energy and Planning	Social Justice	Central Services and Administration	TOTAL
Resource	12,936,229	5,597,617	4,689,420	1,029,307	673,325	454,614	143,363	451,854	25,975,729
Capital	576,788	1,247,062	428,059	627,637	296,048	319,257	22,111	15,870	3,532,832
Resource AME	353,524	1,121,730	-106,941	219,075	37,700	87,525	226	3,200	1,716,039
Capital AME	26,995	0	1,512,277	0	-527	0	0	0	1,538,745
<b>TOTAL MANAGED EXPENDITURE</b>	<b>13,893,536</b>	<b>7,966,409</b>	<b>6,522,815</b>	<b>1,876,019</b>	<b>1,006,546</b>	<b>861,396</b>	<b>165,700</b>	<b>470,924</b>	<b>32,763,345</b>
<b>Reconciliation to Resources</b>									
Resource Consumption - Welsh Government Sponsored Bodies	-61		-437		-48,573	-38,566			-87,637
Supported Borrowing		-88,800							-88,800
National Insurance Fund Receipts Collection Costs	-906								-906
National Non-Domestic Rates Payable (and Collection Costs)		-1,083,172							-1,083,172
Interest Repayments on Borrowing								-16,249	-16,249
PFI				-15,000					-15,000
Direct Charges on the Welsh Consolidated Fund		-1,564							-1,564
<b>RESOURCES REQUESTED</b>	<b>13,892,569</b>	<b>6,792,873</b>	<b>6,522,378</b>	<b>1,861,019</b>	<b>957,973</b>	<b>822,830</b>	<b>165,700</b>	<b>454,675</b>	<b>31,470,017</b>

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## Annex 2 – Glossary

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<b>Action</b>	Within each Spending Programme Area (SPA), budgets are allocated to a number of sub-programmes known as Actions.
<b>Ambits</b>	Descriptions of the specific purposes for which Welsh Ministers are authorised by Senedd Cymru to spend resources. Ambit Descriptions and resource limits are contained within the Annual and Supplementary Budget Motions. Ambits correspond to MEGs.
<b>Annually Managed Expenditure (AME)</b>	Expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL and is therefore reviewed twice a year as part of the HM Treasury's Budget and Pre-Budget Report processes. AME typically consists of programmes which are large, volatile or demand-led; for example the issue of student loans.
<b>Budget Motion</b>	The means by which Senedd Cymru authorises Welsh Ministers to spend resources up to a specific level for specified purposes and to draw cash up to a specific limit from the Welsh Consolidated Fund.
<b>Budget Expenditure Line (BEL)</b>	Within each Action budgets are allocated to a number of sub-expenditure groups known as BELs. Tables showing budgets at BEL level are available at: <a href="http://gov.wales/funding/budget/?lang=en">http://gov.wales/funding/budget/?lang=en</a>
<b>Capital</b>	Expenditure that in the main results in a physical asset, for example a new building. The Welsh Government DEL and AME budgets have separate capital and resource limits.
<b>Departmental Expenditure Limit (DEL)</b>	The multi-year budget limit for the Welsh Government set by the HM Treasury in Spending Reviews.
<b>Depreciation</b>	The drop in value of an asset due to wear and tear, age and obsolescence. Under resource budgeting, depreciation is part of the Welsh Government's DEL but is a non-fiscal resource DEL item.

<b>Direct Charges on the Welsh Consolidated Fund</b>	Expenditure which is legally required to be charged directly to the Welsh Consolidated Fund and therefore does not score against the ambits of the Welsh Government or any other body. Direct Charges include the remuneration of the Presiding Officer and Auditor General.
<b>Financial Transactions</b>	Ring-fenced within the Capital DEL, financial transactions can only be used for loans and equity purposes.
<b>Fiscal Resource DEL (sometimes referred to as revenue)</b>	The Fiscal Resource DEL budget scores most of the department's current expenditure. Expenditure is recorded on an accruals basis. It includes expenditure on pay, current procurement, current grants and subsidies.
<b>Main Expenditure Group (MEG)</b>	The Welsh Government DEL is divided into a number of Main Expenditure Groups. There are currently 8 MEGs: Health and Social Care; Housing and Local Government; Education; Transport; Climate Change and Rural Affairs; Economy, Energy and Planning; Social Justice and Central Services and Administration.
<b>Non-Fiscal Resource DEL (sometimes referred to as 'non cash')</b>	The Non-Fiscal Resource DEL budget scores the department's current expenditure in respect of impairment of student loans and depreciation. Non-Fiscal Resource DEL is ring-fenced and cannot be used to fund fiscal resource DEL spending.
<b>Receipts</b>	Some areas of Welsh Government activity generate income, for example, through the sale or rental of assets. These are represented in the budget as negative figures.
<b>Resource budgeting</b>	The Welsh Government's budget is set on a resource basis derived from accruals information. Accruals information measures resources as they are consumed rather than when the cash is paid. So, for example, resource budgeting includes a charge for depreciation, a measure of the consumption or wearing out of capital assets.

<b>Spending Review</b>	HM Treasury periodically reviews expenditure for each UK Government Department and sets budgets for the forthcoming years. Budgets for the Devolved Governments are derived from these budgets via the Barnett formula, which is the mechanism used to calculate public expenditure allocated to Wales to reflect changes in spending levels allocated to public services in England.
<b>Total Managed Expenditure (TME)</b>	This is an HM Treasury control total which is made up of the total Departmental Expenditure Limit plus Annually Managed Expenditure.
<b>Welsh Consolidated Fund</b>	The account into which the money voted by the UK Parliament for use by the Welsh Government, the Senedd Commission, the Auditor General, and the Public Services Ombudsman for Wales is paid.
<b>WGSB</b>	Welsh Government Sponsored Body. Examples include the Higher Education Funding Council for Wales and the Arts Council of Wales.