

Agenda – Finance Committee

Meeting Venue: Hybrid – Committee room 5 Ty Hywel and video conference via Zoom	For further information contact: Owain Roberts Committee Clerk 0300 200 6388 SeneddFinance@senedd.wales
Meeting date: 8 January 2025	
Meeting time: 09.00	

Registration

(08.30–08.45)

Private pre-meeting

(08.45 – 09.00)

1 Introductions, apologies, substitutions and declarations of interest

(09.00)

2 Paper(s) to note

(09.00)

2.1 PTN 1 – Letter from the Cabinet Secretary for Finance and Welsh Language: The Land Transaction Tax (Tax Bands and Tax Rates) (Wales) (Amendment) Regulations 2024 – 10 December 2024

(Pages 1 – 6)

2.2 PTN 2 – Letter from the Chair of the Economy, Trade and Rural Affairs Committee: Visitor Accommodation (Register and Levy) Etc. (Wales) Bill – Stage 1 scrutiny – 11 December 2024

(Pages 7 – 8)

2.3 PTN 3 – Letter to the Chair of the Economy, Trade and Rural Affairs Committee: Visitor Accommodation (Register and Levy) Etc. (Wales) Bill – Stage 1 scrutiny – 16 December 2024

(Pages 9 – 10)



- 2.4 PTN 4 – Letter from the Minister for Children and Social Care to the Chair of the Health and Social Care Committee: Further information on Stage 2 non-Government amendments – 17 December 2024**
(Pages 11 – 15)
- 2.5 PTN 5 – Letter from the Minister for Finance and Local Government: Report on Outturn 2023–24 – 20 December 2024**
(Pages 16 – 48)
- 2.6 PTN 6 – Letter from the Cabinet Secretary for Finance and Welsh Language: Additional information following the Committee's Draft Budget scrutiny session on 12 December – 20 December 2024**
(Pages 49 – 50)
- 2.7 PTN 7 – Welsh Government Draft Budget 2025–26: Written evidence from Cymdeithas yr Iaith**
(Pages 51 – 52)
- 2.8 PTN 8 – Welsh Government Draft Budget 2025–26: Written evidence from Flintshire County Council**
(Pages 53 – 57)
- 2.9 PTN 9 – Welsh Government Draft Budget 2025–26: Written evidence from Tenovus Cancer Care**
(Pages 58 – 59)
- 2.10 PTN 10 – Letter from the Public Ombudsman for Wales regarding an appeal hearing of a former councillor – 17 December 2024**
(Page 60)
- 3 Welsh Government Draft Budget 2025–26: Evidence session 2**
(09.00 – 09.50) (Pages 61 – 181)
- Richard Hughes, Chair, Office for Budget Responsibility
Tom Josephs, Budget Responsibility Committee member, Office for Budget Responsibility
Professor David Miles, Budget Responsibility Committee member, Office for Budget Responsibility

Supporting documents:

[Consultation response pack](#)

FIN(6)-01-25 P1 – Summary of consultation responses

FIN(6)-01-25 P2 – Welsh taxes outlook (December 2024)

Senedd Research Brief

Break

(09.50 – 10.00)

4 Welsh Government Draft Budget 2025–26: Evidence session 3

(10.00 – 11.00)

(Pages 182 – 197)

David Phillips, Associate Director, Institute for Fiscal Studies

Dr Ed Poole, Senior Lecturer, Wales Governance Centre (Wales Fiscal Analysis)

Guto Ifan, Lecturer, Wales Governance Centre (Wales Fiscal Analysis)

Supporting documents:

Senedd Research Brief

Break

(11.00 – 11.10)

5 Welsh Government Draft Budget 2025–26: Evidence session 4

(11.10 – 12.10)

(Pages 198 – 249)

Victoria Vasey, Director, Women's Equality Network (WEN) Wales / Wales

Women's Budget Group (WWBG)

Simon Hatch, Director, Citizens Advice Cymru

Natalie Zhivkova, Policy & Insights Manager, Wales Council for Voluntary Action (WCVA)

Supporting documents:

FIN(6)-01-25 P3 – Women's Equality Network (WEN) Wales / Wales Women's Budget Group (WWBG)

FIN(6)-01-25 P4 – Citizens Advice Cymru

FIN(6)-01-25 P5 – Wales Council for Voluntary Action (WCVA)

6 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting.

(12.10)

7 Welsh Government Draft Budget 2025–26: Consideration of evidence

(12.10 – 12.30)

Mark Drakeford AS/MS
Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg
Cabinet Secretary for Finance and Welsh Language



Llywodraeth Cymru
Welsh Government

Our ref: MA-MDMFWL-11056-24

Elin Jones MS
Llywydd
Senedd Cymru

10 December 2024

Dear Llywydd,

The Land Transaction Tax (Tax Bands and Tax Rates) (Wales) (Amendment) Regulations 2024

I have today made the Land Transaction Tax (Tax Bands and Tax Rates) (Wales) (Amendment) Regulations 2024 under sections 24(1)(b) and 78(1) of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 ("LTTA 2017"). These Regulations will come into force on 11 December 2024. I attach a copy of the statutory instrument. Once the statutory instrument has been registered, I intend to lay this and an accompanying Explanatory Memorandum on 10 December 2024.

In accordance with the procedure set out in section 25(2) of the LTTA 2017, this instrument must be approved by the Senedd by 27 January 2025 for it to remain in effect. In these circumstances I understand Standing Order 21.4A is relevant and the Business Committee may establish and publish a timetable for the responsible committee or committees to report. It may be helpful to know that I intend to hold the plenary debate for this item of subordinate legislation on 21 January 2025.

I am copying this letter to the Cabinet Secretary for Social Justice, Trefnydd and Chief Whip, Mike Hedges MS, Chair of the Legislation, Justice and Constitution Committee, Peredur Owen Griffiths MS, Chair of the Finance Committee, Siwan Davies, Director of Senedd Business, Sian Wilkins, Head of Chamber and Committee Services and Julian Luke, Head of Policy and Legislation Committee Service.

Yours sincerely,

A handwritten signature in blue ink that reads "Mark Drakeford".

Mark Drakeford AS/MS
Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg
Cabinet Secretary for Finance and Welsh Language

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

Regulations made by the Welsh Ministers, laid before Senedd Cymru under section 25(2) of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 (anaw 1), for approval by resolution of Senedd Cymru within 28 days beginning with the day on which the Regulations were made, disregarding any periods of dissolution or recess for more than 4 days.

W E L S H S T A T U T O R Y
I N S T R U M E N T S

2024 No. (W.)

**LAND TRANSACTION TAX,
WALES**

**The Land Transaction Tax (Tax
Bands and Tax Rates) (Wales)
(Amendment) Regulations 2024**

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Land Transaction Tax (Tax Bands and Tax Rates) (Wales) Regulations 2018 (S.I. 2018/128 (W. 32)) (“the 2018 Regulations”) so as to insert revised percentage tax rates for the tax bands applicable to higher rates residential property transactions.

Regulation 3 applies the revised percentage tax rates to the higher rates residential property transactions where the effective date of the transaction falls on or after 11 December 2024.

Regulation 4 goes on to set out an exception. Where the effective date for such transactions falls on or after 11 December 2024, but where contracts were entered into or the substantial performance of that contract took place prior to 11 December 2024, the previous percentage tax rates will continue to apply, unless one of the exclusions set out in regulation 5 applies.

Regulation 6 sets out the tax bands and revised percentage tax rates that are to apply to higher rates

residential property transactions.

The Welsh Ministers' Code of Practice on the carrying out of regulatory impact assessments was considered in relation to these Regulations. As a result,

a regulatory impact assessment has been prepared as to the likely costs and benefits of complying with these Regulations. A copy can be obtained from the Welsh Government, Cathays Park, Cardiff CF10 3NQ and on the Welsh Government's website at www.gov.wales.

Regulations made by the Welsh Ministers, laid before Senedd Cymru under section 25(2) of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 (anaw 1), for approval by resolution of Senedd Cymru within 28 days beginning with the day on which the Regulations were made, disregarding any periods of dissolution or recess for more than 4 days.

W E L S H S T A T U T O R Y
I N S T R U M E N T S

2024 No. (W.)

**LAND TRANSACTION TAX,
WALES**

**The Land Transaction Tax (Tax
Bands and Tax Rates) (Wales)
(Amendment) Regulations 2024**

*Made at *** on ****

*Laid before Senedd
Cymru at *** on ****

Coming into force 11 December 2024

The Welsh Ministers make the following Regulations in exercise of the powers conferred on them by sections 24(1) and 78(1) of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017(1).

Title and commencement

1.—(1) The title of these Regulations is the Land Transaction Tax (Tax Bands and Tax Rates) (Wales) (Amendment) Regulations 2024.

(2) These Regulations come into force on 11 December 2024.

(1) 2017 anaw 1.

Interpretation

2.—(1) In these Regulations, “the 2018 Regulations” means the Land Transaction Tax (Tax Bands and Tax Rates) (Wales) Regulations 2018⁽¹⁾.

(2) Words and expressions used in these Regulations have the same meaning as they have in the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017.

Application

3. These Regulations apply in relation to higher rates residential property transactions with an effective date which is on or after 11 December 2024.

4. But these Regulations do not apply in relation to any transaction mentioned in regulation 3 which is—

- (a) effected in pursuance of a contract entered into and substantially performed before 11 December 2024, or
- (b) effected in pursuance of a contract entered into but not substantially performed before 11 December 2024 and not excluded by regulation 5.

5. A transaction is excluded by this regulation if it is a transaction specified in regulation 3 which is effected in pursuance of a contract entered into before 11 December 2024 and where—

- (a) there is any variation of the contract, or assignment of rights under the contract, on or after 11 December 2024,
- (b) the transaction is effected in consequence of the exercise on or after 11 December 2024 of any option, right of pre-emption or similar right, or
- (c) on or after 11 December 2024 there is an assignment, subsale or other transaction relating to the whole or part of the subject-matter of the contract as a result of which a person other than the purchaser under the contract becomes entitled to call for a transfer.

Amendment of the Land Transaction Tax (Tax Bands and Tax Rates) (Wales) Regulations 2018

6. In the Schedule to the 2018 Regulations, for Table 2 substitute—

(1) S.I. 2018/128 (W. 32), amended by S.I. 2020/1618 (W. 339), regulation 6(1) and (2); there are other amending instruments, but none are relevant to these Regulations.

“Table 2: Higher rates residential property transactions

<i>Tax band</i>	<i>Relevant consideration</i>	<i>Percentage tax rate</i>
First tax band	Not more than £180,000	5%
Second tax band	More than £180,000 but not more than £250,000	8.5%
Third tax band	More than £250,000 but not more than £400,000	10%
Fourth tax band	More than £400,000 but not more than £750,000	12.5%
Fifth tax band	More than £750,000 but not more than £1,500,000	15%
Sixth tax band	More than £1,500,000	17%”.

Name: Mark Drakeford MS
Cabinet Secretary for Finance and Welsh Language,
one of the Welsh Ministers
Date: 10/12/24

Peredur Owen Griffiths MS
Chair
Finance Committee

11 December 2024

Dear Peredur,

Visitor Accommodation (Register and Levy) Etc. (Wales) Bill – Stage 1 scrutiny

The Economy, Trade and Rural Affairs Committee is aware that the Visitor Accommodation (Register and Levy) Etc. (Wales) Bill has been referred to your Committee for Stage 1 scrutiny.

Given our Committee's interest in the areas covered by the Bill, if you are content with this approach, I would be grateful if arrangements could be made for three of our Members to join the Stage 1 scrutiny sessions alongside your Committee. This would allow Economy, Trade and Rural Affairs Committee members to bring the knowledge and skill they have developed around the visitor economy through our previous work on the issue to support your Committee's consideration of the Bill. It would also help us to keep a watching brief of the issues raised, which will feed into our own work in this area.

We undertook a similar approach to scrutiny of the Agricultural (Wales) Act 2023, where colleagues from the Climate Change, Environment, and Infrastructure Committee joined our Committee for Stage 1 scrutiny. I feel that worked well and enhanced our ability to effectively scrutinise the Act.

Should you be content with this approach, our clerking teams can liaise to confirm arrangements.

Kind regards,



Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English

Paul Davies MS
Chair, Economy, Trade and Rural Affairs
Committee (by email)

16 December 2024

Visitor Accommodation (Register and Levy) Etc. (Wales) Bill – Stage 1 scrutiny

Dear Paul,

Thank you for letter of 11 December 2024, in which you seek to join the Finance Committee's Stage 1 scrutiny sessions on the Visitor Accommodation (Register and Levy) Etc. (Wales) Bill.

We considered your request at our meeting on 12 December and agreed to invite members of your Committee to participate in our Stage 1 scrutiny. This invite is being issued under Standing Order 17.49 where, with the permission of a Chair, Members who are not members of a committee can participate in a committee meeting but may not vote. We agreed to invite three members of your Committee to our sessions to enable party balance to be maintained.

Our remaining schedule is outlined in the Annex. Please let us know by Monday 13 January which of your Members intend to join us for some or all of our remaining Stage 1 scrutiny. We will ensure that they receive all the relevant information ahead of the Committee meetings.

Yours sincerely,



Peredur Owen Griffiths MS, Chair, Finance Committee

Annex - Finance Committee – Stage 1 schedule for the Visitor Accommodation (Register and Levy) Etc. (Wales) Bill

Thursday 23 January 2025	<p>Public session</p> <p>Oral evidence session 2 (13.00-14.00)</p> <p>Oral evidence session 3 (14.10-15.10)</p> <p>Private session</p> <p>Consideration of evidence (15.10-15.30)</p>
Thursday 30 January 2025	<p>Public session</p> <p>Oral evidence session 4 (10.00-11.00)</p> <p>Oral evidence session 5 (11.10-12.10)</p> <p>Oral evidence session 6 (13.00-14.00)</p> <p>Oral evidence session 7 (14.10-15.10)</p> <p>Oral evidence session 8 (15.20-16.20)</p> <p>Private session</p> <p>Consideration of evidence (16.20-16.30)</p>
Wednesday 5 February 2025	<p>Public session</p> <p>Oral evidence session 9 (9.30-10.30)</p> <p>Oral evidence session 10 (10.40-11.40)</p> <p>Private session</p> <p>Consideration of evidence (11.40-12.00)</p>
Wednesday 12 February 2025	<p>Public session</p> <p>Oral evidence session 11: Member in charge (09.30-11.30)</p> <p>Private session</p> <p>Key issues (11.30-12.30)</p>
Wednesday 12 March 2025	<p>Private session</p> <p>Consideration of draft report (AM)</p>
Friday 21 March 2025	<p>Stage 1 reporting deadline</p>

Dawn Bowden AS/MS
Y Gweinidog Plant a Gofal Cymdeithasol
Minister for Children and Social Care



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA-DB-10882-24

Russell George MS
Chair, Health and Social Care Committee
Senedd Cymru

17 December 2024

Dear Russell,

Thank you for the Committee's consideration of the amendments tabled to the Health and Social Care (Wales) Bill during Stage 2 proceedings on 28 November. I am pleased that the Bill has now moved to Stage 3.

During the proceedings I sought to respond constructively to non-Government amendments to the Bill, even though I could not support the amendments as drafted. I wish to assure Committee Members that I am actively considering the points raised during Stage 2. For that reason, I have set out below how I am seeking to address concerns which I believe informed a number of the amendments tabled by Members.

Amendments relating to eliminating profit from the care of looked after children

Amendments 44, 56, 59, 60 (tabled by Mabon ap Gwynfor MS), and amendments 77 and 94 (tabled by Altaf Hussain MS)

A number of amendments were tabled to ensure that looked after children have access to a registered independent visiting advocacy service, particularly where they may be affected by the eliminating profit policy. I did explain during Stage 2 proceedings that local authorities already have a statutory duty to ensure that looked after children can access independent professional advocacy. This is set out in section 178 of the Social Services and Well-being (Wales) Act 2014 (the 2014 Act). In addition, under section 98 of the 2014 Act a local authority looking after a child is also required to appoint an independent person to be the child's visitor if (a) the child falls within a category specified in regulations, or (b) in any other case, it appears to the authority that it would be in the child's interests to do so. It is important not to duplicate these existing duties, not least because it could raise doubts about the intention, efficacy and application of the existing provisions.

I do, however, understand Members' concerns about looked after children's awareness of the offer of advocacy, and that this is important if they are concerned that they may be affected by the provisions of the Bill. The Government engages with local authorities on advocacy for looked after children via a forum, and we will use this forum to explore with local authorities

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

how they can further raise awareness and encourage take up of independent professional advocacy among looked after children.

I should note that not all looked after children will want to take up the offer of an independent professional advocate – many children will wish to be advocated for by an adult they are already familiar with, such as a social worker or foster carer. However, it remains important that the offer of independent advocacy is accessible to these children.

I also explained during Stage 2 proceedings that as part of our planned communications aimed at different parts of the sector, the Welsh Government has produced a draft document for children and young people explaining the key elements of the Bill and what it means for them. We are currently reviewing this with the Eliminating Profit Programme Board members and expect to publish this in the coming months. We will continue to work with those organisations that represent children and young people to ensure that their voices can be heard and ongoing communication needs considered. I will also continue to keep Members updated on this work.

Amendment 45 (tabled by Mabon ap Gwynfor MS)

During Stage 2 Mabon ap Gwynfor MS tabled Amendment 45, which sought to ensure that regulations made under paragraph 3(1) of new Schedule 1A to the 2016 Act cannot disrupt the care of any current looked after child with a provider operating under the transitional arrangements. During Stage 2 proceedings, I explained that while I could not support this amendment as drafted, it did align with our policy intention, and that I was happy to undertake to give the issue, and possible responses to it, further consideration in advance of Stage 3.

I wish to reiterate my assurance that the Government does not wish to disrupt existing placements which have been made prior to the start of the transitional period. However, following further consideration, we have concluded that the current provision for a regulation-making power in paragraph 3 of new Schedule 1A is appropriate and proportionate, and that an attempt to limit the power further would be highly likely to prevent the power from being used as intended; which is to ensure that for-profit providers are not able to expand their provision during the transitional period (except in cases where supplementary placements were made or there were other exceptional circumstances).

I also want to emphasise that this regulation-making power is subject to the draft affirmative procedure, and so Senedd Members will be able to scrutinise and vote on any of these regulations before they are made, including satisfying themselves that the proposed provisions operate in accordance with the assurance I have given in this letter.

Amendments 46, 47 and 48 (tabled by Mabon ap Gwynfor MS)

During Stage 2 Mabon ap Gwynfor MS tabled Amendments 46 and 47, which sought to define “near to” in the 2014 Act (as amended by the Bill as introduced) as being in the area of a neighbouring local authority, and to limit such placements to exceptional cases only. Altaf Hussain MS tabled similar amendments. In addition, Mabon ap Gwynfor MS tabled amendment 48 which sought to require local authorities to take account of children’s wishes, views and feelings if they have determined that the most appropriate placement is in a local authority near to their local authority area, rather than within the local authority itself.

As I explained during Stage 2 proceedings, I believe we all share the aim of ensuring that children are placed within their local authority area and close to home wherever possible but that this must not be at the expense of them having placements which best meet their needs.

Pwyllgor Cyllid / Finance Committee
FIN(6)-01-25 PTN 4

The local authority will need to consider a range of factors when deciding on the placement of a child under new section 81A of the 2014 Act (to be inserted by section 13 of the Bill).

To assist local authorities in appropriately handling these issues, I committed during Stage 2 proceedings to consider using a code of practice to be issued under section 145 to give guidance to local authorities on placing children within their local authority area or close to home, and to reinforce the importance of local authorities complying with their existing statutory duties around having regard to the views, wishes and feelings of a child they are looking after. I also committed to reinforcing the point about the importance of local authorities complying with their existing statutory duties in this regard, in further communications with local authorities.

Amendments 50, 51 and 52 (tabled by Mabon ap Gwynfor MS)

During Stage 2 Mabon ap Gwynfor MS tabled Amendments 50, 51 and 52, which sought to ensure that a supplementary placement cannot be an unregistered placement. As I explained during Stage 2 proceedings, the provisions of the Bill will only enable Welsh Ministers to approve a placement with a registered provider of children's residential or foster care who is either subject to the wider transitional arrangements set out in the Bill, if operating as a for-profit provider in Wales, or who is operating in England. The Bill will not enable Welsh Ministers to authorise an unregistered placement.

To ensure that this is as clear as possible to local authorities, I committed that this position will be set out in guidance to local authorities to support operation of the supplementary approval process: this is likely to be in a code of practice to be issued under section 145.

I also committed that the due diligence checks that Welsh Government officials will undertake when considering an application for approval of a supplementary placement will include checking that the provider with whom the placement is being sought is a registered provider.

Amendments 57 and 58 (tabled by Mabon ap Gwynfor MS)

During Stage 2 Mabon ap Gwynfor MS tabled Amendments 57 and 58, which sought to require notifications by providers and Welsh Government risk assessments during transition, and for local authorities to include in their annual sufficiency plans an assessment of the amount of accommodation required to meet demand (as set out in risk assessments published by Welsh Ministers).

As I explained during Stage 2 proceedings, in my response to the Committee's report, I committed to the publication of a six-monthly progress report on implementation of the eliminating profit provisions, with intended publication of the first report by 22 April 2025 (6 months after the General Principles debate). This report will include an update on the number of placements leaving the market and the number of new placements created, and will reflect on the stability of existing placements. For these reasons I did not consider that amendment 57 was necessary.

I did however commit to explore including within the six-monthly progress reports an additional requirement reflecting some of the spirit behind these amendments, in the form of a statement on new not for profit providers coming on-stream.

Regarding Amendment 58, I explained that section 11 of the Bill already requires local authorities to consider and provide the information that would be covered by this amendment. As such, I believed the amendment was not needed.

However I committed to give consideration to including requirements for additional material enjoined in amendments 57 and 58 in the overall requirements for local authority sufficiency plans, such as a summary of provider intentions (so far as they are known). This will be considered as the Government develops its more detailed requirements for these sufficiency plans.

Amendments relating to direct payments

Amendment 78 (tabled by Altaf Hussain MS)

Altaf Hussain MS tabled amendment 78, regarding a workforce planning duty relating to personal assistants. As I explained during Stage 2 proceedings, I could not support the amendment, but I have assured the Committee that the Welsh Government is already active in promoting the role of personal assistants, and in my written response to the Committee's Stage 1 report, I accepted recommendation 23 that "*The Minister should work with relevant Cabinet colleagues and wider partners to promote the role of Personal Assistant (PA), to drive up the numbers of applications and to improve retention of staff longer term. Appropriate training will be an important part of this work*" and set out the action that the Welsh Government is taking to value and retain dedicated personal assistants in the workforce and to encourage more people to take up these roles.

Amendment 88 (tabled by Altaf Hussain MS)

Altaf Hussain MS tabled amendment 88, which sought to require the Welsh Ministers to issue guidance to local health boards on how to deliver direct payments, including provision in relation to having regard to the United Nations Convention on the Rights of Persons with Disabilities.

During proceedings I explained that I could not support the amendment as it did not work within the structure of the Bill. However, I committed again to ensuring that the importance of the UN Convention on the Rights of Persons with Disabilities is included in relevant statutory guidance for this part of the Bill, reiterating the commitment I made when accepting recommendation 26 of the Committee's Stage 1 report.

Amendment 54 (tabled by Mabon ap Gwynfor MS) and amendment 85 (tabled by Altaf Hussain MS)

Mabon ap Gwynfor MS and Altaf Hussain MS both tabled amendments which sought to ensure that local health boards would be required to provide information, advice and assistance to those in continuing healthcare who are direct payment recipients. During proceedings, I explained that, whilst I was unable to support amendments 54 and 85 as drafted, I would consider an amendment to achieve the ultimate objective of these amendments, to mandate the provision of Information and support. I am pleased to confirm to the Committee that I will work with both Members to agree an amendment to the Bill to this effect at Stage 3.

I hope this letter provides reassurance that I am continuing to engage with the points raised by Members regarding the Bill, and I look forward to continuing that constructive engagement in the New Year.

Pwyllgor Cyllid / Finance Committee

FIN(6)-01-25 PTN 4

I am copying this letter to the Chairs of the Finance Committee and the Legislation, Justice and Constitution Committee, as well as to Mabon ap Gwynfor MS and Altaf Hussain MS directly.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Dawn Bowden', written in a cursive style.

Dawn Bowden AS/MS

Y Gweinidog Plant a Gofal Cymdeithasol
Minister for Children and Social Care



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref RoO23_24

Peredur Owen Griffiths MS
Chair
Finance Committee
Senedd Cymru
Cardiff Bay
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CF99 1NA

20 December 2024

Dear Peredur,

The Welsh Government's audited Consolidated Annual Accounts for 2023-24 were published on 29 November.

In line with this government's commitment to good practice and transparency, I am now able to provide the Finance Committee with a written report on the 2023-24 final outturn for the Welsh Government, set against spending plans approved in the Second Supplementary Budget 2023-24.

The report and supporting annexes provide a summary of expenditure by portfolio within HM Treasury control totals, variations compared to the budget, an explanation of significant variances and details of amounts to be carried forward in the Wales Reserve.

I am happy to respond to any questions you may have.

Yours sincerely,

Mark Drakeford AS/MS

Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg
Cabinet Secretary for Finance and Welsh Language

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



Llywodraeth Cymru
Welsh Government

Welsh Government

Report on Outturn 2023-24

A report from the Cabinet Secretary for Finance and Welsh Language to the Senedd Finance Committee on the outturn of the Welsh Government 2023-24 set against the planned expenditure contained in the Second Supplementary Budget 2023-24. Published in December 2024.

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1. Introduction

1.1 This report has been produced in accordance with the protocol endorsed by the National Assembly for Wales on 21 March 2012 regarding changes to the budget motion and their impact on the in-year budget cycle.

1.2 As part of the protocol the Welsh Government agreed:

In line with the Welsh Government's commitment to working openly and transparently, the Welsh Government will provide a written report to the [Finance] Committee on final outturn. The report would include a comparison with the spending plans set out in the last Supplementary Budget of the year and an explanation of significant variations.

1.3 This commitment was reaffirmed in the revised protocol approved by the National Assembly for Wales on 21st June 2017.

1.4 This report addresses that commitment for the financial year 2023-24.

1.5 The Second Supplementary Budget for 2023-24 was approved by the Senedd on 13th March 2024. The final outturn follows publication of the Welsh Government's Consolidated Annual Accounts on 29th November 2024. The accounts are available from the internet link below.

[Welsh Government consolidated annual accounts 2023 to 2024 | GOV.WALES](#)

1.6 There were no additional budget allocations from reserves between the publication of the budget and the end of the financial year.

1.7 The outturn is reported on the basis of the Welsh Government budget structure in force at the year end and reported in the audited annual accounts.

2. Main Expenditure Group¹ Outturn 2023-24

- 2.1** The Consolidated Accounts of the Welsh Government contain a Summary of Resource Outturn against the control totals approved in the Second Supplementary Budget motion of 2023-24.
- 2.2** This report provides details of final outturn against the lower-level controls operated and enforced by HM Treasury. These administrative budgets are reported in the documentation and tables which supported the Second Supplementary Budget 2023-24.
- 2.3** In line with previous years, the report also provides explanations for all overspends plus any underspends of greater than 1% of MEG level budgets in each of the control totals (subject to a de-minimis level of £1m).
- 2.4** The outturn has been analysed further to the level published in the Second Supplementary Budget 2023-24. The tables published with the budget show a break-down into Budget Expenditure Lines or 'BELs'. The outturn against the budget is provided on this basis in the Annexes to this report.

¹ Main Expenditure Group or MEG is a high-level budget representing a ministerial portfolio or central administration budget.

Resource (Revenue) DEL Outturn

Fiscal Resource DEL²

- 2.5** The Fiscal Resource outturn for the year resulted in an underspend of £112.5m representing a 0.6% variance to budget.
- 2.6** Table 2.1 sets out the year end position. Explanations for variances as determined in paragraph 2.3 follow.

Table 2.1: Fiscal Resource Outturn by MEG	Budget £m	Outturn £m	Under/ Over (-) Spend £m	%
Health & Social Services	10,744.0	10,722.4	21.6	0.2
Finance & Local Government	4,852.7	4,822.0	30.7	0.6
Education & Welsh Language	1,758.5	1,764.3	-5.8	-0.3
Climate Change	991.0	981.0	10.0	1.0
Economy	412.6	350.3	62.3	15.1
Rural Affairs	359.4	364.0	-4.6	-1.3
Central Services & Administration	314.9	320.3	-5.4	-1.7
Social Justice	139.5	135.8	3.7	2.7
TOTAL	19,572.6	19,460.1	112.5	0.6

- 2.7** The Education and Welsh Language MEG overspend of £5.8m included additional approved expenditure on Personal Learning Accounts, which was managed at a Welsh Government level through an underspend on the Apprenticeships budget within the Economy MEG. There were also overspends on Student Support grants and post-16 programmes of study at specialist Further Education establishments, due to the demand led nature of both grants.
- 2.8** The underspend of £10m reported against the Climate Change MEG arises from a net saving across a number of budget line variances, reflecting the diversity of the portfolio. The main underspends in the MEG were against the Climate Change and Sustainability budget (£11.3m), Transport Services and Investment budget (£6.9m), Homes and Places

² Fiscal Resource DEL is a control total set by HM Treasury, is a subset of Resource DEL and is also referred to as 'revenue'.

budget (£7.9m) and Resource Efficiency and Circular Economy budget (£3.9m). The underspends were due to a mix of reprofiling of grants to local authorities to future years and delays establishing new annual schemes. These were offset by overspends on other budgets including Environment (£10m), which is largely a result of Natural Resources Wales additional pension payments and shortfall in timber sales income and Motorways and Trunk Road Operations (£10.7m) arising from increased costs.

2.9 The Economy MEG underspend of £62.3m was derived from variances on several budget lines. The largest underspend was £27.1m against the Development Bank of Wales budget which arose from accounting for their outturn at the year end. There were also underspends reported on the Employability and Young Person's Guarantee of £2m, Apprenticeships of £12.9m and Business Wales of £6.4m due to the demand led nature of the programmes, the maximisation of EU income drawdown from WEFO and lower than anticipated costs due to the winding down of programmes. Higher than anticipated income from rising interest rates resulted in an underspend across Business & Regional Development (£2m). There was also an underspend of £4.9m for Border Control posts due to programme slippage. Further underspends were reported against Culture and Arts of £6.4m and Sports and Physical Activity of £3.1m. These were offset by overspends on Public Sector Broadband Aggregation of £1.6m due to higher than anticipated bandwidth requirements, Tourism of £1.6m and Support for the Historic Environment of £1.3m.

2.10 The Rural Affairs overspend of £4.6m was mainly due to the direct and indirect cost of demand-led response to protecting and improving animal health and welfare. There was a £3.5m overspend against the Animal and Plant Health Agency as well as a £2.8m overspend against the budget for tuberculosis compensation. This followed approval of additional domestic

match funding to ensure the Welsh Government maximised available funding from the EU.

- 2.11** The Central Services and Administration overspend of £5.4m arose due to an overspend on staff costs of £25m. This occurred as a result of the budget re-prioritisation exercise early in the financial year, with the staff costs budget line having to take most of the required reduction in the MEG. The impact of the overspend was reduced by savings against the General Administration Costs budget of £5.2m mainly due to the release of historic accrual adjustments and an underspend of £14m against the EU transition costs budget.
- 2.12** The Social Justice underspend of £3.7m is principally related to a £2.1m saving against the Equality, Inclusion and Human Rights budget which was caused by delays in recruiting staff that had a consequential impact on delivery. A further saving of £1.8m incurred against the Financial Inclusion budget which supports the Discretionary Assistance Fund. A winter contingency held in the budget was not needed.

Non-Fiscal Resource DEL³

- 2.13** The Non-Fiscal Resource DEL budget was underspent by £593.8m, a variance of 59.7% of budget. It is important to note that the Non-Fiscal Resource budget is ring-fenced and cannot be re-directed to Welsh Government spending programmes. These budgets cover accounting adjustments that do not require cash such as depreciation and provision for write-off of student loans.
- 2.14** Table 2.2 sets out the year end position. Explanations for variances as determined in paragraph 2.3 follow.

³ Non-Fiscal Resource DEL is a control total set by HM Treasury that covers annual accounting adjustments for student loan write offs, other write offs and depreciation charges.

Table 2.2: Non-Fiscal Resource Outturn by MEG	Budget	Outturn	Under/Over (-) Spend	%
	£m	£m	£m	
Climate Change	402.4	286.5	115.9	28.8
Health & Social Services	314.5	292.7	21.8	6.9
Education & Welsh Language	229.9	-225.0	454.9	>100
Economy	20.7	24.5	-3.8	-18.4
Central Services & Administration	18.6	14.6	4.0	21.5
Rural Affairs	7.8	7.0	0.8	10.3
Finance & Local Government	0.6	0.2	0.4	66.7
Social Justice	0.2	0.4	-0.2	-100.0
TOTAL	994.7	400.9	593.8	59.7

2.15 The Climate Change MEG underspend of £115.9m includes depreciation charges calculated by statistical models, as such the budget requirement is difficult to estimate. The main elements included in the modelling are depreciation of the trunk roads network and Core Valleys Line rail assets. The outturn calculation from the modelling produced the variance at the year end.

2.16 The Health and Social Services underspend of £21.8m reflects lower than planned requirements for non-cash cover for assets within the NHS in Wales (£15.8m) and the non-cash impacts from the accounting treatment of leased assets covered by IFRS16 (£6m). The NHS owned assets underspend was primarily driven by there being no requirement in the year to provide NHS Wales Shared Services Partnership with budget cover for property, plant and equipment revaluations. In addition, there were delays in the commencement of NHS capital schemes and there were technical adjustments affecting the underspend such as accelerated depreciation. The leased assets underspend was due to the aggregation of several small variances reported across the NHS organisations.

2.17 The Education and Welsh Language underspend of £454.9m is due to the valuation of student loans. The value of new and historic loans is determined by a statistical model which provides the amount of annual

'write-off'. This is significantly impacted by social and economic factors. The underspend in 2023-24 was primarily due to the implementation of a split in the HM Treasury discount rate which is -1.05% until February 2030 but changes to -0.05% from that date. This increased the estimated fair value of the student loan portfolio.

2.18 The Economy overspend of £3.8m includes impairment and depreciation charges within the property portfolio totalling £1.7m following year end valuations. There was also an additional fixed asset depreciation requirement of £0.6m within the Business & Regions portfolio and £1.1m for the National Library of Wales.

2.19 The Central Services and Administration MEG underspend of £4m includes provision for the depreciation of the Welsh Government estate which was less than required.

2.20 The small overspend of £0.2m in the Social Justice MEG occurred against the commissioners' asset depreciation budgets due to increased requirement linked to asset additions.

Capital DEL Outturn

2.21 An underspend of £104.3m was reported against Capital DEL budgets representing a 3.2% variance against budget. Capital DEL is split between General Capital and Capital Financial Transactions.

General Capital⁴

2.22 The General Capital DEL outturn for 2023-24 resulted in an underspend of £112.3m, a variance of 3.6% against budget.

2.23 Table 2.3 sets out the year end position. Explanations for variances as determined in paragraph 2.3 follow.

⁴ General Capital DEL is a control total set by HM Treasury that covers capital grants and asset additions.

Table 2.3: General Capital Outturn by MEG	Budget	Outturn	Under/Over (-) Spend	%
	£m	£m	£m	
Climate Change	1,873.3	1,822.9	50.4	2.7
Health & Social Services	518.9	482.7	36.2	7.0
Education & Welsh Language	333.3	334.0	-0.7	-0.2
Finance & Local Government	307.3	308.1	-0.8	-0.3
Economy	59.2	36.5	22.7	38.3
Rural Affairs	40.0	35.2	4.8	12.0
Social Justice	13.1	13.9	-0.8	-6.1
Central Services & Administration	12.4	11.9	0.5	4.0
TOTAL	3,157.5	3,045.2	112.3	3.6

2.24 There are several elements contributing to the overall £50.4m underspend reported against the Climate Change MEG reflecting the diversity of the portfolio. The most significant underspends were against Housing Safety, Regulations and Standards (£104.6m), Motorways and Trunk Road Operations (£72.8m), Resource Efficiency and Circular Economy (£31.2m), Sustainable Travel (£14.4m), Land Release Fund (£8.5m), Strategic Infrastructure (£4.5m) and Environment (£4.1m). The underspends are largely due to slippage in projects caused by procurement delays and economic factors. These are offset by overspends from increases in demand and cost reported against Homes and Places (£101.3m), Transport Services and Investment including Transport for Wales (£73.8m), Climate Change and Sustainability (£11.7m) and Fuel Poverty (£4.7m).

2.25 The main element of the Health and Social Services MEG underspend of £36.2m largely relates to an underspend against the leased asset budget which is ring-fenced. This was due to slippage of lease arrangements across the NHS organisations in Wales.

2.26 The Education and Welsh Language overspend of £0.7m primarily relates to unavoidable additional costs charged by the Student Loans Company to enable them to administer statutory student support on behalf of the Welsh Government.

- 2.27** The Finance and Local Government overspend of £0.8m relates to additional spend agreed against the Welsh Government Energy Scheme Decarbonisation budget and an overspend against the Invest to Save budget due to re-profiling of repayments in the year.
- 2.28** The Economy MEG underspend of £22.7m is derived from variances on several budget lines. The largest underspend was reported against ICT Infrastructure of £24.2m due to Super-Fast Broadband Grant clawback and slippage on the UK government's voucher scheme. There were also underspends reported on the Sciences programme of £10.2m due to additional EU income received and on Property Infrastructure of £5.7m due to project slippage. There were further underspends against Sectors and Business of £3.2m and Support for Culture and the Arts of £3.8m. These were offset by overspends against Development Bank of Wales of £18.6m, which arose from accounting for their outturn at the year-end along with further overspends on Sport and Physical Activity of £3.5m, Innovation of £3.1m and Borders Infrastructure of £1.1m.
- 2.29** The Rural Affairs MEG underspent by £4.8m. The main underspends were on Rural Investment Schemes (£8.3m) and the Rural Development Plan (£4.4m) due to a lower than expected take up. These were offset by overspends against ICT development of £7.5m.
- 2.30** The Social Justice overspend of £0.8m includes a £1.1m overspend against the commissioners' budgets due to additional asset purchases. This was offset by other savings within the MEG including £0.6m on Gypsy and Traveller Sites which is demand led.

Capital Financial Transactions⁵

2.31 There was an overspend of £8m on the Capital Financial Transactions (FT) budget equating to a 6.8% variance against the budget.

2.32 Table 2.4 sets out the year end position. Explanations for variances as determined in paragraph 2.3 follow.

Table 2.4: Capital FT Outturn by MEG	Budget £m	Outturn £m	Under/ Over (-) Spend £m	%
Climate Change	108.7	106.9	1.8	1.7
Education & Welsh Language	19.3	19.7	-0.4	-2.1
Social Justice	5.0	0	5.0	100.0
Health & Social Services	0	6.7	-6.7	>-100
Economy	-15.6	-7.9	-7.7	-49.4
TOTAL	117.4	125.4	-8.0	-6.8

2.33 The Climate Change MEG underspend of £1.8m includes a saving on electric vehicle schemes of £11.9m due to slow uptake and a saving of £9.5m on a strategic infrastructure project due to slippage. These were offset by a net overspend associated with loans to registered social landlords of £19.6m which was approved late in the financial year.

2.34 The Education and Welsh Language MEG overspend of £0.4m relates to year end accounting adjustments reflecting the outturn of the Education Mutual Investment Model programme which is administered by the Development Bank of Wales.

2.35 The Social Justice MEG underspend of £5m relates to the Community Facilities Programme. Additional funding was provided during the year to support a Community Asset Loan Fund. The planned investment did not conclude in the year which resulted in the saving.

⁵ Capital Financial Transactions DEL is a control total set by HM Treasury that covers repayable capital (loans and equity).

2.36 The Health and Social Services overspend of £6.7m relates to payments made late in the financial year to the Development Bank of Wales in relation to the equity stake in the Velindre Cancer Centre, which is being constructed under the Mutual Investment Model. The need for a budget in the year was not established until after the Second Supplementary Budget.

2.37 The Economy MEG overspend of £7.7m has two elements. A £2.2m overspend against the Development Bank of Wales which arose from accounting for their outturn at the year-end and a £5m overspend on Business Development following the extension of a loan agreement.

Annually Managed Expenditure (AME) Outturn

2.38 A large proportion of the variance reported in the annual accounts was related to underspends against AME budgets.

2.39 HM Treasury recognise the volatility and demand led basis of certain programmes and the resultant difficulty in estimating costs over a period of time. As a result, these programme budgets are managed on an annual basis and funding cover is generally provided by HM Treasury. Most of the Welsh Government AME budgets cover accounting adjustments and examples include asset impairments, increases in provisions and pension valuations of sponsored bodies. Student loans issued and repaid are also within this classification. The Welsh Government is unable to recycle underspends against AME programmes.

2.40 Table 2.5 sets out the year end position. Explanations for variances as determined in paragraph 2.3 follow.

Table 2.5: AME Outturn by MEG	Budget	Outturn	Under/ Over (-) Spend	%
	£m	£m	£m	
Education & Welsh Language	1,250.4	1,142.7	107.7	8.6
Finance & Local Government	906.5	929.1	-22.6	-2.5
Climate Change	395.9	7.1	388.8	98.2
Health & Social Services	321.3	191.6	129.7	40.4
Economy	94.8	19.5	75.3	79.4
Social Justice	31.0	31.0	0	0
Central Services & Administration	3.2	-2.7	5.9	>100
TOTAL	3,003.1	2,318.3	684.8	22.8

2.41 The Education and Welsh Language MEG AME underspend of £107.7m is related to the student loans budget which covers issues and repayments administered by the Student Loans Company. The underspend was largely due to the application of the Retail Price Index for the valuation at the year-end which was higher than the estimate provided to HM Treasury for their last update in January 2024.

2.42 The overspend of £22.6m against the Finance and Local Government MEG was due to the local authority non-domestic rates budget. The support available from the AME budget is impacted by take up of the rates relief scheme funded through resource DEL. Lower than expected take up in the rates relief scheme resulted in an additional pressure in the AME budget.

2.43 The Climate Change MEG underspend of £388.8m primarily relates to roads and housing budgets. The roads budget variance of £148.5m includes the initial write-down of new construction works when first valued as part of the trunk road network. The underspend is a result of delays in transfers to the network. The housing underspend of £225.1m relates to the year-end valuation of the Help-to-Buy loan book which is subject to market fluctuations. The underspend reflects a valuation gain.

- 2.44** There are two main elements to the Health and Social Services MEG underspend of £129.7m. An underspend of £78m in the asset impairments budget was mainly due to over estimation of the requirement for reinforced autoclaved aerated concrete, variances in the estimates made locally prior to confirmation of District Valuer revaluations received at the year end, along with some general project slippage. In addition, NHS provisions were £46m lower than expected which was mainly due to fewer liabilities crystallising which affect the Welsh Risk Pool.
- 2.45** The Economy MEG underspend of £75.3m included £52.9m in savings related to the pension liabilities of Careers Wales, National Museums and Galleries of Wales, National Library of Wales and Sport Wales. There was also a reduction in property asset impairments of £15.6m following the year end valuation. In addition, there was an underspend relating to provisions of £6.8m.
- 2.46** The Central Services and Administration MEG reported an AME underspend of £5.9m. As in previous years, this variance was attributable to provisions for early retirements and other pension charges of Welsh Government staff. The pension charge represents the difference between benefits accrued during the year and financial contributions made into the fund, the latter being difficult to forecast.

3. Carry Forward within the Wales Reserve

- 3.1** A separate Wales Reserve exists to help manage fluctuations in tax revenue and provides limited ability to carry underspends between years. The Wales Reserve is restricted to a total value of £350m. The amount that can be drawn down each year from the Wales Reserve is usually limited to £125m Fiscal Resource DEL and £50m Capital DEL. However, in 2023-24 the Welsh Government was permitted by HM Treasury to draw down up to the entire balance of the Wales Reserve.
- 3.2** Table 3 shows the movements on the Wales Reserve in the 2023-24 financial year which are described in the following paragraphs.
- 3.3** Following agreement of the final Wales Reserve balances for 2022-23 with HM Treasury the opening balance for the General Capital DEL control subsequently decreased by £0.3m and Capital FT DEL increased by £0.3m. The net adjustment was zero.
- 3.4** Drawdown of £66m Fiscal Resource was included in the Final Budget 2023-24. A further £199m of Fiscal Resource DEL and £47.2m of General Capital was drawn in the Second Supplementary Budget 2023-24 representing the maximum available. A further £37.4m of Capital FT funding was also drawn in the Second Supplementary Budget.
- 3.5** In the Second Supplementary Budget 2023-24 the Welsh Government reported unallocated DEL reserves of £184.8m for Fiscal Resource, £70.7m for General Capital and £7.2m for Capital Financial Transactions (FT).
- 3.6** The Welsh Government outturns for Fiscal Resource, General Capital and Capital FT DEL documented in this report above are reflected as movements in the Wales Reserve.

- 3.7** The outturns of the other bodies funded from the Wales DEL are also taken account of. These relate to the Senedd Commission, the Public Services Ombudsman for Wales, the Wales Audit Office and the Electoral Commission.
- 3.8** Devolved taxes receipts of £3,118.6m were planned in the Second Supplementary Budget. The actual taxes collected amounted to £3,062.3m. The deficit of £56.3m is reflected in the Wales Reserve.
- 3.9** Careful management of resources enabled a reduction in the planned capital borrowing of £25m. This is reflected in an adjustment to the reserve.
- 3.10** The overspend for Capital FT will be clawed back in 2024-25 in the UK Supplementary Estimates. This adjustment is reflected as a movement in the Wales Reserve.
- 3.11** Finally, part of the General Capital DEL is ring-fenced for leased assets covered by IFRS16. As such any underspends within the ring-fence cannot be used elsewhere and so must be surrendered back to HM Treasury. The underspend was £74.4m which is reflected in the table.
- 3.12** Unallocated and unspent Non-Fiscal Resource DEL lapses and cannot be carried forward within the Wales Reserve.

**Table 3 Wales Reserve balance including carry forward resulting from
Wales DEL outturn 2023-24**

Wales Reserve	Fiscal Resource £m	Capital £m	Capital FTs £m	Total £m
Balance at 1 April 2023	265.0	47.5	37.5	350.0
Adjustment to opening balance	0	-0.3	0.3	0
Drawdown from the reserve	-265.0	-47.2	-37.4	-349.6
Unallocated DEL in Second Supplementary Budget 2023-24	184.8	70.7	7.2	262.7
Welsh Government outturn	112.5	112.3	-8.0	216.8
Other bodies outturn	2.2	-0.4	-	1.8
Devolved taxes outturn	-56.3	-	-	-56.3
Borrowing reduction	-	-25.0	-	-25.0
Overspend offset in 2024-25	-	-	0.4	0
Surrender of IFRS 16 Capital	-	-74.4	-	-74.4
Balance at 1 April 2024	243.2	83.2	0	326.4

3.13 The total balance within the Wales Reserve at 1 April 2024 was £326.4m which is within the limit available for carry forward.

3.14 In the current financial year, the Welsh Government plans to draw upon the Wales Reserve to support spending plans. The final amounts drawn down will be reflected in the Second Supplementary Budget 2024-25.

ANNEX 1: Resource DEL⁶ Outturn by BEL

HEALTH & SOCIAL SERVICES RESOURCE BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Core NHS Allocations	9,312,062	9,325,236	-13,174	-0.14
Core NHS Allocations - Non cash	302,975	279,170	23,805	7.86
Other Direct NHS Allocations	214,352	214,951	-599	-0.28
Digital Health and Care Wales	48,988	48,296	692	1.41
Digital Health and Care Wales - Non cash	9,321	9,919	-598	-6.42
Health Education Improvement Wales	303,501	301,911	1,590	0.52
Health Education Improvement Wales - Non cash	816	816	-	-
NHS Executive	13,563	8,740	4,823	35.56
Public Health Wales	131,861	131,610	251	0.19
Workforce (NHS)	32,868	34,077	-1,209	-3.68
A Healthier Wales	59,556	54,275	5,281	8.87
Other NHS Budgets	25,788	22,534	3,254	12.62
Other NHS Budgets - Non cash	95	217	-122	-128.42
Education and Training	25,918	25,715	203	0.78
Workforce Development Central Budgets	2,501	2,075	426	17.03
Mental Health	68,648	67,537	1,111	1.62
Substance Misuse Action Plan Fund	48,070	47,471	599	1.25
Food Standards Agency	5,110	4,994	116	2.27
Health Promotion	13,133	14,658	-1,525	-11.61
Targeted Health Protection & Immunisation	6,230	7,304	-1,074	-17.24
Health Improvement & Healthy Working	11,147	8,634	2,513	22.54
Health Emergency Planning	6,397	6,298	99	1.55
Health Emergency Planning - Non Cash	-	1,380	-1,380	-
Safeguarding & Advocacy	1,674	2,255	-581	-34.71
Older People Carers & People with Disabilities	2,820	3,529	-709	-25.14
Partnership & Integration	227	295	-68	-29.96
Care Sector	299	-	299	100.00
Sustainable Social Services	107,128	102,380	4,748	4.43
Social Care Wales	25,163	25,327	-164	-0.65
Social Care Wales - Non cash	411	331	80	19.46
Support for Childcare and Play	79,922	74,750	5,172	6.47
Support for Childcare and Play - Non cash	911	911	-	-
Support for Children's Rights	887	843	44	4.96
Supporting Children	3,865	3,758	107	2.77
Support for Families and Children	5,241	4,579	662	12.63
Children and Communities Grant	171,861	163,075	8,786	5.11
CAFCASS Cymru	15,195	15,271	-76	-0.50
Total Resource	11,058,504	11,015,122	43,382	0.39

⁶ The published budget tables report the Resource DEL total i.e. Fiscal and Non Fiscal.

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FINANCE AND LOCAL GOVERNMENT RESOURCE BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Local Govt General Revenue Funding	4,504,375	4,504,317	58	0.00
Non-Domestic Rates Rates Relief	112,910	95,141	17,769	15.74
Police General Revenue Funding	112,448	112,448	-	-
Local Govt PFI Revenue Consequences	2,728	2,727	1	0.04
Transformation & Legislation	6,710	6,710	-	-
Non-Domestic Rates Collection Costs	5,172	5,172	-	-
Emergency Financial Assistance	28,956	17,611	11,345	39.18
Valuation Office Agency Services	8,896	8,896	-	-
Valuation Tribunal for Wales	1,074	1,069	5	0.47
Local Taxation Research and Reform	4,300	4,300	-	-
Local Democracy and Boundary Commission for Wales	750	711	39	5.20
Expenditure to Promote Local Democracy	126	61	65	51.59
Election Policy	500	247	253	50.60
Improvement & Support	641	250	391	61.00
Academi Wales	1,134	1,120	14	1.23
Building Local Democracy	-	66	-66	-
Community and Town Councils	144	122	22	15.28
Public Services Boards	530	620	-90	-16.98
Care Inspectorate Wales	15,058	15,530	-472	-3.13
Care Inspectorate Wales - Non cash	26	25	1	3.85
Healthcare Inspectorate Wales	4,970	5,311	-341	-6.86
Healthcare Inspectorate Wales - Non cash	89	89	-	-
Estyn - Programme Expenditure	15,523	16,175	-652	-4.20
Estyn - Programme Expenditure - Non cash	200	234	-34	-17.00
Ystadau Cymru	376	9	367	97.61
Welsh Revenue Authority	8,117	7,743	374	4.61
Welsh Revenue Authority - Non cash	288	-174	462	160.42
Devolved Taxes	549	444	105	19.13
Cost of Borrowing	7,008	7,881	-873	-12.46
Economic Research	341	114	227	66.57
Commercial Procurement Programme Funding	1,336	679	657	49.18
e-procurement	3,650	3,115	535	14.66
Invest to Save	-3,016	3,523	-6,539	216.81
Invest to Save Fund Repayment	7,373	-	7,373	100.00
Total Resource	4,853,282	4,822,286	30,996	0.64

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EDUCATION AND WELSH LANGUAGE RESOURCE BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Curriculum & Assessment	36,680	35,410	1,270	3.46
Teacher Development and Support	74,704	72,488	2,216	2.97
Teacher Development and Support - Non Cash	-	638	-638	-
Qualifications Wales	9,928	9,890	38	0.38
Qualifications Wales - Non cash	344	349	-5	-1.45
Welsh In Education	-	4	-4	-
Post-16 Provision	575,343	579,955	-4,612	-0.80
International Learning Exchange Programme	11,100	10,714	386	3.48
Post-compulsory Education and Training Reform	4,800	3,937	863	17.98
Post-compulsory Education and Training Reform - Non cash	650	445	205	31.54
HEFCW Programme Expenditure	206,668	203,477	3,191	1.54
HEFCW Programme Expenditure - Non cash	100	15	85	85.00
School Improvement Grant	165,614	165,570	44	0.03
School Standards Support	3,418	2,744	674	19.72
Raising School Standards	-	-15	15	-
Tackling Barriers to Attainment	142,454	141,957	497	0.35
Supporting Digital Learning in Education	3,989	3,734	255	6.39
Supporting Digital Learning in Education - Non cash	2,488	2,487	1	0.04
Additional Learning Needs	24,381	24,315	66	0.27
Food & Nutrition in Schools	74,706	72,042	2,664	3.57
Post 16 Specialist Placements	14,464	15,921	-1,457	-10.07
Whole School Approach to Wellbeing	3,770	3,950	-180	-4.77
Vulnerable Groups	903	485	418	46.29
Student Support Grants	296,720	298,584	-1,864	-0.63
Student Loans Company / HMRC Administration Costs	19,501	20,310	-809	-4.15
Student Loans Resource Budget Provision	226,081	-229,113	455,194	201.34
Tackling Disaffection	5,108	5,010	98	1.92
Community Schools	7,574	7,531	43	0.57
Offender Learning	11,066	11,041	25	0.23
Youth Engagement & Employment	14,819	13,843	976	6.59
Education Communications	482	437	45	9.34
Research Evidence and International	554	525	29	5.23
Welsh in Education	18,830	19,238	-408	-2.17
Welsh Language	26,236	26,271	-35	-0.13
Welsh Language Commissioner	3,282	3,279	3	0.09
Welsh Language Commissioner - Non cash	245	187	58	23.67
Education Infrastructure	1,407	11,656	-10,249	-728.43
Total Resource	1,988,409	1,539,311	449,098	22.59

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CLIMATE CHANGE RESOURCE BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Environment Legislation, Governance and Communications	120	181	-61	-50.83
Fuel Poverty Programme	4,370	3,360	1,010	23.11
Green Infrastructure	1,953	570	1,383	70.81
Welsh Government Energy Service	4,470	3,816	654	14.63
Environment Protection	6,060	2,342	3,718	61.35
Clean Energy	6,797	5,075	1,722	25.33
Climate Change Action	4,636	4,061	575	12.40
Ynni Cymru	2,470	1,754	716	28.99
Marine Energy	600	593	7	1.17
Flood Risk Management & Water Policy Delivery	43,430	43,350	80	0.18
Coal Tip Safety Delivery	4,000	1,456	2,544	63.60
Biodiversity, Evidence and Plant Health	12,906	8,638	4,268	33.07
Forestry	4,528	3,850	678	14.97
Forestry - Non cash	83	83	-	-
Environment Act Implementation	699	635	64	9.16
Natural Resources Wales	51,824	66,895	-15,071	-29.08
Natural Resources Wales - Non cash	14,291	13,956	335	2.34
Environment Management (Pwllperian) - Non cash	38	42	-4	-10.53
Resource Efficiency and Circular Economy	34,991	31,079	3,912	11.18
Landfill Disposal Tax Community Scheme	1,500	1,500	-	-
Landscape & Outdoor Recreation	11,416	14,920	-3,504	-30.69
Local Places for Nature	3,175	3,426	-251	-7.91
Enabling Natural Resources and Wellbeing (ENRaW)	3,008	3,155	-147	-4.89
Marine Policy, Evidence and Funding	1,841	938	903	49.05
Homelessness	42,137	36,876	5,261	12.49
Housing Policy	6,571	6,522	49	0.75
Housing Support Grant	166,763	168,918	-2,155	-1.29
Private Rented Sector	-	1,111	-1,111	-
Residential Decarbonisation & Quality	2,023	1,548	475	23.48
Building Safety	3,900	2,810	1,090	27.95
Housing Finance Grant	13,100	13,020	80	0.61
Land for Housing - Repayment	-350	-594	244	-69.71
Housing Programme Revenue Funding	173	828	-655	-378.61
Increase the Supply & Choice of Mkt Hsg	-	-8,118	8,118	-
Land Release Fund	1,135	-1,105	2,240	197.36
Land Release fund - Non Cash	-	3,855	-3,855	-
Regeneration	1,271	917	354	27.85
Cardiff Harbour Authority	5,400	5,616	-216	-4.00
Planning and Environment Decisions Wales	2,997	2,763	234	7.81
Planning & Regulation Expenditure	2,159	1,923	236	10.93
Strategic Infrastructure Development	950	1,114	-164	-17.26
Strategic Infrastructure Development - Non Cash	-	28	-28	-
Network Asset Management	4,481	3,538	943	21.04
Network Operations	66,023	77,623	-11,600	-17.57
Network Operations - Non Cash	260,000	138,464	121,536	46.74
Network Operations	-	561	-561	-
Aviation	2,602	-910	3,512	134.97
Aviation - Non Cash	-	2,530	-2,530	-
New Road Construction and Improvement	-	-42	42	-
Rail Ancillary	850	622	228	26.82
Transport for Wales	328,612	325,539	3,073	0.94
Transport for Wales - Non cash	128,000	126,972	1,028	0.80
Bus Support	61,005	80,419	-19,414	-31.82
Bus Support - Non Cash	-	20	-20	-
Local Transport Priorities	-	1,136	-1,136	-
Concessionary Fares	60,482	47,140	13,342	22.06
Infrastructure Developments	-	-4	4	-
Youth Discounted Travel Scheme	2,000	1,323	677	33.85
Smart Cards - Non Cash	-	14	-14	-
Sustainable & Active Travel	6,930	2,792	4,138	59.71
Road Safety	5,000	6,166	-1,166	-23.32
Total Resource	1,393,420	1,267,610	125,810	9.03

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ECONOMY RESOURCE BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Business and Regional Economic Development	6,529	4,483	2,046	31.34
Business and Regional Economic Development - Non Cash	48	613	-565	-1,177.08
Business Wales	23,279	16,890	6,389	27.45
Tech Valleys	2,025	2,279	-254	-12.54
Valleys Task Force	-38	-1	-37	97.37
Export, Trade and Inward Investment	3,745	4,721	-976	-26.06
Freeports	600	600	-	-
Business Finance Funds	1,070	-26,078	27,148	2,537.20
Business Finance Funds - Non cash	800	1,034	-234	-29.25
Property Infrastructure	-969	-2,822	1,853	-191.23
Property Infrastructure - Non cash	5,000	6,720	-1,720	-34.40
Public Sector Broadband Aggregation	11,500	13,060	-1,560	-13.57
ICT Infrastructure Operations	1,001	-210	1,211	120.98
ICT Infrastructure Operations - Non Cash	2,341	2,016	325	13.88
Centre for Digital Public Services	4,794	4,671	123	2.57
Healthy Working Wales	100	152	-52	-52.00
Corporate Programmes & Services	671	772	-101	-15.05
Strategic Business Events and Communications	100	5	95	95.00
Centre for Digital Public Services - Non Cash	-	27	-27	-
Apprenticeships	118,929	106,069	12,860	10.81
Employability Including Young Persons Guarantee	93,676	91,717	1,959	2.09
Employability Including Young Persons Guarantee - Non cash	2,011	2,321	-310	-15.42
Business Innovation	519	1,406	-887	-170.91
Science	991	404	587	59.23
Tourism	10,866	12,460	-1,594	-14.67
Tourism - Non Cash	-	40	-40	-
Events Wales	4,393	4,166	227	5.17
Arts Council of Wales	33,157	31,688	1,469	4.43
Arts Council of Wales - Non cash	260	61	199	76.54
Amgueddfa Cymru - National Museums of Wales	27,222	23,972	3,250	11.94
Amgueddfa Cymru - National Museums of Wales - Non cash	2,400	3,243	-843	-35.13
National Library of Wales	11,862	10,252	1,610	13.57
National Library of Wales - Non cash	1,250	2,378	-1,128	-90.24
Support for Local Culture and Sport	5,549	5,301	248	4.47
Creative Wales	7,831	8,034	-203	-2.59
Creative Wales - Non Cash	-	44	-44	-
Cadw	9,106	9,861	-755	-8.29
Cadw - Non cash	5,531	5,180	351	6.35
National Botanic Garden of Wales	587	637	-50	-8.52
Royal Commission on the Ancient and Historical Monuments of Wales	1,645	2,175	-530	-32.22
RCAHMW - Non cash	239	146	93	38.91
Sport Wales	23,061	20,455	2,606	11.30
Sport and Facilities Capital Loans	-	-481	481	-
Sport Wales - Non cash	783	667	116	14.81
Programme Support	1,707	1,429	278	16.29
European Regional Development Fund	-	-31	31	-
Border Controls	7,100	2,236	4,864	68.51
Total Resource	433,271	374,762	58,509	13.50

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RURAL AFFAIRS RESOURCE BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Strategic Evidence, Borders & Intergovernmental Relations	2,589	2,189	400	15.45
Strategic Evidence, Borders & Intergovernmental Relations - Non Cash	-	730	-730	-
Agriculture Strategy	400	272	128	32.00
Local Authority Framework Funding	200	183	17	8.50
Agriculture Customer Engagement	400	867	-467	-116.75
Agriculture Customer Engagement - Non Cash	-	3	-3	-
County Parish Holdings Project	500	500	-	-
County Parish Holdings Project - Non cash	594	528	66	11.11
EID Cymru	1,639	1,554	85	5.19
Livestock Identification	1,647	1,614	33	2.00
Technical Advice Services	358	197	161	44.97
Commons Act	433	282	151	34.87
Agriculture EU Pillar 1 Direct Payments	235,000	234,288	712	0.30
Single Payment Scheme Administration	8,194	5,803	2,391	29.18
Old RDP Programme	-	3	-3	-
Single Payment Scheme Administration - Non cash	6,649	5,204	1,445	21.73
Rural Investment Schemes	23,272	23,530	-258	-1.11
Rural Development Plan 2014-20	30,182	34,507	-4,325	-14.33
Research & Evaluation	520	557	-37	-7.12
Fisheries Schemes	565	1,501	-936	-165.66
Fisheries	4,005	2,373	1,632	40.75
Fisheries - Non cash	574	490	84	14.63
Promoting Welsh Food and Industry Development	6,450	5,194	1,256	19.47
Animal Health & Welfare Framework	1,108	930	178	16.06
Animal and Plant Health Agency	18,281	21,740	-3,459	-18.92
TB Slaughter Payments Costs & Receipts	13,810	16,630	-2,820	-20.42
TB Eradication	8,278	8,025	253	3.06
TB Eradication - Non Cash	-	4	-4	-
Plant and Wildlife Protection and Regulation	886	565	321	36.23
New National Park Designation Programme	700	664	36	5.14
Total Resource	367,234	370,927	-3,693	-1.01

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SOCIAL JUSTICE RESOURCE BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Basic Income	13,300	13,289	11	0.08
Financial Inclusion	38,972	37,171	1,801	4.62
Digital Inclusion	2,208	2,204	4	0.18
Digital Inclusion - Non cash	149	149	-	-
Supporting Communities	1,320	1,581	-261	-19.77
International Development	1,359	1,358	1	0.07
Social Partnerships	873	643	230	26.35
Fire & Rescue Services	2,503	2,511	-8	-0.32
Fire & Rescue Services - Communication Systems	1,296	977	319	24.61
Community Fire Safety	1,171	1,142	29	2.48
Older People Commissioner	1,687	1,626	61	3.62
Older People Commissioner - Non cash	25	32	-7	-28.00
Children's Commissioner	1,646	1,647	-1	-0.06
Children's Commissioner - Non cash	52	45	7	13.46
Public Appointments	232	23	209	90.09
Future Generations Commissioner Wales	1,695	1,754	-59	-3.48
Future Generations Commissioner Wales - Non Cash	-	2	-2	-
Citizen Voice Body	7,303	6,672	631	8.64
Citizen Voice Body - Non Cash	-	182	-182	-
Violence against Women, Domestic Abuse and Sexual Violence	7,853	7,760	93	1.18
Equality, Inclusion and Human Rights	6,870	4,790	2,080	30.28
Equality, Inclusion and Human Rights - Non cash	3	3	-	-
Cohesive Communities	4,571	4,001	570	12.47
Equalities, Poverty and Children's Evidence & Support	1,514	1,449	65	4.29
Chwarae Teg	332	184	148	44.58
Advice Services	12,811	12,840	-29	-0.23
Support for the Voluntary Sector and Volunteering	7,614	10,187	-2,573	-33.79
Community Support and Safety	21,459	21,072	387	1.80
Women's Justice & Youth Justice Blueprints	951	909	42	4.42
Total Resource	139,769	136,203	3,566	2.55

CENTRAL SERVICES AND ADMINISTRATION RESOURCE BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Staff Costs	231,761	256,800	-25,039	-10.80
General Administration Expenditure	15,608	10,390	5,218	33.43
General Administration Expenditure (Capital Charges) - Non cash	18,604	14,554	4,050	21.77
IT Costs	15,523	15,475	48	0.31
Enabling Government	1,986	2,607	-621	-31.27
Improve Economic & Labour Market Statistics	1,952	1,956	-4	-0.20
Geographical Information	704	693	11	1.56
Data Science	490	582	-92	-18.78
Central Research	1,347	1,126	221	16.41
Constitutional Commission	1,048	1,037	11	1.05
Tribunals	4,150	5,020	-870	-20.96
Justice Transformation	480	513	-33	-6.88
Public Policy Institute	441	357	84	19.05
Events & Corporate Communications	299	206	93	31.10
Investigations	5,000	4,675	325	6.50
Central EU Transition Costs	22,737	8,743	13,994	61.55
Senedd Reform	2,165	1,970	195	9.01
Cyber Resilience	636	191	445	69.97
Civil Contingencies and National Resilience	350	282	68	19.43
International Relations	8,252	7,709	543	6.58
International Relations - non cash	-	11	-11	-
Total Resource	333,533	334,897	-1,364	-0.41

ANNEX 2: Capital DEL⁷ Outturn by BEL

HEALTH & SOCIAL SERVICES CAPITAL BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Core NHS Allocations	432,559	415,480	17,079	3.95
Mental Health	1,502	1,467	35	2.33
Delivery of Targeted NHS Services	-	6,714	-6,714	-
Substance Misuse Action Plan Fund	2,500	1,778	722	28.88
Research and Development	47,362	47,302	60	0.13
Health Emergency Planning - Non Cash	-	-181	181	-
Social Care Wales	20	26	-6	-30.00
Sustainable Social Services	35,000	16,807	18,193	51.98
Total Capital	518,943	489,393	29,550	5.69

FINANCE AND LOCAL GOVERNMENT CAPITAL BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Local Govt General Capital Funding	193,900	194,493	-593	-0.31
Emergency Financial Assistance	23,882	23,903	-21	-0.09
City and Growth Deals	89,428	89,428	-	-
Estyn - Programme Expenditure	250	174	76	30.40
Local Democracy and Boundary Commission	-	77	-77	-
Ystadau Cymru	1,000	986	14	1.40
Welsh Revenue Authority	270	341	-71	-26.30
Care Inspectorate Wales	50	-	50	100.00
Care Exp Children Change Fund Repayment	-	-20	20	-
Healthcare Inspectorate Wales	25	-	25	100.00
Invest to Save Fund Repayment	-1,481	-1,262	-219	14.79
Total Capital	307,324	308,120	-796	-0.26

EDUCATION AND WELSH LANGUAGE CAPITAL BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Education Infrastructure	343,040	342,758	282	0.08
Education Infrastructure - Repayment	-671		-671	100.00
Post-compulsory Education and Training Reform	2,065	1,884	181	8.77
Student Loans Company / HMRC Administration Costs	4,355	5,137	-782	-17.96
HEFCW Programme Expenditure	3,500	3,438	62	1.77
Qualifications Wales	250	249	1	0.40
Teacher Development and Support	-	205	-205	-
Welsh in Education	-	13	-13	-
Welsh Language Commissioner	50	94	-44	-88.00
Total Capital	352,589	353,778	-1,189	-0.34

⁷ The published budget tables report the Capital DEL total i.e. General Capital and Capital Financial Transactions.

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CLIMATE CHANGE CAPITAL BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Fuel Poverty Programme	39,028	43,719	-4,691	-12.02
Green Infrastructure	5,070	-	5,070	100.00
Welsh Government Energy Service	10,972	16,865	-5,893	-53.71
Environment Protection	2,150	3,151	-1,001	-46.56
Marine Energy	1,900	1,905	-5	-0.26
Flood Risk Management & Water Policy Delivery	50,000	58,883	-8,883	-17.77
Coal Tip Safety Delivery	11,000	12,005	-1,005	-9.14
Biodiversity, Evidence and Plant Health	10,500	10,280	220	2.10
Forestry	6,831	1,640	5,191	75.99
Natural Resources Wales	4,912	6,259	-1,347	-27.42
Resource Efficiency and Circular Economy	41,800	10,562	31,238	74.73
Landscape & Outdoor Recreation	8,900	11,496	-2,596	-29.17
Local Places for Nature	15,700	12,563	3,137	19.98
Enabling Natural Resources and Wellbeing (ENRaW)	2,000	844	1,156	57.80
Rapid Response Adaption Programme	19,500	19,703	-203	-1.04
Private Rented Sector	1,500	1,089	411	27.40
Integrated Care Fund	59,871	41,563	18,308	30.58
Major Repairs Allowance and Dowry Gap Funding	108,000	104,200	3,800	3.52
Residential Decarbonisation & Quality	92,000	72,445	19,555	21.26
Social Housing Grants (SHG)	370,000	540,413	-170,413	-46.06
Land for Housing - Repayment	-1,930	-5,508	3,578	-185.39
Building Safety	90,000	8,697	81,303	90.34
Market Housing and Other Schemes	48,000	24,872	23,128	48.18
Market Housing and Other Schemes - Repayment	-2,440	-	-2,440	100.00
Homebuy	2,500	2,500	-	-
Land Release Fund	13,000	4,543	8,457	65.05
Regeneration	35,500	28,091	7,409	20.87
Cardiff Harbour Authority	-	427	-427	-
Strategic Infrastructure Development	15,000	1,028	13,972	93.15
Network Operations	200,000	127,201	72,799	36.40
Aviation	13,328	19,961	-6,633	-49.77
New Road Construction and Improvement	-	62,123	-62,123	-
Rail Ancillary	-	-84,415	84,415	-
Transport for Wales	548,931	638,434	-89,503	-16.30
Bus Support	26,500	17,007	9,493	35.82
Local Transport Priorities	29,963	28,957	1,006	3.36
Sustainable and Active Travel	81,769	65,889	15,880	19.42
Sustainable and Active Travel - Repayment	-360	-279	-81	22.50
Road Safety	20,717	20,649	68	0.33
Total Capital	1,982,112	1,929,762	52,350	2.64

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ECONOMY CAPITAL BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Business and Regional Economic Development	28,260	22,805	5,455	19.30
Business and Regional Economic Development - Repayment	-13,736	-5,677	-8,059	58.67
Tech Valleys	5,000	4,342	658	13.16
Valleys Task Force	-	-49	49	-
Business Finance Funds	-	18,639	-18,639	-
Business Finance Funds - Repayment	-300	2,417	-2,717	905.67
Property Infrastructure	11,740	6,021	5,719	48.71
Property Infrastructure - Repayment	-365	-365	-	-
ICT Infrastructure Operations	-61,005	-85,221	24,216	-39.70
Centre for Digital Public Services	-	53	-53	-
Employability Including Young Persons Guarantee	2,295	1,910	385	16.78
Business Innovation	4,888	7,950	-3,062	-62.64
Science	5,000	-5,196	10,196	203.92
Tourism	5,000	2,305	2,695	53.90
Event Wales	-	1,800	-1,800	-
Arts Council of Wales	400	-3,063	3,463	865.75
Amgueddfa Cymru - National Museums of Wales	5,000	5,925	-925	-18.50
National Library of Wales	2,000	532	1,468	73.40
Support for Local Culture and Sport	22,100	22,264	-164	-0.74
Creative Wales	5,000	5,019	-19	-0.38
Cadw	10,000	9,302	698	6.98
National Botanic Garden of Wales	200	200	-	-
Royal Commission on the Ancient and Historical Monuments of Wales	50	70	-20	-40.00
Sport Wales	8,016	11,519	-3,503	-43.70
Sports Capital Loans Scheme	-4,227	-4,244	17	-0.40
Border Controls	8,255	9,371	-1,116	-13.52
Total Capital	43,571	28,629	14,942	34.29

RURAL AFFAIRS CAPITAL BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Livestock Identification	1,000	-	1,000	100.00
EID Cymru	-	2,811	-2,811	-
Commons Act	-	58	-58	-
Common Agriculture Policy IT	6,000	11,626	-5,626	-93.77
Old RPD Programme	-	-4	4	-
Rural Development Plan 2014-20	9,500	5,132	4,368	45.98
Rural Investment Schemes	23,300	14,969	8,331	35.76
Fisheries Schemes	200	308	-108	-54.00
Fisheries	-	290	-290	-
Total Capital	40,000	35,190	4,810	12.03

SOCIAL JUSTICE CAPITAL BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Financial Inclusion	239	223	16	6.69
Financial Inclusion - Repayments	-6	-2	-4	66.67
Supporting Communities	1,338	1,343	-5	-0.37
Fire & Rescue Services	1,500	1,489	11	0.73
Community Fire Safety	900	900	-	-
Citizen Voice Body (CVB)	-	1,140	-1,140	-
Children's Commissioner	28	17	11	39.29
Violence against Women, Domestic Abuse and Sexual Violence	2,900	3,270	-370	-12.76
Gypsy Traveller Sites	-	-649	649	-
Community Facilities Programme	11,182	6,182	5,000	44.71
Total Capital	18,081	13,913	4,168	23.05

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CENTRAL SERVICES AND ADMINISTRATION CAPITAL BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
General Administration Expenditure	7,042	6,649	393	5.58
IT Costs	4,355	4,528	-173	-3.97
Enabling Government	1,000	766	234	23.40
Total Capital	12,397	11,943	454	3.66

ANNEX 3: Annually Managed Expenditure (AME) Outturn by BEL

HEALTH & SOCIAL SERVICES AME BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
NHS Impairments and Provisions - AME	319,509	191,593	127,916	40.04
NHS Impairments and Provisions - AME - Capital	1,759	-	1,759	100.00
Total AME	321,268	191,593	129,675	40.36

FINANCE AND LOCAL GOVERNMENT AME BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Non-Domestic Rates Distributable Amount - AME	906,000	929,028	-23,028	-2.54
Bad Debt Provision - AME	453	49	404	89.18
Total AME	906,453	929,077	-22,624	86.64

EDUCATION AND WELSH LANGUAGE AME BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Education Infrastructure - AME	-	-46	46	-
Student Loans - AME	-112,958	-206,676	93,718	-82.97
Student Loans - AME - Capital	1,363,397	1,349,500	13,897	1.02
Total AME	1,250,439	1,142,778	107,661	8.61

CLIMATE CHANGE AME BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Market Housing - AME	190,390	-34,756	225,146	118.26
Roads Impairment - AME	148,512	-	148,512	100.00
Transport for Wales - AME	2,000	2,662	-662	-33.10
NRW Provision for Pensions - AME	10,000	-327	10,327	103.27
NRW Impairment of Forestry & Biological Assets - AME	45,000	39,492	5,508	12.24
Total AME	395,902	7,071	388,831	98.21

ECONOMY AME BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Property Related Infrastructure Impairment - AME	28,525	12,881	15,644	54.84
Employability Including Young Persons Guarantee - AME	15,216	-2,182	17,398	114.34
Business and Regional Economic Development Provisions - AME	3,700	-	3,700	100.00
Business Finance Funds Provisions - AME	12,000	9,290	2,710	22.58
Tourism Provisions - AME	5	-	5	100.00
Amgueddfa Cymru - National Museums of Wales Provision - AME	18,672	-1,269	19,941	106.80
National Library of Wales Provision - AME	10,158	760	9,398	92.52
Arts Council of Wales Provisions - AME	441	-	441	100.00
Cadw Provisions - AME	350	-	350	100.00
Sport Wales Pension Provision - AME	5,729	37	5,692	99.35
Total AME	94,796	19,517	75,279	79.41

SOCIAL JUSTICE AME BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
Citizen Voice Body Provision - AME	-	114	-114	-
Fire Service Pensions - AME	30,980	30,980	-	-
Total AME	30,980	31,094	-114	-0.37

Pwyllgor Cyllid / Finance Committee
FIN(6)-01-25 PTN 5

CENTRAL SERVICES AND ADMINISTRATION AME BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend	
			£000s	%
CSA Pensions Provisions - AME	3,000	-2,500	5,500	183.33
General Provisions - AME	200	-231	431	215.50
Total AME	3,200	-2,731	5,931	185.34

Mark Drakeford AS/MS
Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg
Cabinet Secretary for Finance and Welsh Language



Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS
Chair
Finance Committee
Senedd Cymru

20 December 2024

Annwyl Peredur,

I am writing following the Finance Committee's scrutiny of the 2025-26 Draft Budget on 12 December and your subsequent letter on 13 December.

I will send the 2023-24 outturn report to the Finance Committee in line with our commitment to provide this no more than three weeks after the consolidated accounts are published. This will be on the same MEG structure as the accounts for 2023-24 (that is, the MEG structure which pertained at the time rather than the current MEG structure).

The information on the 2024-25 Final Budget and the adjustments to the baseline at First Supplementary Budget and at Draft Budget can be found in the [Tables Supporting Spending Plans](#) published as part of the 2025-26 Draft Budget.

You asked for information to be provided in a format that enables comparisons of budget changes across the period 2023-24 to 2025-26. I have asked my officials to consider what can be provided, given changes to Ministerial responsibilities and related MEG structures which have taken place in this period. I will write again in early January to update you.

You also asked about the impact of applying the Barnett Formula at 115%, rather than 105%, on Welsh Government funding levels. If the needs factor had been set at 115% at the UK Autumn budget instead of 105%, the Welsh Government's block grant would have been £76m higher in 2024-25 and £167m higher in 2025-26.

During the Finance Committee Draft Budget scrutiny session, Members asked for an estimate of the additional direct cost to the devolved public sector in Wales arising from the changes to employers National Insurance contributions (NICs) announced in the UK Government's October budget. The table below provides our current best estimate for these costs. These estimates will be further refined as organisations develop their plans for 2025-26. I would be grateful if the committee could keep this in mind when considering this table.

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Gohebiaeth.Mark.Drakeford@llyw.cymru

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Pwyllgor Cyllid / Finance Committee
FIN(6)-01-25 PTN 6

HM Treasury has acknowledged the change to employer NICs will increase costs for public sector employers and it will “provide funding to the public sector to support them with the additional cost associated with these changes”. We are working with HM Treasury to clarify the details and the level of support that will be provided.

Sector/ bodies	Estimated cost (£m)
NHS (directly employed)	112
Local government, including National Park Authorities	77
Teachers	33
Fire and Rescue Services	4
Further education	9
Welsh Government	7
Arm's Length Bodies	11
Total	253

I look forward to engaging further with the committee in 2025.

Yours sincerely,



Mark Drakeford AS/MS

Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg
Cabinet Secretary for Finance and Welsh Language

The impact of the Budget on your Broadcasting Agenda

Dear Ministers,

We are writing to ask a question about the implications of the proposed cuts of £1.1 million to the 'broadcasting and media' BEL in the draft budget that you published this month. We would be grateful if you could answer the following questions:

- Is this the BEL that's supposed to pay for the proposals that [you published in a written statement on 12 March](#) this year to establish a Broadcasting and Communications Advisory Body?
- How do you plan to proceed with your proposals for the new Broadcasting and Communications Body in light of your new budget proposals, and what is the timetable for that?

Since the announcement in 2021 that the Welsh Government believes that 'broadcasting and communication powers should be devolved to Wales' and the findings of the Independent Commission on the Constitutional Future of Wales that 'robust work should continue on potential routes to devolution' of broadcasting, we have been pleased that there is cross-party support for our campaign to secure broadcasting and communication powers for our Senedd.

In light of the lack of information about our politics and the alarming increase in dangerous misinformation that contributes to the growth of far right wing forces allowed by the current flawed neo-liberal 'regulatory' system, we sincerely hope that you will continue to proceed with your proposals for a Broadcasting and Communications Body for the benefit of democracy and cultures of Wales.

In that regard, we would be grateful if you could say when there will be an announcement about the appointment of members to the Broadcasting and Communications Body and a timetable for their work.

Yours sincerely,

Carl Morris
Chair, Digital Group, Cymdeithas yr Iaith

Cc: Chair of the Senedd Culture Committee, Chair of the Finance Committee, Leader of the Welsh Liberal Democrats, Jane Dodds MS; Plaid Cymru Spokesperson on Broadcasting, Heledd Fychan MS.

Tystiolaeth ysgrifenedig gan Gyngor Sir y Fflint / Written evidence from Flintshire County Council

Annex 2

Consultation questions

1. What, in your opinion, has been the impact of the Welsh Government's 2024-2025 Budget?

Despite the overall AEF uplift being broadly in line with the indicative allocations - Flintshire received well below the average and received one of the lowest settlements in Wales. This resulted in the need to make very late and unplanned cost reductions and meant that the Council needed to take a greater risk than it would normally do on escalating service demand areas. Examples of these areas include Homelessness, Out of County Placements for looked after children and an escalation in the level of demand and complexity of need for supporting older people, aligned to hospital pressures and supporting timely hospital discharge. These areas are now impacting significantly on our ability to manage spend within our approved 2024/25 budget and this will impact on our future available reserve levels which are already very low. Pre-Covid, the Settlement was announced in October – rather than December as is now the practice. This allows a very short period to make any further changes once the actual allocation is announced.

2. How financially prepared is your organisation for the 2025-26 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?

The Council has a major challenge to balance its budget for the 2025/26 financial year. Escalating service demand in areas such as Homelessness, Social Care and Educational Additional Learning needs together with the ongoing impacts of inflation, nationally agreed pay awards and Employer NI contribution increases leaves the Council with an estimated additional budget requirement of around £47m. A significant element of social care services is commissioned from the independent sector who are seeking to pass on costs associated with inflation and NI to the local authority through fee increases that exceed inflation and affordability. This position is compounded by the maintenance of the maximum weekly charge local authorities can make for domiciliary care, which has had no uplift, and is significantly lower than the true cost of care. Without a significant uplift in AEF for 2025/26 and subsequent years the Council will struggle to meet its statutory responsibility to set a legal and balanced budget. This view has been confirmed independently through the recent Financial Sustainability review by Audit Wales. Long-term Planning remains a challenge while we only have information about the allocation for the coming year. If the council had a longer-term indication from Welsh Government – over 3 years instead of 1 year, we would be in a more robust position to plan for future years. Further, given that Flintshire has the third lowest level of usable reserves in Wales (source Audit Wales), this also inhibits our ability to plan for future years, unlike other authorities.

3. What action should the Welsh Government take to:

- help households cope with inflation and cost of living issues;
- address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those

communities?

We are aware of the WG work on the Benefits Charter and we are fully engaged with this. The key areas to deliver on this successfully will be streamlining the eligibility criteria, WG fully funding the CTRS bill and adequate resources for LAs to identify areas of underclaiming i.e., data analysis and funding for resources to carry out the take up work.

We acknowledge the significant amount of work being done to increase the availability of affordable high quality 'green' housing, however rising costs of labour and materials mean that more money is required to achieve the levels which are sought. Longer term there are structural weaknesses in the supply chain and skill sets to be able to deliver consistently and at pace.

Retrofitting existing homes to make them more energy efficient, reducing fuel poverty and meeting Welsh Government net zero aspirations will require considerably more resource from Welsh Government than is currently available. Supply chain development will also be required as it is currently underdeveloped in Wales.

Skills and employability delivery needs to be devolved to the Regional Skills Partnerships and Local Education Authorities and they need to be provided with adequate resources to reduce the number of young people leaving formal education without the skills needed for successful careers in their labour market and to provide long term, consistent and simplified support to those outside of the labour market or at risk of becoming so.

Welsh Government should also consider reinstating an equivalent to the EU-funded rural economic development and community regeneration programmes with a strong focus on meeting the needs of vulnerable rural residents and on local economic outcomes.

Welsh Government programmes for regeneration are inadequate in scale to meet the needs of towns and therefore fail to address the poor physical environments some communities face because of a post-industrial legacy. Flintshire is a county of small towns each serving a large rural hinterland. Such policies should be looking at how the service centre role of these towns can be maintained.

4. Have Welsh Government business support policies been effective, given the economic outlook for 2025-26?

The social care market remains extremely fragile and local adult social care businesses are reporting significant impacts on their ability to remain sustainable without more supportive policies and approaches that provide additional funding.

Welsh Government business support policies have been adequate but lack integration with local delivery and fail to capitalise upon economic opportunities especially in terms of facilitating availability of land and premises for investment.

Welsh Government Business Support Policies have given recognition to the fact that that authorities like Flintshire sit within the economic area of North West England, and that creates particular challenges.

5. Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do

you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

Welsh Government needs to work with UK Government and utilities providers to resolve the shortage of electricity supply. This risks not only slowing economic growth opportunities but also hampering business efforts to decarbonise.

The recent U-turn by WG on 'NZC public sector by 2030' being an 'ambition' rather than a 'target' has caused misalignment with what LAs have committed to deliver through that initial drive, and now what is possible to deliver given the lack of adequate and sustained funding, technical support, and mandate. NZC targets for the public sector continue to be non-statutory and therefore negotiable when decisions need to be made about prioritisation of resources and funding. The recent Bill (supporting statutory targets for NZC for public sector) put forward by Lord Krebs for England MUST be replicated for Wales for us to make the real change that is needed both within and wider than the sector. This needs to be supported by adequate funding that is not just a 'one-off' sum and allows us flexibility to use it for what we need rather than being earmarked for something that we do not have the infrastructure to utilise.

6. Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively?

No specific views.

7. The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?

– Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?

The Wales Audit Office reports on 'Time for Change' and 'Together We Can' reports make recommendations for LAs however, this is not resourced. Adequate and sustained funding is needed from WG alongside a structured approach to ensure we have equity across the nation. Investment in prevention is required to avoid spend on high-cost statutory provision.

– How could the budget further address gender inequality in areas such as healthcare, skills and employment?

Digital solutions are a central plank in our approach to transformation to both improve efficiency, manage demand, and provide a better customer experience. There is a need for budgetary support to develop and expand digital literacy for the workforce from Welsh Government as we seek to increasingly integrate AI and digital solution to the delivery of services including social care.

– Is the Welsh Government's approach to preventative spending represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).

Pwyllgor Cyllid / Finance Committee
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The increasing high level of demand in social care is leading to a position where resources are being disproportionately focussed on crisis and immediate care provision, often at high intensity and cost. For example, the unfunded national '50 Day Challenge' positively directs resources and focus on securing partnership working to facilitate effective and timely hospital discharge. However, this diverts focus and capacity from more preventative community-based initiatives that could avoid the need for hospital admission. Funding needs to be available to dual run the shift from crisis response to a more preventative and sustainable approach.

It is positive and welcomed that HSG as an early intervention housing related support funding stream continues to be sustained and enhanced in recent years as fed back previously to WG however, the cost-of-service delivery for internal and commissioned services continue to increase at a rate greater than the 7.8% uplift provided in recent years. Whilst the uplift stabilised delivery at a period of high risk we are projecting reductions in service provision from the HSG due to increased costs which will be evidenced through upcoming tender exercises.

Whilst HSG is an excellent resource for prevention much of the challenge around homelessness at present is instability in the PRS and lack of supply across PRS and social housing.

The pressure upon budgets to meet young people's Additional Learning Needs may lead to unmet needs and higher risk of unemployment and poverty with the associated costs to the public sector.

– How should the Welsh Government explain its funding decisions, including how its spending contributes to addressing policy issues?

No specific views.

– How can the documentation provided by the Welsh Government alongside its Draft

Budget be improved? It would be useful to know what assumptions are included within the funding envelope for yet to be agreed pay awards.

– How should the Welsh Government prioritise its resources to tackle NHS waiting lists for planned and non-urgent NHS treatments. Do you think the Welsh Government has a robust plan to address this issue?

The focus on building efficiency and effective pathways in the acute setting needs to be matched with a focus on community support and pathways. This will require resources and capacity that is ringfenced from the pressures associated with the acute setting to ensure impact and sustainable community capacity.

Enhanced communication with patients on waiting lists, providing them with regular updates and information to help them plan arrangements if they are going into hospital for treatment is central to effective discharge with people being supported to plan their recovery support needs.

– Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning.

– Has there been adequate investment from the Welsh Government in basic public sector infrastructure.

– How should the Budget support young people?

In relation to workforce planning there is a significant issue and skills shortage in several technical/professional areas of the workforce, some of this will impact on Welsh Government's delivery of its policies i.e. Building Control, Drainage, Planning and Social Work, as the ability to recruit is significant and in some cases attracting young people into these roles is challenging. In addition, the issues created within health and social services around pay and conditions creates a two-tier approach with both sectors vying for the same resource, national alignment of pay and conditions in some sectors would assist in addressing this issue.

In terms of infrastructure there has been a significant lack of investment in infrastructure particularly in relation to the highway network and drainage networks. Climate change will continue to impact heavily on these areas and increased capital resources from Welsh Government is needed to simply maintain a steady state position.

The areas that young people identify as being under resourced for them are:

- Long waiting lists and criteria for accessing mental health support.
- Waiting lists and immediacy of support for neuro diversity assessment
- Accommodation availability and options which are limited, particularly for those leaving care and experiencing homelessness/crisis.

– How is evidence and data driving Welsh Government priority-setting and budget

allocations, and is this approach clear? The impact of data changes had a significant negative impact on our budget allocation in 2024/25 and is likely to have an even bigger impact on 2025/26 allocations. This compounds our major budget challenge and makes it even more critical that we receive a significant uplift in AEF. All the data used must be recent and there should be a clear instructions for all Councils to ensure that the data being used by WG is consistent.

– Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost of living crisis and the pandemic, sufficient?

3rd sector organisations play a key role in supporting the needs of our population. However, local authorities do not have the financial resources to sustain initiatives that often reduce demand through effective and responsive solutions that support the impact of COVID such as mental health resilience, isolation, and financial hardship.

– What are the key opportunities for the Welsh Government to invest in supporting an economy and public services that better deliver against the well-being goals in the Wellbeing of Future Generations (Wales) Act 2015

Refer to the responses above.

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru
By email SeneddFinance@senedd.wales

19 December 2024

Dear Mr Owen Griffiths,

On behalf of Tenovus Cancer Care, I am writing to you in your capacity Chair of the Senedd's Finance Committee. I wish to draw to your attention our response to the proposed increase in employer National Insurance Contributions (NIC) and share the impact that it will have on the charity and its ability to provide services to people affected by cancer across Wales.

We are deeply disappointed and frustrated at the lack of recognition of the devastating impact the increase in National Insurance Contributions will have on charities like Tenovus Cancer Care. We simply cannot sit back and take the hit.

This increase will very likely force charities to make extremely difficult decisions – cutting services, reducing workforce, or both. Such cutbacks would not only harm the vulnerable individuals we support but also the NHS, which cannot deliver the services we provide at the cost-efficiency we provide.

At Tenovus Cancer Care, we deliver essential services for people affected by cancer including counselling, nurse-led support, and benefits advice. This is provided free of charge, exclusively to the NHS. More than 10% of people diagnosed with cancer in Wales will use one of these vital services, that increases to nearly 20% in North Wales. Sadly, a third of those we support are end-of-life, facing their most difficult days.

We estimate this additional financial burden will cost us, at a minimum, a quarter of a million pounds (£250,000) annually. It's equivalent to the cost of running our benefits advice service. In the last year, this service alone helped secure £4.1m worth of payments to 1,820 people with cancer across Wales.

It is a misconception that all charities are cushioned by government grants or contracts. For many, including us, operations rely almost entirely on charitable donations. While we absolutely want to pay our staff fairly and anticipated the living wage increases, the scale of this NIC rise is unsustainable in the context of a challenging fundraising environment.

Call our free Support Line
0808 808 1010

Ffoniwch ein Llinell Gymorth rhadffôn

Jones Court, Womanby Street, Cardiff CF10 1BR. Jones Court, Ffordd yr Eiddo, Senedd CF10 1BR.
Patron: HRH The Princess Royal. Noddwraig: Ei Huchelder Brenhinol Y Dywysoges Frenhinol.

Registered Charity Number 1054015 Company Limited by Guarantee Number 943501 Elusen Gofrestredig Rhif 1054015 Cwmni Cyfyngedig trwy Warant Rhif 943501

Page 54



Cofrestrwyd gyda'r



FUNDRAISING
REGULATOR
RHEOLEIDIWR
CODI ARIAN

We are a substantial employer, with 228 staff working across our 56 shops, head office, and out in communities across Wales. This decision also risks harming the foundational economy within the very communities we serve.

Despite the disproportionate impact of the pandemic and cost-of-living crisis on charities like ours, we received no bespoke support and were forced to make huge redundancies just to keep afloat. After working hard to recover, finally balance our budgets, and supporting public services, being told to absorb this increase is a bitter blow.

Therefore, we are calling for:

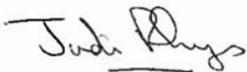
- The UK Government to reconsider the NIC increase for charities such as ours that provide direct support to the NHS from charitable funds and include us in exemptions as has been done for public sector organisations.
- Welsh political representatives to advocate for us – and for others in our situation - across the Welsh third sector, and appeal to the UK Government for urgent action to protect vital services that people rely on, often at time of personal crisis.
- The Welsh Government to mitigate the burden if UK exemptions are not forthcoming – an acknowledgment of the services we deliver free of charge to patients across Wales.

I trust that my contribution is shared amongst members of the Committee and is taken into consideration when the Committee considers the impact of the up and coming Budget on Wales.

I am happy and able to find the time to meet with you to discuss further.

Please contact me via [REDACTED] to make arrangements or if require additional information.

Yours sincerely,



Judi Rhys MBE

Chief Executive

Agenda Item 2.10

Ombudsmon Ombudsman

Cymru • Wales

Your ref:

Ask for: Michelle Morris

Our ref: MAM/mdm



Date: 17 December 2024



Peredur Owen Griffiths
Chair, Finance Committee

By email only
seneddfinance@senedd.wales

Dear Peredur

I am writing to update the Committee on the case involving a former councillor who applied to the High Court for permission to appeal a decision of the Adjudication Panel for Wales to disqualify them from being a member of a local authority in Wales for 12 months in March 2022.

The Appellant's application for permission to appeal was considered by a High Court Judge (Linden J.) on the papers on the 14th June 2024 and refused. An appellant who is refused permission on paper may apply to have their application for permission to appeal reconsidered at an oral hearing. An oral hearing was held on the 13th November 2024 and permission to appeal was refused by a different High Court Judge (Kerr J.).

The 28 day time period for seeking permission to appeal the decision from the Court of Appeal has expired and we have not been notified of any such application having been made.

Yours sincerely

Michelle Morris
Public Services Ombudsman



Ombwdsmon Ombudsman

Cymru · Wales

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Rydym yn hapus i dderbyn ac
ymateb i ohebiaeth yn y Gymraeg.

ombudsman.wales
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We are happy to accept and respond
to correspondence in Welsh.

Agenda Item 3

By virtue of paragraph(s) ix of Standing Order 17.42

Document is Restricted

Office for
**Budget
Responsibility**

Welsh taxes outlook

December 2024

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1 Introduction

Background

- 1.1 The Office for Budget Responsibility (OBR) was established in 2010 to provide independent and authoritative analysis of the UK's public finances. Alongside the UK Government's Budgets and other fiscal statements we produce forecasts for the economy and the public finances. We publish these in our *Economic and fiscal outlook (EFO)*.
- 1.2 In December 2016, the Welsh and UK Governments agreed the Welsh Government's fiscal framework. This established a mechanism for adjusting the block grant funding that the Welsh Government receives from the UK Government to reflect the devolution of tax powers.¹ The fiscal framework also established a requirement for independent forecasting. The Welsh Government chose to use the OBR's forecasts to meet this requirement.²
- 1.3 Our work with the Welsh Government is guided by a Memorandum of Understanding, Terms of Reference, and a Financial Framework. In the second half of 2020, we jointly reviewed these arrangements to ensure they reflected any lessons learnt in the first year of forecasting.³ Under these arrangements we focus exclusively on forecasting the devolved taxes given their role in the Welsh Government's fiscal framework. Areas that are beyond the scope of our role include: producing a full macroeconomic forecast for Wales; producing a forecast for Welsh Government spending; and assessing the impacts of proposed, as opposed to confirmed, policy decisions.
- 1.4 Our forecasts for the Welsh devolved taxes are presented in the *Welsh taxes outlook (WTO)* which is published alongside the Welsh Government's Draft Budget in every year, and we publish an update for the Welsh Government's Final Budget. In this WTO, published alongside the Welsh Government's 2025-26 Draft Budget, we describe our latest forecasts for three sources of revenue:
- the **Welsh rates of income tax**;
 - **land transaction tax (LTT)**; and
 - **landfill disposals tax (LDT)**.
- 1.5 These forecasts are consistent with the central forecast for the UK economy and public finances presented in our October 2024 *EFO*. The key features of this forecast are:

¹ More detailed information on the relevant legislation and governance is available on our website.

² Written statement by the Cabinet Secretary for Finance, *Provision of Welsh tax forecasts by the Office for Budget Responsibility*.

³ The joint review is available on our website alongside the December 2020 WTO.

Introduction

- Against a broadly unchanged economic and fiscal backdrop since March, **the Autumn Budget delivered a large, sustained increase in spending, taxation, and borrowing.** The net effect of Budget policies is to increase borrowing by £19.6 billion in 2024-25 and by an average of £32.3 billion over the next five years.
- Policy decisions increase **public spending** in total by an average of almost £70 billion a year from 2025-26, of which two-thirds goes on current and one-third on capital spending. As a result, the size of the state is forecast to settle at 44 per cent of GDP by the end of the decade, almost 5 percentage points higher than before the pandemic.
- Half of the increase in spending is funded through an increase in **taxes**, mainly on employer payrolls, on assets, and through greater tax compliance. These raise £36 billion a year in additional revenue and are forecast to push the tax take to 38 per cent of GDP by 2029-30.
- Having stagnated last year, the **economy** is expected to grow by just over 1 per cent this year, rising to 2 per cent in 2025, before falling to around 1½ per cent over the remainder of the forecast. Budget policies temporarily boost output in the near term, but leave GDP largely unchanged in five years.
- The Budget sets two new **fiscal rules**: to deliver a current balance and for net financial liabilities to be falling, both initially in five years. On the central forecast both rules are on course to be met, by margins of £9.9 billion and £15.7 billion respectively, which are a small fraction of the risks around our central forecast.
- We produce a central forecast around which we judge these **risks** are evenly balanced, but we emphasise the significant uncertainty inherent in all aspects of the forecast. In our *EFO* we illustrate these risks using fan charts, sensitivity analysis and alternative scenarios. In the October 2024 *EFO*, we presented alternative scenarios for interest rates and the impact of higher public investment on potential output.

1.6 The forecasts in this *WTO* also incorporate the impacts of policies announced in the Welsh Government's Draft Budget, which we have scrutinised and certified using the same approach as we apply to the UK Government's policies in *EFOs*. The Welsh Government policies that we have incorporated are as follows:

- **Land transaction tax residential higher rates increase.** From 11 December 2024, the LTT residential higher rates will increase by 1 percentage point across all bands. These are the rates that apply to additional properties such as second homes, bridging properties and buy-to-let purchases. The policy is estimated to increase LTT by an average of £8.1 million a year from 2025-26 to 2029-30. The key uncertainty in this costing relates to the behavioural assumptions around the extent to which transactions and prices will reduce as a result of the higher rates, and any substitution towards purchasing primary residences.

- **Multiple dwellings relief (MDR) adaptation.** From 7 February 2025, taxpayers will no longer be able to claim MDR and subsidiary dwelling exemption in the same transaction. MDR reduces the LTT paid when purchasing properties made up of more than one dwelling, so limiting eligibility for the relief will increase LTT receipts by an estimated £1.3 million per year over the forecast from 2025-26. MDR claims are highly volatile from year to year, so this estimate is highly uncertain.
- **Landfill disposal tax rates.** This policy increases the standard rate of LDT from £103.70 to £126.15 per tonne (an increase of 22 per cent), and the lower rate from £3.30 to £6.30 per tonne (an increase of 91 per cent). It takes effect from April 2025 and yields an average of £2.9 million a year. The key uncertainty in this costing relates to which landfill disposals reduce in response to the rate changes.
- **Land transaction tax additional compliance.** The Welsh Revenue Authority (WRA) is increasing resourcing for staff to undertake compliance activity on LTT, which is estimated to increase LTT receipts by £2.6 million in 2025-26. The data available on compliance activity by WRA is more limited than that for HMRC so there is some uncertainty around the available compliance yield.

1.7 The methodology and the forecasts in this WTO represent the collective view of the three independent members of the OBR's Budget Responsibility Committee (BRC). We take full responsibility for the judgements that underpin them.

Forecast timetable

1.8 In order to produce the forecasts presented in this document:

- Analysts from the Welsh Government and HMRC produced draft Welsh tax forecasts, using determinants published in our October 2024 EFO.
- These were scrutinised by the BRC in two meetings on 19 and 23 September.
- Updated LTT and LDT forecasts were then prepared by Welsh Government analysts, reflecting the latest receipts and house price data, on 22 November. These were scrutinised by the BRC on 22 November.
- On 27 November, we finalised our Welsh taxes forecast, incorporating the impacts of UK Government policy announcements in the UK Government Budget on 30 October, as well as subsequent policy announcements in the Welsh Government Draft Budget and updated receipts outturn data published since 30 October.

Structure of the document

1.9 The rest of this document is structured as follows:

- **Chapter 2:** income tax on non-savings, non-dividend income from the Welsh rates.

Introduction

- **Chapter 3:** land transaction tax.
- **Chapter 4:** landfill disposals tax.
- **Annex A:** summary of the forecasts required for the block grant adjustments.

1.10 All the charts and tables presented in this document, plus supplementary forecast material, are available in spreadsheet format on our website.

2 Welsh rates of income tax

Introduction

2.1 This chapter:

- describes the **Welsh rates of income tax** and how they are levied on non-savings, non-dividend income by tax band;
- sets out our **methodology** for forecasting UK income tax liabilities and the Welsh share of this total, before splitting this share by tax band;
- presents our **latest forecasts** for the Welsh rates and for UK income tax liabilities; and
- outlines some of the **risks and uncertainties** around our Welsh rates forecast.

The Welsh rates of income tax

2.2 The Welsh rates of income tax came into effect in April 2019. They are administered and collected by HMRC. There are four important aspects of the design and operation of these rates in Wales that distinguish them from our UK-wide income tax forecasts:

- First, they apply only to Welsh taxpayers, who are defined as **individuals whose main place of residence is in Wales** for the majority of the tax year. Individuals who are classified as Welsh resident are given a 'C' flag on their HMRC tax identifier.
- Second, the Welsh rates represent only the first **10p in the pound for each tax band**. Each year, the Welsh Government is required to set the tax rates for each of the basic, higher and additional tax rates, which replace a 10p reduction in the reserved UK Government element of each tax band. Since the Welsh rates of income tax were devolved these rates have all been set at 10p, such that overall income tax rates paid by Welsh taxpayers remain aligned with those in England and Northern Ireland. The remaining income tax raised from Welsh taxpayers – i.e. 10p in the pound from basic-rate payers, 30p from higher-rate payers and 35p from additional-rate payers – is reserved to the UK Government.
- Third, the Welsh rates are levied on **non-savings, non-dividend (NSND) income**. NSND income accounts for just over 90 per cent of UK-wide income tax liabilities, and around 95 per cent of liabilities in Wales.

Welsh rates of income tax

- Finally, the Welsh rates are assessed on a **liabilities basis** rather than a National Accounts basis. This means that our forecast of self-assessment (SA) income tax used for the Welsh rates will differ from the cash basis used in the National Accounts and our UK-wide SA income tax forecast, due to the lag between liabilities being incurred and the associated tax being paid.

2.3 Chart 2.1 illustrates how the 2025-26 income tax liability of three theoretical Welsh taxpayers would be split between the UK and Welsh Governments:¹

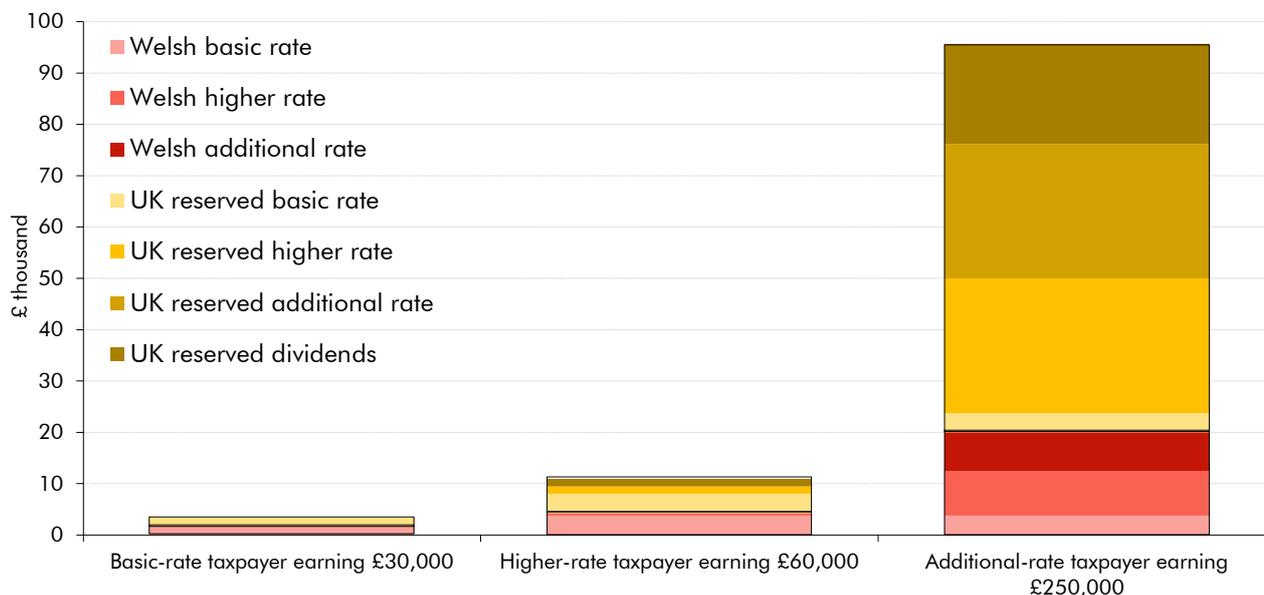
- **For a basic-rate taxpayer earning £30,000** from one source of employment income, their £3,486 liability would be split equally between the two administrations. The effective income tax rate paid by this individual is 11.6 per cent (lower than the 20 per cent basic rate thanks to the £12,570 tax-free personal allowance).
- **For a higher-rate taxpayer earning £60,000**, with £55,000 coming from employment and £5,000 of dividends from company shareholdings, 39 per cent of their £10,951 liability would relate to the Welsh rates and 61 per cent would be reserved to the UK Government, including all the £1,519 due on their dividend income. The effective income tax rate is 18.3 per cent.²
- **An additional-rate taxpayer earning £250,000**, with £200,000 from employment income and £50,000 in dividends, would have a total tax liability of £95,681. Of this, only 21 per cent would relate to the Welsh rates, while 79 per cent would go to the UK Government. At this income level a taxpayer would not receive any personal allowance. The higher share for the UK Government reflects two factors: first, all earnings above £37,700 would be taxed at the higher or additional rates where the UK Government share is much larger; and second, the taxpayer has a liability of £19,478 from their dividend income, all of which is retained by the UK Government. The effective income tax rate is 38.3 per cent.

These examples illustrate the relative importance of higher earners for tax receipts, but also that this is much less the case for the Welsh rates. The higher-rate taxpayer earns twice as much as the basic-rate taxpayer and has an overall tax liability that is three times greater, but their Welsh rates liability is around 2½ times as large. The additional-rate taxpayer earns four times as much as the higher-rate taxpayer and has a tax liability that is around 8½ times greater, but their Welsh rates liability is somewhat less than five times greater. The UK Government's tax revenues are therefore more sensitive to changes in high earners' incomes than the Welsh Government's revenues are.

¹ In addition to the income tax parameters reported in Table 2.3, this also reflects the personal allowance taper that withdraws £1 of personal allowance for every £2 of earnings above £100,000; the dividend allowance of £500 in 2025-26; and tax rates on dividend earnings of 8.75 per cent for basic-rate taxpayers, 33.75 per cent for higher-rate taxpayers and 39.35 per cent for additional-rate taxpayers. These examples are illustrative and do not include all aspects of the income tax regime, for example any use of reliefs to lower an individual's tax liability. Similarly, these amounts do not include other aspects of the personal tax regime, primarily National Insurance Contributions (NICs, which is reserved to the UK Government), so do not represent overall tax liability on income.

² Any changes to the dividend allowance, which is reserved to the UK Government, will serve to change the Welsh share. For example, the dividend allowance was lowered in April 2024, which increased the amount of dividend income taxed by the UK Government, and therefore resulted in a lower Welsh share.

Chart 2.1: Illustrative splits between Welsh and UK Government income tax liabilities



Source: OBR

Methodology

2.4 Our Welsh income tax forecasts are produced on a ‘top-down’ basis.³ The main steps are:

- First, we **establish the whole of the UK NSND income tax liabilities forecast**.
- Next, we **calculate the share of NSND income tax liabilities subject to the Welsh rates**, taking into account the relevant tax base in Wales and how this maps onto the announced tax regime. Much of our analysis first looks at the total share of income tax from Wales – including amounts paid by Welsh taxpayers but reserved to the UK Government – before estimating the proportion that is subject to the Welsh rates.⁴
- We then **calibrate the outturn share for the Welsh rates in 2022-23 to outturn data** for Welsh income tax liabilities, which HMRC published in July. In Box 2.1 we evaluate our forecasts for that year.
- Finally, we **add our estimates of the effect of new policies** announced since our previous forecast on Welsh rates liabilities.

2.5 The December 2016 fiscal framework agreement between the Welsh and UK Governments detailed how the Welsh rates would operate. In doing so it placed a requirement on us to

³ For more detail on our forecast methodology see Chapter 2 of our December 2019 *Welsh taxes outlook* and the ‘Welsh tax forecasts’ page of our website.

⁴ For an in-depth analysis of the composition of these shares, and their evolution over time, see Murphy Corkhill, J., M. Hanson, and S. Johal, *OBR Working Paper No.21: Developments in devolved income tax*, October 2023.

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forecast income tax liabilities in Wales, and in England and Northern Ireland combined, split by tax band.⁵

Pre-measures UK-wide forecast of NSND income tax

- 2.6 We use HMRC's latest published UK-wide NSND income tax liabilities outturn for the most recent tax year (currently 2022-23) as the starting point for our pre-measures forecast. To project liabilities between that outturn year and the current year, we produce an in-year estimate based on HMRC's most recent monthly tax receipts data at the time of our latest forecast – which covers all of 2023-24 and the first four months of 2024-25.
- 2.7 From this base we then forecast growth in the UK income tax base in line with our wider economy forecast. The key determinants are employment and average nominal earnings growth, which determine the amount of labour income that can be taxed. In our current forecast, strong nominal earnings growth coupled with personal tax thresholds that are frozen in cash terms until 2027-28 generates strong 'fiscal drag'.⁶ This is the main driver of relatively strong forecast growth in income tax receipts in the years to 2027-28.
- 2.8 We forecast income tax at the UK level according to the different methods by which HMRC collects the tax. PAYE income tax accounts for over 80 per cent of revenue, with nearly all the remainder collected via the SA system. PAYE income mainly represents the earnings of employees plus some pensions income, while SA income includes profits from self-employment and income from dividends, land and property, and savings.

The share of UK-wide income tax liabilities subject to Welsh rates

- 2.9 In this sub-section we explain how we calculate the share of NSND liabilities that are subject to the Welsh rates. Our approach is split into the following steps:
- we begin by using HMRC's Survey of Personal Incomes (SPI) to **establish the overall Welsh share of UK-wide income tax liabilities**;
 - we then **explain the differences in income tax per person in Wales compared to the UK**, looking across income streams, the number of taxpayers and the effective tax rate;
 - the next step is to **assess the proportion of the population that pays income tax** by looking at employment rates in Wales and the UK; and
 - the three final steps are to **determine the average income per taxpayer**, calculate the **average amounts of tax paid on that income** before finally **estimating the share of UK liabilities that will be subject to the Welsh rates**.

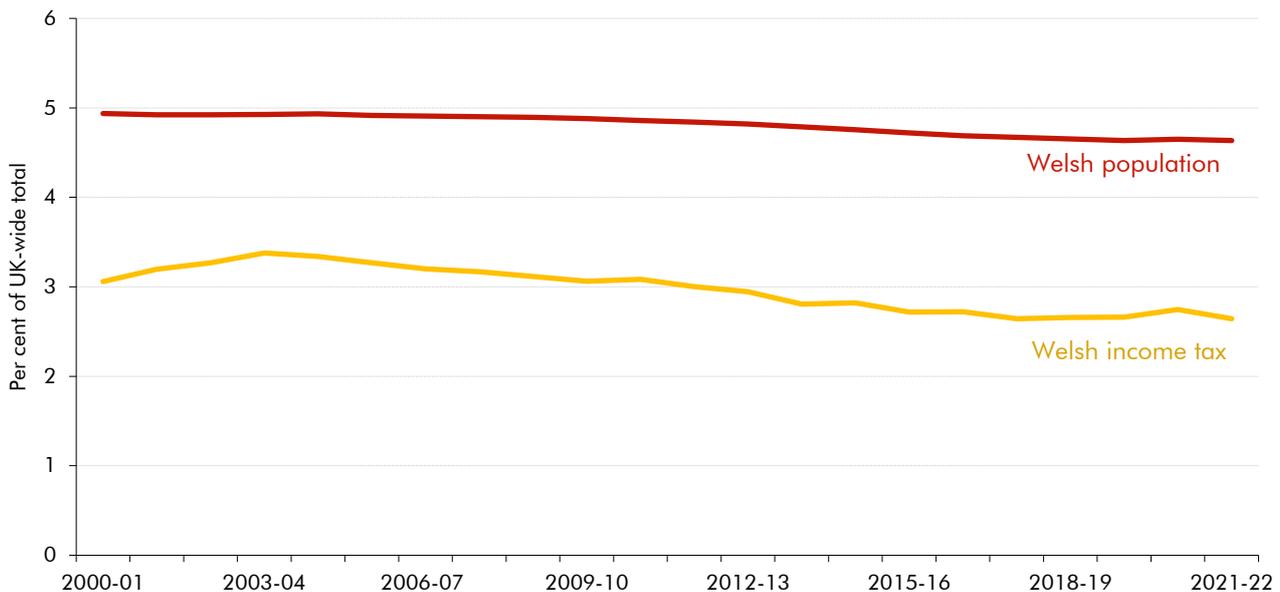
⁵ For more on our approach, see Mathews, P., *OBR Working paper No.14: Devolved income tax: forecasting by tax bands*, September 2018.

⁶ Fiscal drag is where tax receipts increase as rising earnings push more workers into the tax system or into higher tax bands.

The overall Welsh share of UK-wide income tax liabilities

- 2.10** In order to calculate the share of our forecast for UK NSND income tax liabilities that will be subject to the Welsh rates, we start with the overall Welsh share of income tax as captured by the SPI. The SPI is an annual survey based on a sample of around 880,000 individuals in contact with HMRC during the year. It is published with a long lag – the 2021-22 SPI is the latest year that is currently available.
- 2.11** Chart 2.2 compares the Welsh share of UK income tax liabilities with the Welsh share of the UK population. The Welsh share of income tax is lower than the Welsh population share (2.6 versus 4.6 per cent in 2021-22). But the Welsh share of income tax has also been trending downwards more rapidly than the Welsh population share since 2000-01 (a 13.7 per cent fall compared to a 6.1 per cent fall in the population share). Almost all of this decline has occurred over the past decade (down 12 per cent since 2011-12, compared to a fall 4.2 per cent fall in the population share). The Welsh share of income tax did tick up in the pandemic-hit year of 2020-21 (from 2.64 per cent to 2.74 per cent), but it has since continued its downward trend in the latest year.

Chart 2.2: Welsh share of UK income tax liabilities and population



Note: Tax data unavailable for 2008-09 so the proportional shares are based on interpolation from the adjacent years.

Source: HMRC, OBR

The differences in income tax per person in Wales compared to the UK

- 2.12** We can readily incorporate differences in expected population growth in our forecasts using published ONS projections, but understanding why tax per person in Wales is lower than in the UK, and has been declining in relative terms, is more complex.
- 2.13** Chart 2.3 presents the difference in income tax liabilities per person between Wales and the UK as a whole. It shows two different ways of decomposing these differences, based on analysis of the SPI data. Both panels show that per-person liabilities in Wales in 2021-22

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were £1,450 (43 per cent) lower than in the UK as a whole (£3,371 versus £1,921). Both presentations are methodological constructs that are useful in aiding our understanding of the differences in per-person liabilities and help to facilitate any forecast judgements we may wish to make about how the Welsh share of income tax will evolve. Specifically:

- The left panel disaggregates the difference into three underlying factors: the proportion of the population that are taxpayers; the average incomes of those taxpayers (split into three different sources); and the amount of tax paid per pound of income i.e. the effective tax rate, or ETR. It shows that the main factors are lower average incomes per taxpayer (accounting for £767 of the overall £1,450 difference (53 per cent), though average pension incomes per taxpayer were slightly higher) and a lower ETR (£616, 42 per cent of the difference), with only a marginal impact from fewer taxpayers.
- The right panel instead decomposes into the four income streams in the SPI data: employment income, self-employment income, pension income and 'other' income (mainly property and dividends).⁷ This approach implicitly subsumes the number of taxpayers and the ETR into the different income streams. It shows that lower tax from employment income accounts for 72 per cent of the overall difference, with lower contributions from each of the other three income streams (the effect of pension income is reversed).

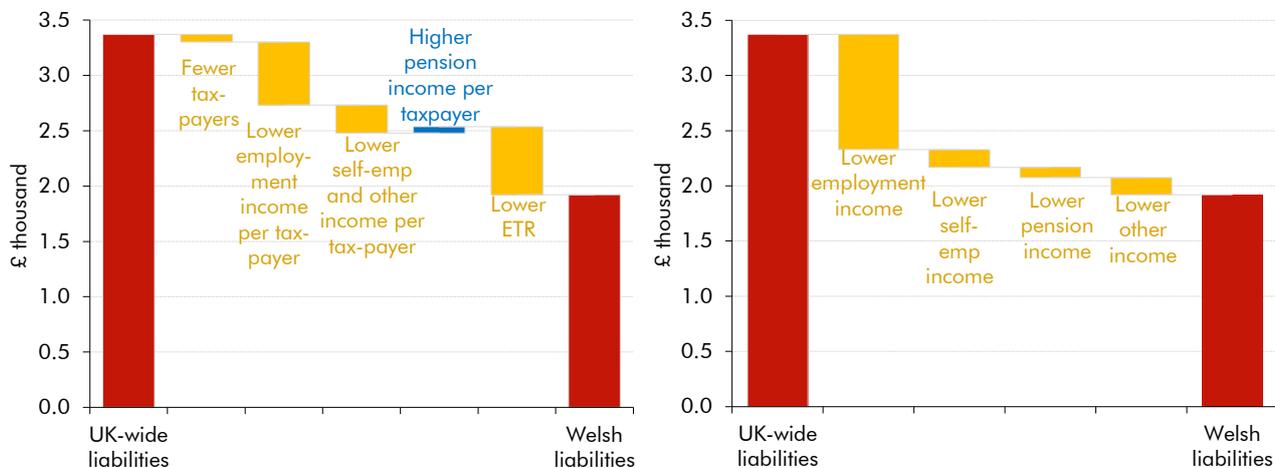
2.14 We published a working paper in 2023 which used these type of breakdowns to explore the factors behind the decline in the Welsh share since 2007-08 and its implications for our forecast.⁸ The paper, which is broadly supportive of our existing methodology, showed that the widening gap is largely explained by the divergence in employment income, which is both the largest source of income tax, a large driver of the difference in both methodologies, and also the one with the richest source of available data, which we can utilise to refine our forecasting methodology.⁹

⁷ We were unable to remove the savings and dividends elements of 'other income' but this does not materially affect our analysis.

⁸ Murphy Corkhill, J., M. Hanson, and S. Johal, *OBR Working Paper No.21: Developments in devolved income tax*, October 2023. We will use the findings from the paper to further refine our forecast and investigate some areas, such as employment income, more fully, given the disproportionate role it plays in generating and sustaining gaps in income tax per person.

⁹ For example, we use in-year real time PAYE information (RTI) on employee earnings to bridge the gap from the initial SPI-based shares from the most recent year of outturn to the beginning of the forecast period. This enables us to partially capture some of the observed recent dynamics in earnings.

Chart 2.3: Welsh and UK income tax liabilities per person in 2021-22



Source: HMRC, OBR calculations

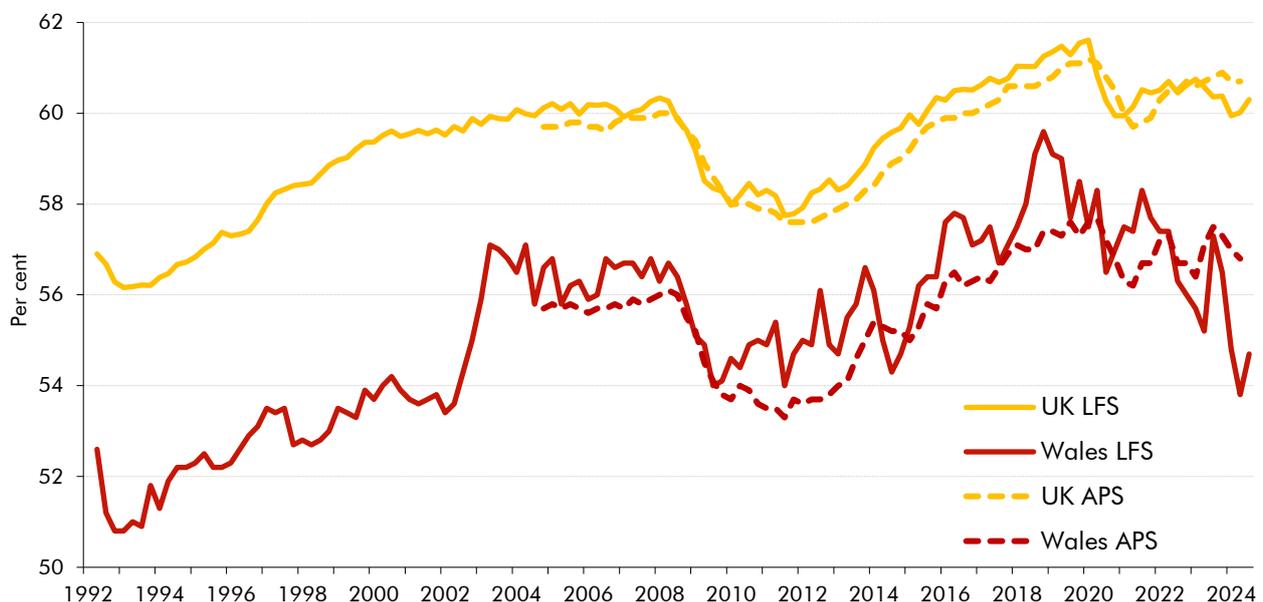
The proportion of the population that pays income tax

- 2.15** The likelihood of an individual paying income tax is lower in Wales than it is in the UK as a whole. According to the 2021-22 SPI, 47.6 per cent of the Welsh population paid income tax, compared to 49.3 per cent of the UK's population (as shown in the left panel of Chart 2.3 above, this makes only a small (4.6 per cent) contribution to the overall difference in income tax liabilities per person between Wales and the UK).
- 2.16** One of the main contributory factors is that the employment rate in Wales is lower than it is in the UK as a whole. Chart 2.4 uses two different data sources to show that the employment rate in Wales has been consistently below that in the UK in recent years. This is driven by the economic inactivity rate being significantly higher in Wales than the UK as a whole, whereas the unemployment rates have broadly tracked each other. According to the Labour Force Survey (LFS), the average employment rate in Wales since 1992 has been 4.1 percentage points lower than that in the UK as a whole, and was 2.7 percentage points lower in 2021-22. The LFS also shows that the employment rate in Wales has been around twice as volatile as in the UK as a whole, likely due to the smaller sample size in the LFS for Wales than the UK as a whole.
- 2.17** LFS response rates have been falling since the pandemic, and the ONS advises caution in interpreting LFS data while it continues to improve the estimates (this programme of work includes further partial reweighting – on top of that implemented in February this year – by the end of 2024, followed by fuller reweighting and the switchover to the Transformed LFS at a later date). Using the more aggregated Annual Population Survey (APS) measure, the overall pattern is similar (though less volatile), with Welsh employment rates an average 3.8 percentage points lower than the UK since 2004 and 3.2 percentage points lower in 2021-22.
- 2.18** Relative to the pre-pandemic year of 2019-20, the APS shows that the employment rate fell 0.4 percentage points in Wales by 2021-22, somewhat shallower than the 0.9 percentage

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point drop in the UK as a whole (although the Welsh employment rate has continued to decline through to 2023-24, whereas the employment rate in the UK as a whole has rebounded). The respective declines in the Welsh and UK rates were broadly similar in the HMRC RTI data. While there was a rebound in 2021-22, the employment rates remain below pre-pandemic levels. This pattern is partly explained by the post-pandemic rise in inactivity. The inactivity rate in Wales rose by 0.4 percentage points between 2019-20 and 2021-22, compared to 0.9 percentage points in the UK as a whole, though the most recent data shows the gap widening for Wales but narrowing for the UK as a whole. We will continue to monitor developments in inactivity rates, as these represent a risk to our estimate of the Welsh share.

Chart 2.4: Employment rate for the UK and Wales



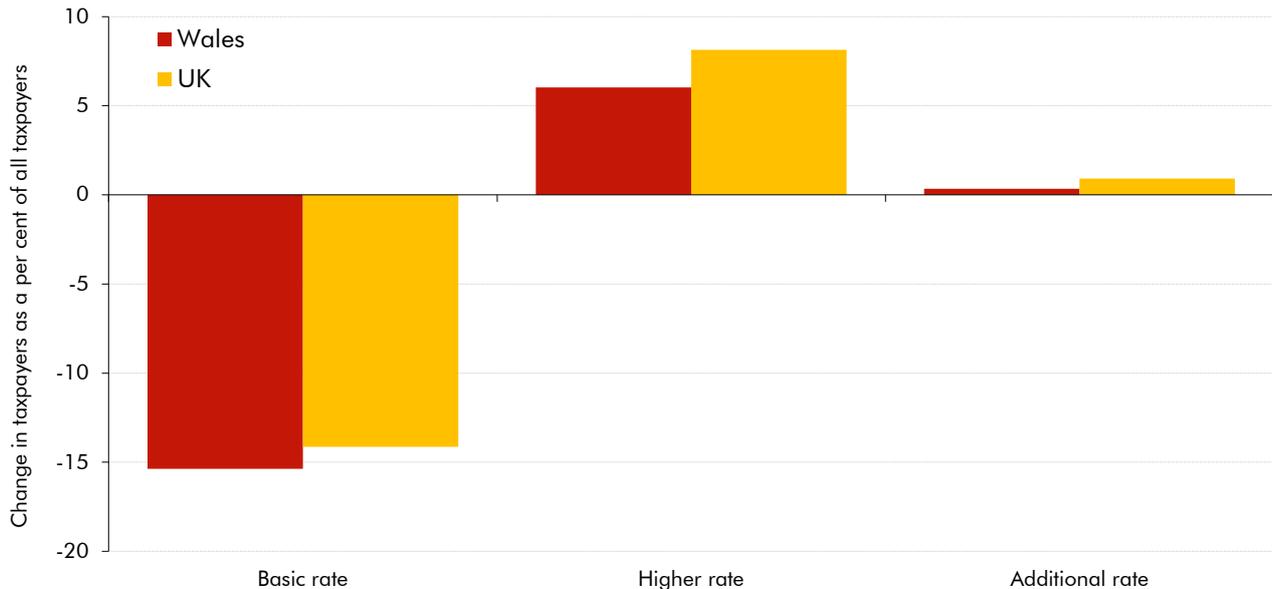
Source: ONS

2.19 Successive rises in the tax-free personal allowance (PA), from £6,475 in 2010-11 to £12,500 in 2019-20, may have taken disproportionately more Welsh residents out of paying income tax, due to differences in the earnings distribution between Wales and the UK as a whole. But changes to the PA since then have been more modest, with it being frozen in cash terms in 2020-21 and increased by just 0.6 per cent (to £12,570) in 2021-22. Chart 2.5 presents the relative change in the number of taxpayers in each tax band between 2010-11 and 2021-22, with Wales having a proportionately larger fall in basic-rate taxpayers as a per cent of all taxpayers than the UK as a whole (15.4 per cent versus 14.1 per cent), and proportionately smaller rises in higher-rate and additional-rate taxpayers. But underlying these overall trends are different patterns in two distinct time periods:

- From 2010-11 to 2019-20, the number of basic-rate taxpayers declined much more sharply in Wales than in the UK as a whole (by almost 30 per cent more), leading to a 5.6 per cent decline in the overall number of taxpayers, compared to a 0.5 per cent rise in the UK as a whole.

- But since 2019-20, this trend has reversed, with the number of basic-rate taxpayers increasing in Wales since then (while continuing to fall in the UK as a whole). This has resulted in the number of taxpayers in Wales now increasing slightly relative to 2010-11 (up 2.4 per cent). It suggests that the continued freeze of the PA in cash terms in recent years could disproportionately impact Wales.

Chart 2.5: Change in taxpayers by tax band between 2010-11 and 2021-22



Source: HMRC, OBR

Average income per taxpayer

- 2.20 The most important reason for the gap between UK and Welsh tax per person (as recorded in the SPI) is that Welsh taxpayers had lower average incomes. This explains 53 per cent of the shortfall in tax per person in Wales relative to the UK in 2021-22.
- 2.21 Table 2.1 shows different sources of income averaged across all income taxpayers. It shows that:
- **The SPI implied average income in Wales is lower than in the UK as a whole**, by 20 per cent in 2021-22. Lower average employee incomes account for around three-quarters of the overall £7,791 shortfall. The Wales-UK difference is particularly marked in 'self-employment and other non-pension income' (which includes income from savings and dividends, as well as property income), though this accounts for a smaller proportion of the overall difference in absolute terms.
 - **The vast majority of taxpayer income comes from employee jobs.** This is true in both Wales and the UK as a whole, which explains why this represents the largest source of difference in tax liabilities per taxpayer, accounting for around three-quarters of the overall shortfall in Wales relative to the UK as a whole (as shown in both panels of Chart 2.3 above).

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- **The average income from pensions is higher in Wales than in the UK as a whole** – by 11 per cent in 2021-22. This is largely due to a higher proportion of the Welsh population being of pension age (20.3 per cent in 2022 versus 17.8 per cent in the UK as a whole), combined with Wales having a relatively higher proportion of public sector workers, who tend to have higher average pension incomes, than the UK overall (22.1 per cent in 2021-22 compared to 17.6 per cent).

	UK	Wales	Difference	
	£ per taxpayer		£	Per cent
Employee income	27,833	22,011	-5,822	-21
Self-employment and other non-pension income	6,356	3,800	-2,556	-40
Pension income	5,170	5,731	561	11
Total income	39,327	31,536	-7,791	-20

Source: HMRC, ONS, OBR

2.22 Table 2.2, which focuses just on employee income, shows that this large gap is also reflected in other sources of labour income data that focuses on employee earnings. The coverage of each source differs so they are not fully comparable, which explains why the level of average earnings reported by each is different. But even so, they tell a consistent story of average employee incomes in Wales being considerably lower than those for the UK as a whole (ranging from a 19 per cent difference in the SPI to an 11 per cent difference using the LFS).¹⁰

	UK	Wales	Difference	
	£ per employee		£	Per cent
HMRC Survey of Personal Incomes	36,799	29,764	-7,035	-19
HMRC Real-time information	33,153	27,439	-5,714	-17
ONS Annual Survey of Hours and Earnings	31,449	27,256	-4,192	-13
ONS Labour Force Survey	33,228	29,459	-3,769	-11

Source: HMRC, ONS, OBR

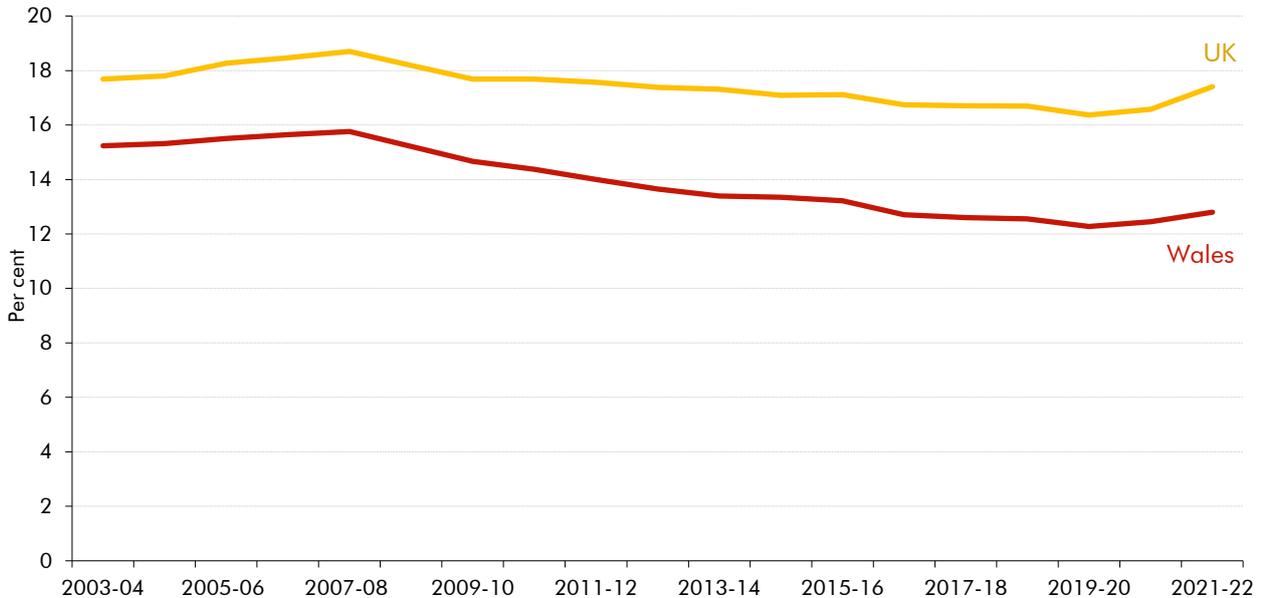
Average amounts of tax paid per pound of income

- 2.23 Even once we have accounted for differences in the number of taxpayers per person and the average income per taxpayer, income tax per person in Wales falls short of that in the UK because less tax is paid per pound of income. This lower effective tax rate explains over 40 per cent of the £1,450 difference in income tax per person between Wales and the UK in 2021-22.
- 2.24 Chart 2.6 shows that the effective income tax rate in Wales has been considerably lower than that in the UK across the past two decades and that the gap has almost doubled in that time. Since 2007-08, the ETR has fallen by 3.0 percentage points in Wales, compared to a

¹⁰ The difference in the SPI average between Tables 2.1 and 2.2 is because the latter is only averaging across those individuals with employment income, while the former is doing so across all individuals. This explains why the average is lower in Table 2.1, since it includes some individuals, for example pensioners, with no employment income.

1.3 percentage point fall in the UK as a whole. While the ETR rose in both the Wales and the UK as a whole in 2021-22, following the strong bounce-back in receipts following the pandemic-hit 2020-21, it rose more sharply in the UK (by 0.8 percentage points versus 0.3 percentage points in Wales), resulting in a further widening of the ETR differential.

Chart 2.6: Effective income tax rates in Wales and the UK



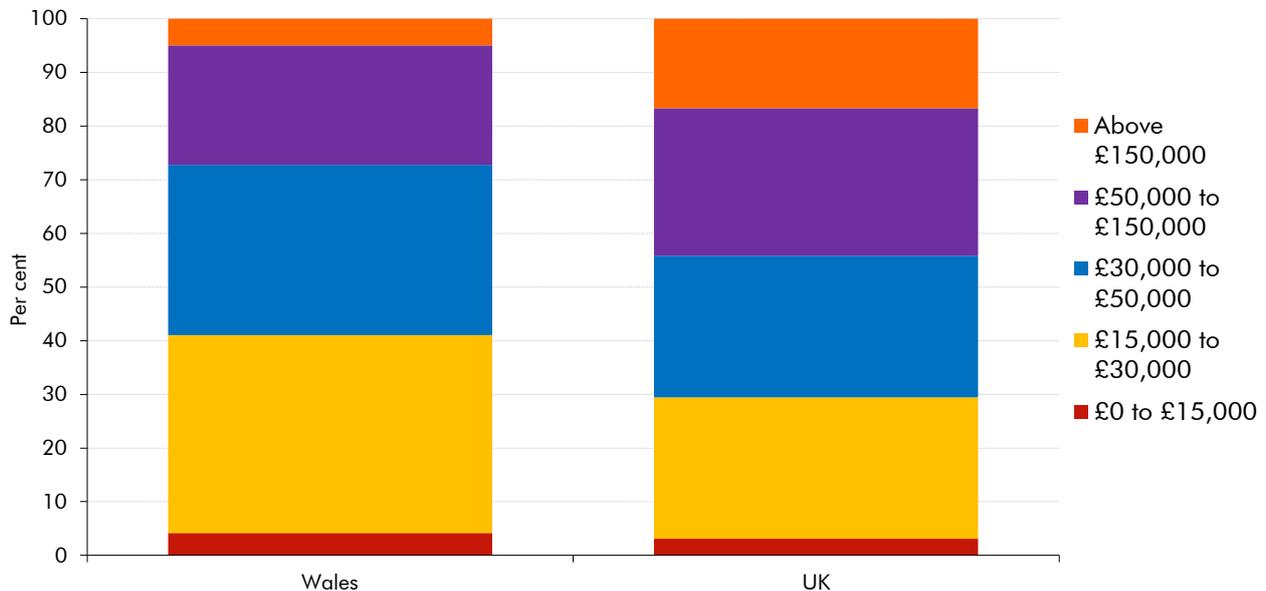
Note: Data unavailable for 2008-09 so the proportional shares are based on interpolation from the adjacent years.

Source: HMRC, OBR

2.25 In part this reflects the progressive income tax structure interacting with lower average incomes – for example, all else equal there will be a higher share of tax paid at the basic rate in Wales than there is in the UK as a whole. But it also reflects the shape of the income distribution. Chart 2.7 compares total taxpayer income grouped by income bands between Wales and the UK, as recorded in the 2021-22 SPI. It shows that taxpayers earning over £50,000 accounted for 44 per cent of total taxpayer income in the UK, around two-thirds higher than the equivalent share for Wales. This is reflected in the share of total tax paid at each income band, with 70 per cent of total tax paid in the UK coming from those earning over £50,000, compared with 47 per cent in Wales. Fiscal drag has also increased the proportion of taxpayer income from earnings above £50,000, with the share increasing by 3 percentage points in 2021-22 in both Wales and the UK as a whole, with a corresponding fall in the share attributed to lower earnings.

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Chart 2.7: Proportion of total taxpayer income in the UK and Wales by income band



Source: HMRC, OBR

The share of Welsh income liabilities subject to the Welsh rates

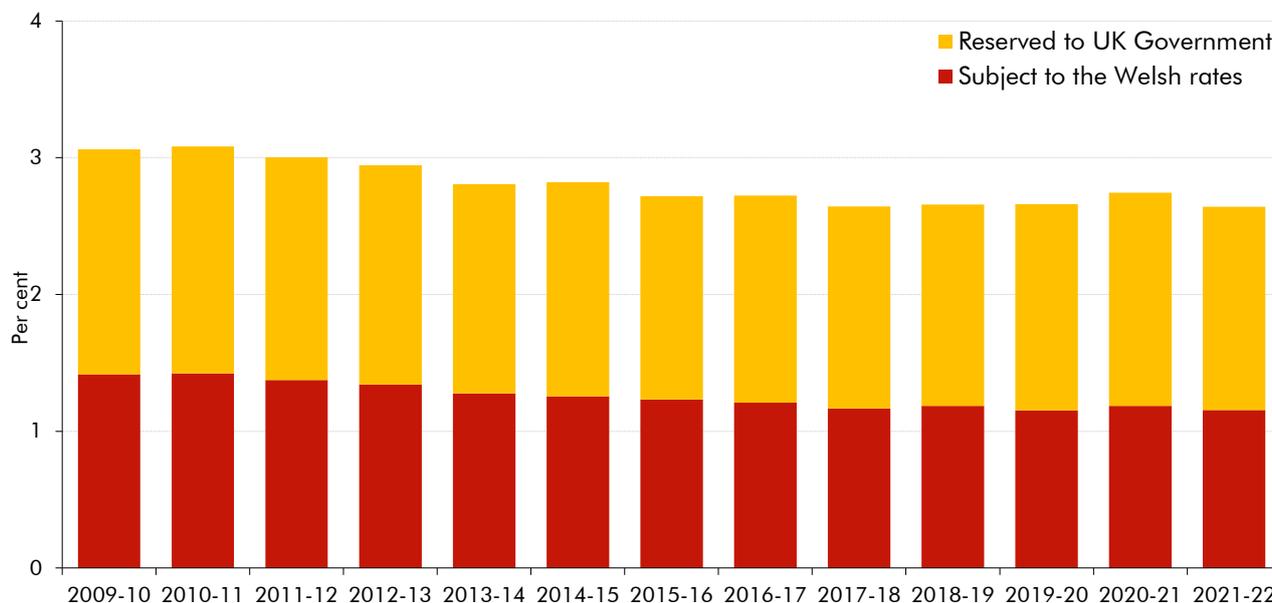
2.26 The final step in estimating the share of UK income tax liabilities that will be subject to the Welsh rates is a mechanical one. We estimate the share of Welsh NSND income that will be taxed in each tax band and then calculate the relevant fraction of it that would be covered by the first 10p – i.e. 50 per cent for income taxed at the basic rate, and so on. Chart 2.8 shows all the income tax collected from Welsh taxpayers as a proportion of total UK income tax (2.6 per cent in 2021-22) and compares it to the amount actually devolved – i.e. the share that would be subject to the Welsh rates (1.2 per cent in 2021-22).¹¹

2.27 As described earlier, we use our UK-level macroeconomic forecasts with only a few adjustments to forecast Welsh income tax liabilities. Our central assumption is that the variables that determine tax bases in Wales and the UK move broadly in parallel, with the downside and upside risks around this assumption evenly balanced. This means that we effectively assume that the pre-measures Welsh share remains unchanged over the forecast period, once in-year RTI outturn and any population projections are accounted for. Our working paper last year showed that the factors that lead to differences in tax liabilities in the UK and Wales grew steadily, if only modestly, from 2007-08 until 2015-16. But since then, the Welsh share has remained broadly flat, which supports our approach of assuming that these tax bases broadly move together (and therefore that the Welsh share is unchanged beyond the current forecast year). Further divergence (in line with the pre-2015-16 trend), or a period of convergence, therefore represent downside and upside risks to our forecast, respectively. Our current approach, which focuses on employment income, helps to mitigate much of this risk, since it allows us to calibrate (using timely RTI data – see

¹¹ Rates were not devolved until 2019-20, so years prior to this are presented for illustrative purposes only.

below) the most significant factor driving both receipts from the Welsh rates and the Wales-UK divergence.¹²

Chart 2.8: Welsh shares of total UK income tax liabilities: all tax from Welsh taxpayers versus the Welsh rates of income tax



Source: HMRC

Forecasting the share of income tax liabilities subject to the Welsh rates

2.28 From these starting points, we adjust our forecast for the overall Welsh share in three ways:

- RTI earnings:** we extrapolate between 2021-22 and 2024-25 using HMRC's estimate of outturn Welsh income tax liabilities in 2022-23, and RTI data thereafter (which captures PAYE earnings). The latter source provides the Welsh share of total pre-tax employee earnings (i.e. the product of employee numbers and average earnings). In the absence of timely information on other forms of NSND income, such as SA income that falls within NSND, we assume that the RTI earnings data are representative of the total. Applying this approach to date has suggested that it provides a reasonable guide to movements in NSND income shares.
- Population:** beyond 2024-25, we factor in relative population growth rates to reflect the different projected growth rates based on the most recent ONS population projections, which were released in January 2022. These show the Welsh share of the UK population continuing to decline, which we would expect to reduce the Welsh share of income taxpayers.¹³ We adjust for this using an index of the Welsh share of the UK's adult population, with separate indices for the working-age population (those aged 16 to 65) and the pension-age population (those aged 66 and over), weighting both by

¹² The paper does, however, set out several areas for future forecast development work. See Murphy Corkhill, J., M. Hanson, and S. Johal, *OBR Working Paper No.21: Developments in devolved income tax*, October 2023.

¹³ See Box A.2 in Annex A of our 2018 *Fiscal sustainability report* for a discussion of the fiscal risks that might be associated with demographic trends in the constituent nations of the UK.

Welsh rates of income tax

the proportion of NSND income tax paid by each group. This approach captures trends in both the ageing as well as the size of the population. We will consider the case for further refining this in the future.

- We include adjustments for **gift aid and previously announced policies** that have been or will be implemented between the SPI base year (2021-22) and the end of our forecasts, and that are expected to affect the Welsh share, such as the freeze in income tax thresholds to 2027-28.

2.29 Finally, we calculate the share of all Welsh income tax subject to the Welsh rates. For the forecast years this is done via HMRC's 'personal tax model', which is based on outturn SPI data, and follows the same methodology that is used to estimate the share subject to the Welsh rates in outturn.

New policy costings

2.30 Our post-measures forecast is produced by adding the effects of new policies announced since our previous forecast. The introduction of the Welsh rates and the associated terms of the fiscal framework mean that we now need to assess the effect of new policies on each individual band of income tax, rather than simply their overall cost or yield.

2.31 Many of the general sources of uncertainty around policy costings that we routinely highlight are likely to be amplified as we disaggregate costings by geography and tax band. For that reason, we believe a top-down approach is appropriate, making sufficient allowance for asymmetric effects across countries and bands, while not seeking spurious precision.

Latest Forecast

UK income tax forecast

2.32 As set out in Chapter 1, our latest forecast for UK NSND income tax is based on the economy forecast published in our October 2024 *EFO*, while Table 2.3 reports the rates and thresholds that we use. The previous UK Government froze the personal allowance (PA) and higher-rate threshold (HRT) from 2021-22 to 2027-28, meaning that all of the parameters in Table 2.3 are fixed until then. From 2028-29, all thresholds rise in line with CPI inflation, meaning that they increase in the final two years of the forecast.

Table 2.3: UK Government and Welsh Government income tax parameters

	Per cent					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
UK Government tax rates for Welsh taxpayers						
Basic rate	10	10	10	10	10	10
Higher rate	30	30	30	30	30	30
Additional rate	35	35	35	35	35	35
Welsh rates of income tax						
Basic rate	10	10	10	10	10	10
Higher rate	10	10	10	10	10	10
Additional rate	10	10	10	10	10	10
Total income tax rates						
Basic rate	20	20	20	20	20	20
Higher rate	40	40	40	40	40	40
Additional rate	45	45	45	45	45	45
£						
Tax thresholds (reserved to the UK Government)						
Personal allowance	12,570	12,570	12,570	12,570	12,820	13,080
Higher rate	50,270	50,270	50,270	50,270	51,320	52,380
Additional rate	125,140	125,140	125,140	125,140	125,640	126,160

Note: Shaded cells represent policy baselines assumed for forecasting purposes. We assume that Welsh rates will remain unchanged until the Welsh Government states otherwise.
Source: OBR

2.33 Table 2.4 sets out the forecast for UK NSND income tax liabilities that underpins our Welsh rate of income tax forecast. UK-wide NSND income tax liabilities are forecast to rise by 11.3 per cent from £228 billion in 2022-23 to £253 billion in 2023-24. This is £1.6 billion lower than in our December 2023 *WTO* forecast and £6.7 billion lower than we forecast in our March 2024 *EFO*, largely due to a downwards revision in the pre-measures forecast.

2.34 Receipts are then forecast to grow by £29.2 billion (11.5 per cent) in 2024-25, and by £13.7 billion on average a year (4.5 per cent) thereafter. This is significantly higher than both our December and March forecasts. The increase is driven by stronger near-term growth in PAYE outturn receipts in 2024-25, stronger nominal earnings growth across the forecast, and continued frozen income tax thresholds which generate additional fiscal drag.

2.35 The forecast includes several UK Government policies announced in the Autumn Budget, which together raise £4.8 billion by 2029-30:

- A package that increases **employer National Insurance contributions (NICs)**, mainly via an increase to the rate and a lower secondary threshold; a package of **compliance and tax debt measures**; and a series of changes to the taxation of assets (such as further changes to the non-domicile regime). Together, Budget measures directly raise yield by £2.7 billion in 2025-26, and by amounts rising to £4.5 billion in 2029-30.
- Alongside the direct effects of these tax rises, the significant overall fiscal loosening in this Budget provides a further short-term increase to NSND liabilities via the **indirect**

Welsh rates of income tax

effects of the overall fiscal package on the economy. The overall impact is partially offset by the indirect effects of the employer NICs changes, which reduce wages and employment. This overall boost to demand raises NSND income tax by £3.7 billion in 2025-26, before declining to £0.4 billion in 2029-30, as the impact of the temporary fiscal stimulus fades.

	£ billion							
	Outturn				Forecast			
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
December 2023 forecast	226.4	254.8	270.0	281.9	296.0	311.6	325.7	
March 2024 forecast	229.2	259.9	275.8	288.6	302.5	316.5	329.2	
December 2024 forecast	227.6	253.2	282.4	301.9	315.3	327.2	337.9	351.0
Difference from December to December	1.2	-1.6	12.4	20.0	19.2	15.6	12.2	
Difference from March to December	-1.6	-6.7	6.6	13.3	12.8	10.8	8.7	
<i>of which:</i>								
UK NSND outturn alignment		-1.9	-2.1	-2.3	-2.4	-2.5	-2.5	
Pre-measures forecast		-4.8	6.7	9.1	8.7	7.8	6.4	
UK Government policies			2.1	6.5	6.4	5.4	4.9	4.8
<i>of which:</i>								
Direct effects			0.4	2.7	2.9	3.0	3.5	4.5
Indirect effects			1.7	3.7	3.5	2.4	1.4	0.4

Source: OBR

Share subject to Welsh rates

2.36 Table 2.5 shows our latest forecast for the Welsh share and the change since December and March. It is presented on a pre-measures basis because the impact of new policy measures is captured in cash terms rather than via the share. On this basis, the Welsh share is down slightly from our December and March forecasts, by 0.02 percentage points each on average. This largely reflects weaker-than-expected Welsh rates outturn data in 2022-23, and then weak in-year RTI outturn first four months of 2024-25 (together with revisions to the ONS-derived population shares).

	Per cent of UK total for non-savings, non-dividend liabilities							
	Outturn	Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
December 2023 forecast	1.16	1.17	1.17	1.18	1.18	1.18	1.18	
March 2024 forecast	1.16	1.17	1.17	1.17	1.17	1.17	1.17	
December 2024 forecast (pre-measures)	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Difference from December to December	0.00	-0.01	-0.02	-0.03	-0.03	-0.02	-0.02	
Difference from March to December	-0.01	-0.01	-0.02	-0.02	-0.02	-0.01	-0.01	
<i>Memo: population index</i>		100.00	99.87	99.78	99.72	99.66	99.54	99.42
<i>Change in population index since March</i>		0.00	-0.05	-0.05	-0.06	-0.07	-0.07	
<i>Memo: RTI index (2022-23 = 100)</i>		100.20	99.68	99.68	99.68	99.68	99.68	99.68
<i>Change in RTI index since March</i>		-0.24	-0.76	-0.76	-0.76	-0.76	-0.76	
<i>Memo: combined index</i>		100.2	99.6	99.5	99.4	99.3	99.2	99.1

Source: OBR

Latest forecast for the Welsh rates of income tax

- 2.37** Table 2.6 sets out our latest forecast for the Welsh rates of income tax and a breakdown of the changes since December and March, while Table 2.7 shows the forecast by tax band. Relative to December, we have revised down the forecast by £48 million in 2023-24, reflecting the downward revisions to UK NSND liabilities. But we have revised up the forecast in all years from 2024-25 onwards, by an average of £113 million (3.3 per cent), with the difference peaking at £148 million in 2026-27. These upward revisions largely reflect the combined impact of changes to our UK NSND forecast (larger driven by strong earnings growth) and the impact of UK Government Budget measures.
- 2.38** Relative to March, the forecast is up by an average of £70 million (2.0 per cent). These changes also largely reflect upward revisions to our UK-wide forecast, which increase the forecast by £63 million on average a year and account for 90 per cent of the revisions since March. UK Government Budget policies (described above) also contribute £64 million on average a year. Revisions to the Welsh share partially offset these increases. Differences between our December 2023 and March 2024 forecasts explain the remainder of the difference between our current and December 2023 WTO forecasts. Changes in March largely reflected higher-than-expected UK NSND outturn data as a result of the identification of additional PAYE receipts discovered in outturn by HMRC.

Welsh rates of income tax

Table 2.6: Welsh rates of income tax forecast

	£ million							
	Outturn	Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
December 2023 forecast	2,616	2,972	3,171	3,322	3,487	3,668	3,827	
March 2024 forecast	2,649	3,032	3,233	3,377	3,534	3,700	3,845	
December 2024 forecast	2,618	2,924	3,257	3,462	3,635	3,782	3,903	4,060
Difference from December to December	2	-48	86	140	148	114	76	
Difference from March to December	-31	-109	24	85	101	81	58	
<i>of which:</i>								
Welsh share modelling		-31	-52	-54	-48	-46	-46	
UK NSND outturn alignment		-22	-25	-26	-27	-28	-29	
UK NSND forecast changes		-56	78	106	102	91	74	
UK Government policies			23	58	74	64	59	68
<i>of which:</i>								
Asset tax rises			2	8	23	28	34	51
HMRC anti-avoidance and compliance			1	6	7	7	7	8
Other direct effects			0	1	4	2	2	5
Indirect effects			20	43	40	27	16	4

Source: OBR

Table 2.7: Welsh rates forecast of tax liabilities on NSND income by tax band

	£ million							
	Outturn	Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
December forecast	2,618	2,924	3,257	3,462	3,635	3,782	3,903	4,060
<i>of which:</i>								
Basic rate	2,225	2,464	2,726	2,881	3,010	3,118	3,219	3,348
Higher rate	333	371	430	471	505	537	550	569
Additional rate	61	89	101	111	120	126	134	143
	Per cent							
Basic rate	85.0	84.3	83.7	83.2	82.8	82.5	82.5	82.5
Higher rate	12.7	12.7	13.2	13.6	13.9	14.2	14.1	14.0
Additional rate	2.3	3.0	3.1	3.2	3.3	3.3	3.4	3.5

Source: OBR

Key Uncertainties

2.39 There are several sources of uncertainty around our forecast for income tax liabilities subject to the Welsh rates, some of which we outline earlier in the chapter. We summarise some of the most important remaining ones here.

Employment and inactivity

2.40 In the immediate aftermath of the pandemic, the number of working-age people classed as inactive in the UK jumped by almost 690,000 at its peak, and has risen since to 840,000

above pre-pandemic levels. This was primarily driven by individuals citing long-term sickness as their principal reason for remaining out of the labour market.¹⁴ We explored the long-term fiscal impacts of the health of the working-age population in our latest *Fiscal risks and sustainability* report, which showed that tax revenues could reduce by 0.6 per cent of GDP under a ‘worse health’ scenario in the longer term.¹⁵ Inactivity in Wales has historically been relatively high and, as with the UK as a whole, rose sharply in the post-pandemic period. If inactivity deviates from our central forecast, then it poses a downside risk to our forecast and any future impacts could have disproportionate impacts on Wales.

Growth of productivity and average earnings

2.41 Our UK-wide and Welsh income tax forecasts are sensitive to the assumptions we make about growth in labour productivity, which is the key determinant of real earnings growth. In our October 2024 *EFO* we forecast annual average productivity growth of around 1 per cent over the next five years. While this is higher than the $\frac{2}{3}$ per cent growth rate in the decade following the financial crisis, it is well below the $2\frac{1}{4}$ per cent rate seen in the decade preceding the crisis. In our November 2023 *EFO* we estimated that $\frac{1}{2}$ a per cent higher of lower growth in productivity would reduce or raise UK Government borrowing by around £40 billion in 2029-30. This remains our most important and uncertain forecast judgement. Factors that will affect productivity growth include developments in international trade, domestic supply-side reform, and global technological progress.

The Survey of Personal Incomes base data

2.42 The representativeness of the geographical and income distributions reported in the SPI base data is important for our forecasts. The SPI is designed to be representative at the UK level, but the sample is not stratified by geography (i.e. smaller sample sizes in each geographical area mean it is likely to be less representative at those levels than it is at the UK level). In the latest version, the confidence interval around the SPI estimate of tax liabilities at the UK level was just 0.4 per cent, but for Wales it was a more material 3.5 per cent. Sampling variation – in particular due to the small number of observations of high-income taxpayers in Wales – is therefore one key source of risk to the forecast. We have the outturn data for Welsh income tax liabilities and so can calibrate forecasts to the outturn share. However, uncertainties around the input data for our Welsh rates forecast remain a risk.

¹⁴ See Chapter 2 of our 2023 *Fiscal risks and sustainability report*.

¹⁵ See Chapter 3 of our 2024 *Fiscal risks and sustainability report*.

Box 2.1: Evaluating our forecasts for the Welsh rates of income tax for 2022-23

HMRC published 2022-23 outturn data for the Welsh rates in July 2024. Assessing the performance of our forecasts is important for transparency and accountability, while also helping us to understand and identify ways to improve them. We will publish a detailed assessment in our 2024 WTO update accompanying the final Budget next year. Ahead of this we present a preliminary discussion in this Box. Table A presents the outturn data alongside our six forecasts of 2022-23, for both the Welsh rates and the pre-measures Welsh share of UK NSND income tax.

Table A: Successive forecasts for Welsh rates of income tax and the share of pre-measures liabilities subject to the Welsh rate (2022-23)

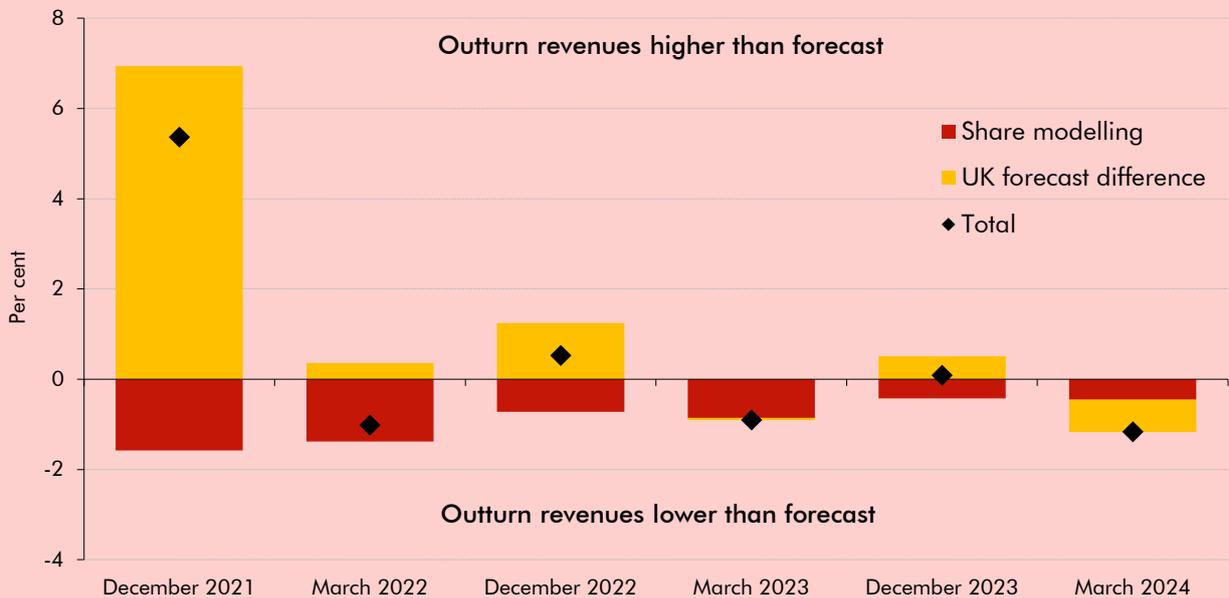
	Outturn	Forecast					
		Dec 2021	Mar 2022	Dec 2022	Mar 2023	Dec 2023	Mar 2024
Welsh rates (£ million)	2,618	2,478	2,645	2,604	2,642	2,616	2,649
Difference from outturn (£ million)		-140	27	-14	24	-2	31
Welsh share (per cent)	1.15	1.16	1.17	1.17	1.17	1.16	1.16
Difference from outturn (per cent)		0.01	0.02	0.02	0.02	0.01	0.01

Source: HMRC, OBR

Chart A breaks down the overall differences between the same six forecasts and the outturn for 2022-23 into those relating to the UK NSND forecast and those resulting from our estimate of the share of the total subject to the Welsh rates. At a high level, it shows that we underestimated the Welsh share on every occasion, whereas we overestimated the UK NSND forecast four out of six times. This is in contrast to our 2021-22 forecasts, where the reverse was true. On a forecast-by-forecast basis:

- **In December 2021, we underestimated receipts by 5.4 per cent.** This large difference is driven by the unprecedented uncertainty in the aftermath of the Covid pandemic. The underestimate is more than explained by the UK NSND forecast, with UK-wide receipts recovering more strongly than we anticipated in December 2021, in part due to the strength seen in nominal earnings wage growth amid the high inflation seen from late 2021 onwards, amplified by the outbreak of the war in Ukraine. This is slightly offset by our overestimation of the Welsh share.
- **In the five forecasts thereafter, the average absolute forecast error has been much lower at 0.7 per cent.** The March 2022 forecast error was 1.0 and declined to 0.1 per cent in December 2023. The forecast error in March 2024 was 1.2 per cent, due to an underestimate of UK-wide liabilities and of Welsh liabilities. We underestimated receipts in three of these forecasts, and overestimated receipts in two, resulting in an overall error of 0.5 per cent, excluding our December 2021 forecast, showing that our forecasts are not biased in any one direction.

Chart A: Successive forecast differences for Welsh rates of income tax (2022-23)



Source: HMRC, OBR

The post-December 2021 performance of our forecast does not suggest that there is a bias or persistent source of error in our forecast of Welsh rates of income tax. Nevertheless, we will continue to look for ways to improve the forecast. For example, since we began forecasting the Welsh rates of income tax, we have refined our ‘population’ index by splitting this into working-age and pension-age populations. We will continue to seek additional gains from the use of RTI data, particularly at a more disaggregated level, further decompose our analysis of employment income by sector, age and qualification, and consider whether the UK Government’s successive above-inflation increases in the personal allowance during the 2010s (and the subsequent freezes in all thresholds) disproportionately impacted Wales.

Welsh rates of income tax

3 Land transaction tax

Introduction

3.1 This chapter:

- describes the **introduction of land transaction tax (LTT)** in Wales and compares it to the stamp duty land tax (SDLT) regime in operation in England and Northern Ireland;
- outlines our **methodology for forecasting LTT** and explores trends in **property prices and transactions** in Wales that drive growth in the LTT tax base;
- presents our **latest forecasts** and explains how they have changed over the last year; and
- discusses some of the key **risks and uncertainties** around these forecasts.

Land transaction tax

3.2 Land transaction tax (LTT) replaced stamp duty land tax (SDLT) in Wales from April 2018.¹ It is an *ad valorem* transaction tax levied on the transfer of a property. LTT has many of the same features as SDLT including different treatment for residential and commercial properties, a tax-free threshold, and a surcharge on the purchase of additional residential property properties. But there are some notable differences: LTT has different rates and thresholds; it does not include a relief for first-time buyers; and it is collected by the Welsh Revenue Authority (WRA) rather than by HMRC.

Forecast methodology

3.3 The methodology for generating our LTT forecasts involves three steps.² These are:

- First, we produce an **in-year receipts estimate** that uses monthly receipts outturn data from the WRA as its starting point. Typically, we gross up the year-to-date receipts by assuming the remainder of the year follows a similar path to previous years, augmented as necessary by information about the short-term outlook for the property market and economy.

¹ Both taxes are broadly based on the historical 'stamp duty', one of the oldest forms of taxation having been originally introduced on a range of products in 1694. The original duty required legal documents associated with a transaction to be authenticated by means of a physical 'stamp'. Stamp duty was replaced with SDLT in December 2003.

² For more detail on our forecast methodology see Chapter 3 of our December 2019 *Welsh taxes outlook* and the 'Welsh taxes outlook' page of our website.

Land transaction tax

- Next, we generate our medium-term **pre-measures forecast** using four separate models – one each for residential main rates, the additional properties surcharge, commercial sales, and commercial leases.³ The models aggregate transactions within relatively small segments of the property market, calculating the tax due on the average price in each segment, and then projecting that forward in line with our forecasts for prices and transactions.⁴
- Finally, we add estimates of the effects of any **new policy measures** to produce our post-measures forecasts.

Property market determinants of the forecast

- 3.4 By far the most important driver of our forecast for LTT receipts over the medium term is our forecast for growth in the value of property transactions, which in turn reflects assumptions about prospects for property prices and the volume of transactions. Activity in both the Welsh and UK-wide property markets has rebounded over the first half of 2024, with both prices and transactions proving more resilient than we previously expected.

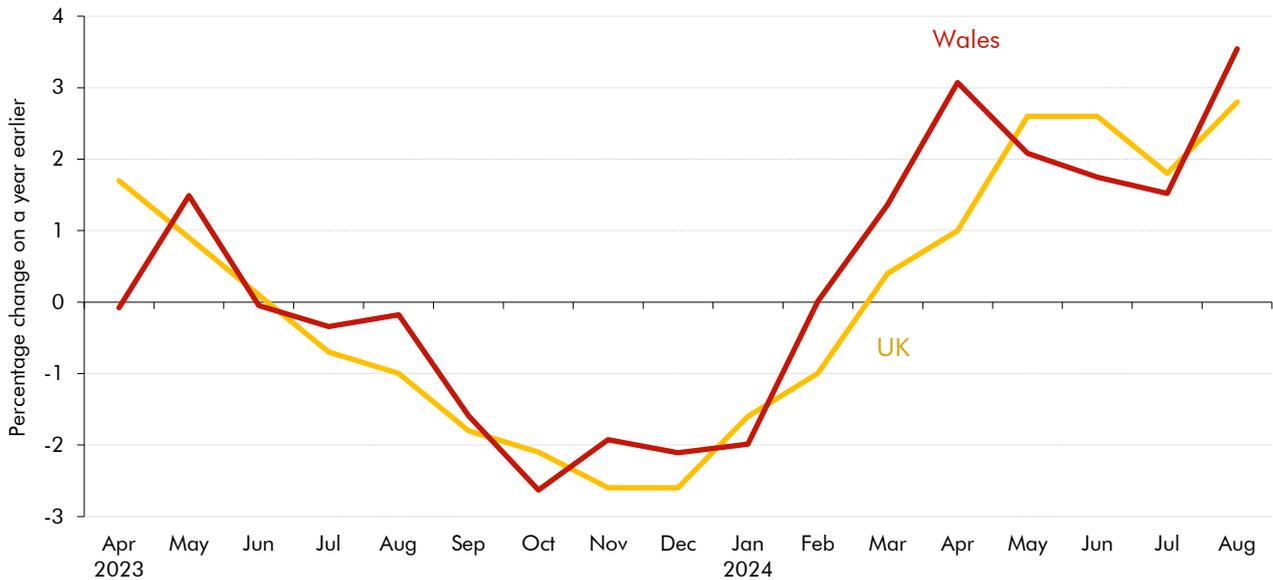
Property prices

- 3.5 Chart 3.1 shows that annual **house price growth** reached a low of -2.6 per cent in October and November 2023 in Wales and the UK respectively, with demand affected by higher interest rates. However, since early 2024 house prices have been steadily increasing in both Wales and the UK, with price growth in both Wales and the UK hovering around 3 per cent in recent months. The housing market has shown more resilience than expected which is consistent with stronger GDP growth than expected in the first half of 2024.

³ These models are operated on our behalf by analysts in the Welsh Government, but the underlying forecast assumptions and judgements are those of the OBR's Budget Responsibility Committee.

⁴ The methodology for forecasting these is set out in the 'In-depth' pages of our website.

Chart 3.1: House price growth: Wales versus the UK as a whole



Source: ONS

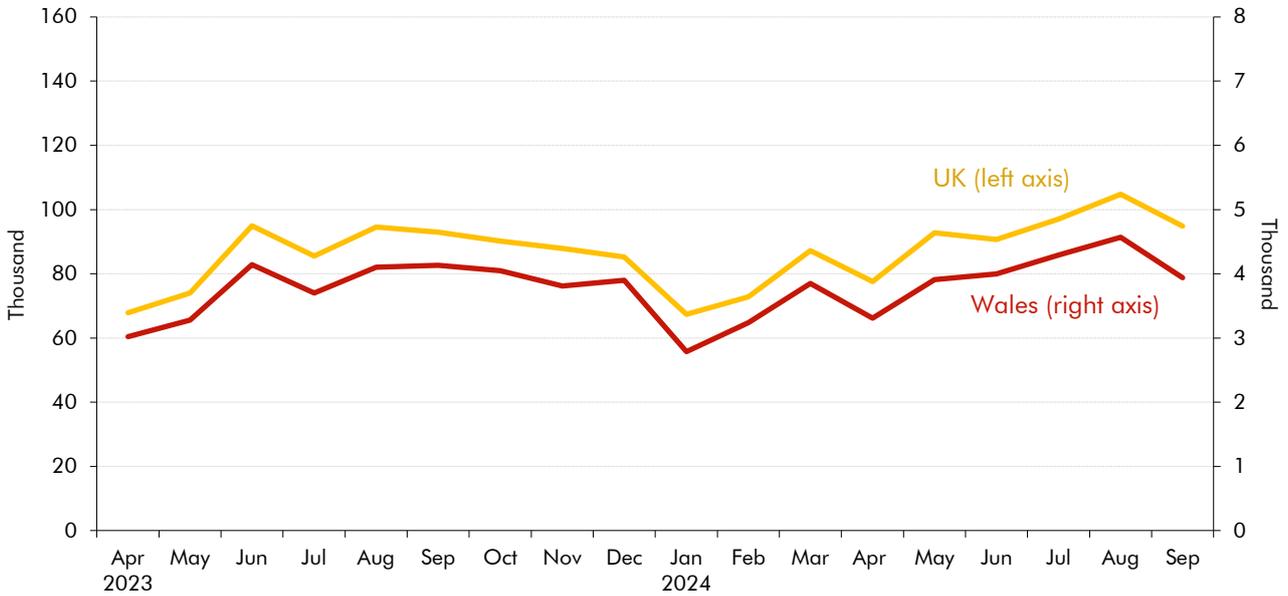
3.6 Commercial property prices (as measured by the average price of transactions recorded by the respective tax authorities) in Wales increased by 45.5 per cent in the first half of 2024-25, relative to 2023-24, following a fall of 22.4 per cent in the corresponding period in 2023-24. In contrast, prices fell by 9.1 in the UK over the equivalent period in 2024-25. Commercial property prices are typically much more volatile than residential prices as they can be affected by individual large transactions. Welsh commercial prices are based on under 2,000 transactions each quarter, so they can be particularly influenced by single large transactions.

Property transactions

3.7 Monthly residential property transactions in Wales and the UK as a whole have followed a broadly similar path over the past 18 months (Chart 3.2). In both cases transactions in the first six months of 2024-25 have been higher than the equivalent period in 2023-24. Transactions in Wales in the year to date are 7.4 per cent higher, while the equivalent rise in the UK is 9.4 per cent. This follows falls of 17.8 for the whole of 2023-24 relative to 2022-23, in both Wales and the UK.

Land transaction tax

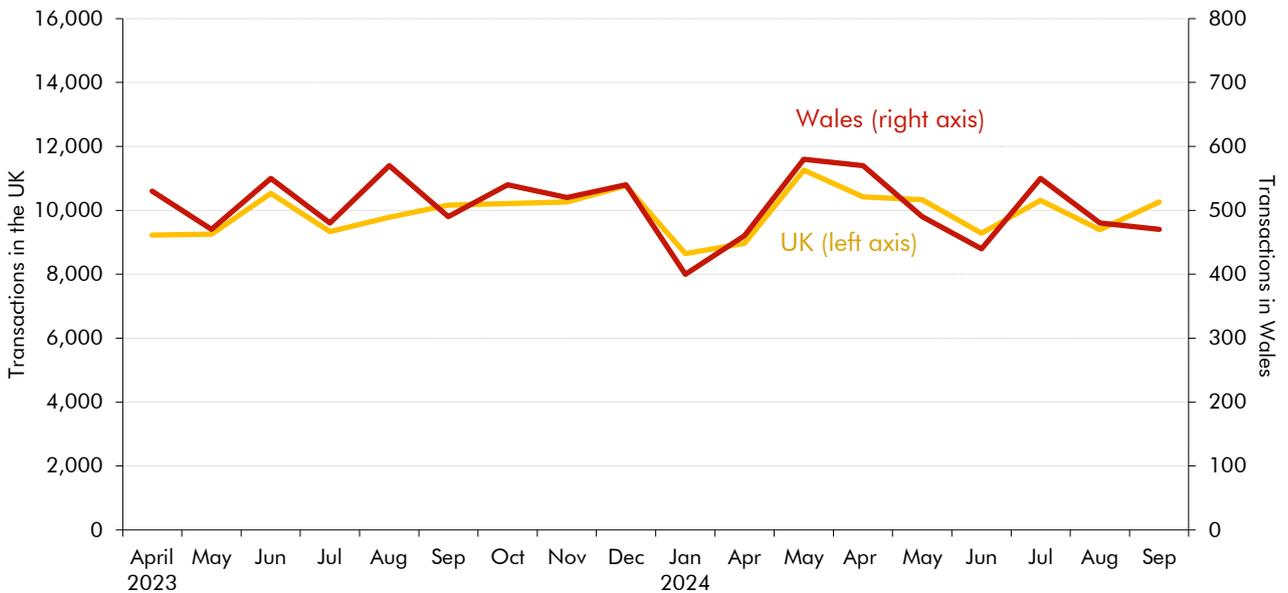
Chart 3.2: Residential property transactions



Source: HMRC, WRA

3.8 Commercial property transactions in Wales have largely mirrored those in the UK as a whole for much of 2023-24 and 2024-25 (Chart 3.3). However, there has been a slight divergence recently with year-to-date transactions down 2.9 per cent in Wales but up 3.0 per cent in the UK as a whole, compared to the same period in 2023-24.

Chart 3.3: Commercial property transactions

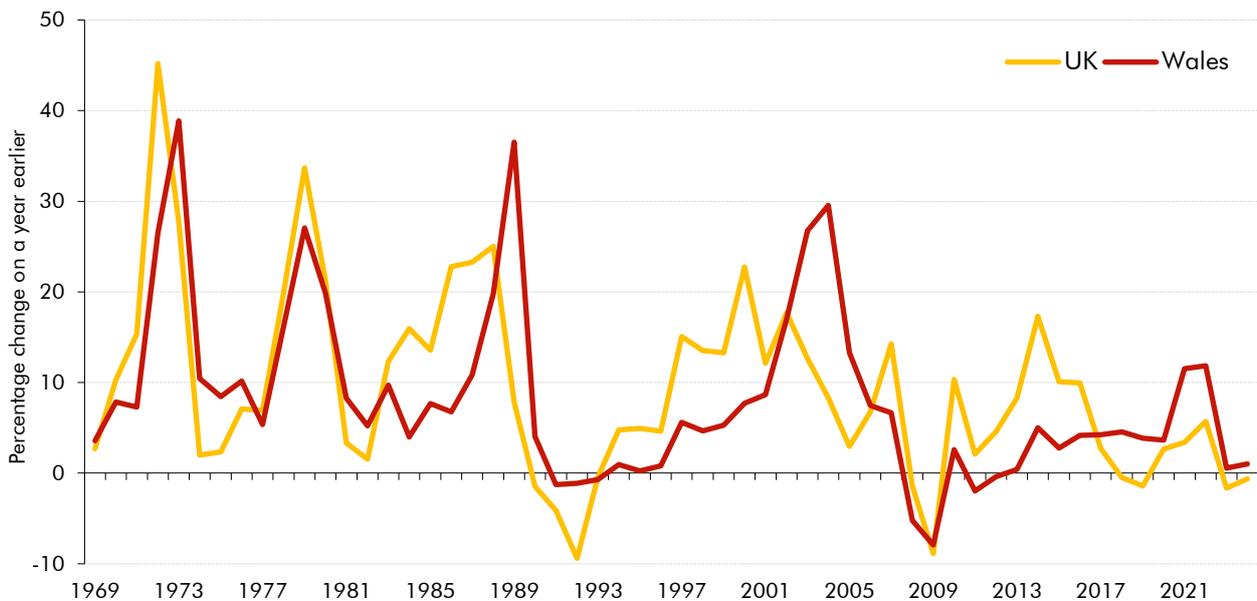


Source: HMRC, WRA

Forecasts for property market determinants

- 3.9** Our forecasts for property transaction taxes are underpinned by our UK-wide property market forecasts. We assume Welsh prices and transactions move in line with those for the UK as a whole, unless there are clearly reasons to depart from that. In practice, any assumed divergence typically uses different Welsh house price assumptions in the near term before assuming convergence from the second or third year of the forecast. Chart 3.4 shows that, historically, house prices in Wales have followed a similar path to those in the UK as a whole, with relatively few periods of short-term divergence.
- 3.10** In this forecast we assume house prices and transactions in UK and Wales move together across the forecast period. This is consistent with the historical pattern discussed above and with recent outturn data showing that developments in Wales during the first half of 2024-25 have been similar to those in the UK (Chart 3.1 and Chart 3.2).

Chart 3.4: Historical trends in house prices



Source: Land Registry

- 3.11** We have revised up our UK and Welsh house price forecasts in 2024-25 since our February forecast, due to the stronger-than-expected outturn data. Rather than fall slightly, as we expected in February, prices are now expected to rise by 2.5 per cent on last year. Thereafter price growth is assumed to be just slightly below the previous forecast. This means average house prices are higher than February throughout the forecast, due to their recent strength. Residential transactions have also been revised up significantly in 2024-25 relative to February, reflecting the same strength in outturn. In the medium term, annual growth is revised down as we expect fewer net additions to the housing stock, which reduces supply.

Land transaction tax

3.12 We assume that commercial prices fall slightly in 2024-25 and grow modestly thereafter, with small near-term upward revisions relative to our February forecast. Because the strength seen in the year-to-date commercial prices in Wales has been influenced by a single large transaction (explained in paragraph 3.6), we have assumed that this strength does not persist through the forecast period. Annual growth in commercial transactions has been revised down by around 4.0 percentage points in the next two years, leading to a steadier path across the forecast.

Table 3.1: Forecasts for Welsh property prices and transactions

	Percentage change on previous year						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Residential property prices	-0.8	2.5	1.1	2.4	2.9	3.0	3.0
Residential property transactions	-17.1	11.7	5.7	6.2	6.0	4.1	2.7
Commercial property prices	-9.2	-0.5	3.3	1.8	1.8	1.9	2.0
Commercial property transactions	-3.2	1.3	1.5	1.9	1.8	1.7	1.7
	Change since February forecast						
Residential property prices		7.4	0.0	-1.2	-0.8	-0.8	
Residential property transactions		15.1	-2.7	-5.0	-5.3	-5.2	
Commercial property prices		0.8	1.7	0.2	0.0	0.0	
Commercial property transactions		2.6	-4.6	-3.5	-0.1	-0.1	

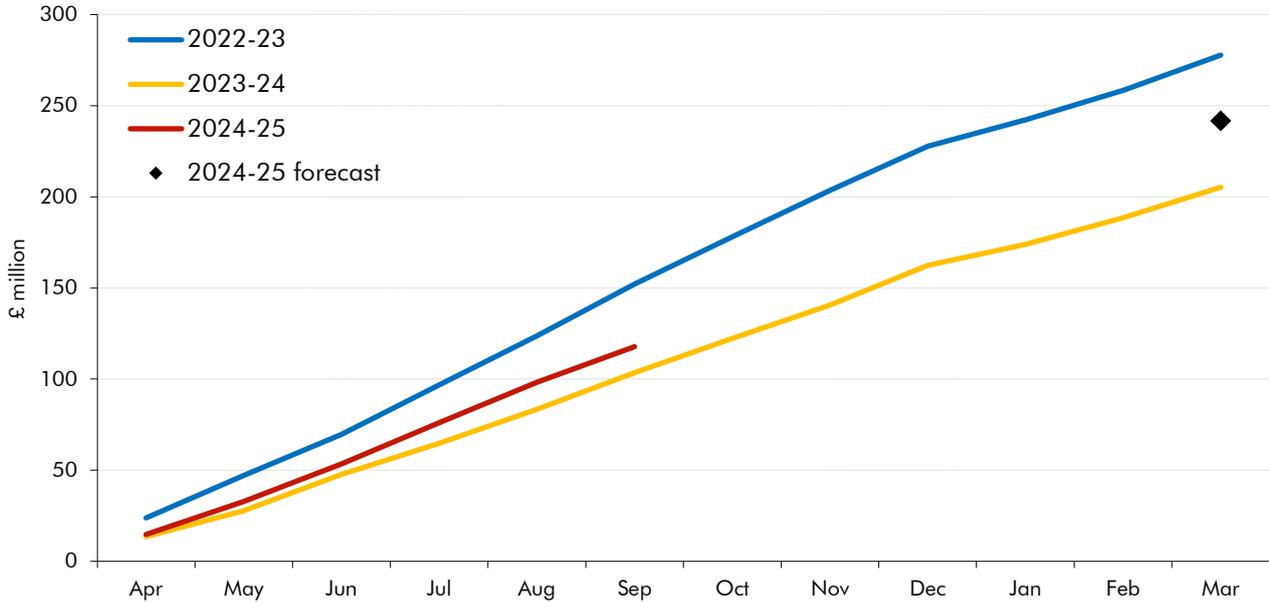
Source: OBR

Trends in LTT receipts

Residential property receipts

3.13 Chart 3.5 shows that residential LTT receipts (net of refunds) in the first six months of 2024-25 are up £14.3 million (13.8 per cent) on 2023-24 but down £34.4 million (22.6 per cent) on 2022-23. We expect this strength to continue in the second half of the year, with total receipts in 2024-25 forecast to be £35.5 million (17.3 per cent) above 2023-24 outturns.

Chart 3.5: Cumulative residential LTT receipts

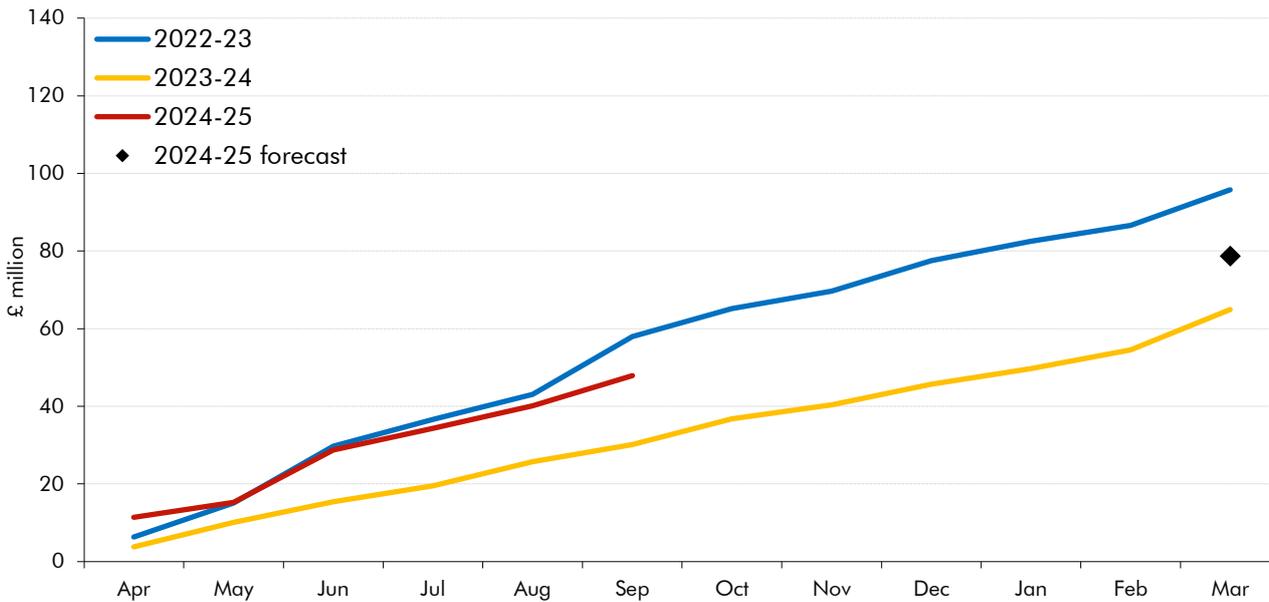


Source: WRA, OBR

Commercial property receipts

3.14 Chart 3.6 shows that year-to-date commercial receipts are down £10.1 million (17.4 per cent) on 2022-23, but are significantly up by £17.8 million (59.1 per cent) on 2023-24. As this strength is in large part driven by the single large transaction outlined in paragraph 3.6, we expect revenues to slow slightly in the remaining months of the year, ending up overall £13.8 million (21.3 per cent) lower than in 2023-24.

Chart 3.6: Cumulative commercial LTT receipts



Source: WRA, OBR

Latest LTT forecasts

3.15 Table 3.2 sets out our latest forecast for LTT and its components. Relative to February, receipts have been revised up in every year of the forecast and by an average of £51 million (16 per cent). We forecast receipts to grow by £211 million across the whole forecast period, largely driven by residential receipts.

Table 3.2: LTT forecast

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Total LTT							
February forecast	270	244	271	317	367	429	
December forecast	270	319	338	371	410	446	481
Difference		76	66	55	44	17	
Residential (excluding additional properties)							
February forecast	140	120	134	163	197	234	
December forecast	140	167	179	202	230	256	281
Difference		47	45	40	33	21	
Additional properties							
February forecast	62	58	66	78	90	112	
December forecast	62	74	90	98	106	113	119
Difference		16	24	20	16	0	
Commercial							
February forecast	67	65	71	76	79	83	
December forecast	67	79	68	71	74	77	81
Difference		13	-3	-5	-5	-5	

Source: OBR

Residential LTT forecast

3.16 Table 3.3 sets out the revisions to our residential LTT forecasts since February. Residential main rates have been revised up in every year of the forecast, by an average of £37 million a year (22 per cent). This is mainly driven by improvements to our residential prices and transactions forecasts, reflecting a more positive outlook for the housing market compared to our February forecast.

3.17 Table 3.4 presents the changes to our additional rates forecast, which has also been revised up relative to February until 2027-28, by an average of £19 million a year (26 per cent), before returning to a similar position as in our February forecast in 2028-29. This is initially largely driven by increases to our prices and transactions forecast, before this effect diminishes.

3.18 The Welsh Government has also announced a 1 percentage point increase to the residential higher-rate bands, with effect from 11 December 2024. This increases the additional rates

forecast by £11 million on average a year from 2025-26 onwards.⁵ The static increase in receipts resulting from this change is partly offset by changes in prices and transactions. Only the flat 5 per cent higher rate, i.e. the 'surcharge' paid on all transactions on additional dwellings, is included in our additional rates forecast, with the portion of LTT on additional dwellings transactions that simply mimics the regime for primary residences reflected in our main rates forecast. This means that the reduction in transactions as a result of the policy change is expected to reduce main rates receipts by an average of £3 million a year.

Table 3.3: Residential main rates LTT forecast

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
February forecast	140	120	134	163	197	234	
December forecast	140	167	179	202	230	256	281
Difference		47	45	40	33	21	
<i>of which:</i>							
Price changes		26	29	29	31	31	
Transaction changes		22	20	14	6	-6	
Outturn data and modelling		0	0	0	-1	-1	
Policy changes		-1	-4	-3	-3	-3	

Source: OBR

Table 3.4: Residential additional rates LTT forecast

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
February forecast	62	58	66	78	90	112	
December forecast	62	74	90	98	106	113	119
Difference		16	24	20	16	0	
<i>of which:</i>							
Price changes		5	5	5	5	5	
Transaction changes		11	9	5	1	-3	
Outturn data and modelling		-4	-4	-5	-6	-17	
Policy changes		4	14	15	16	16	

Source: OBR

Commercial LTT forecast

3.19 Table 3.5 shows changes to our commercial LTT forecast relative to February. Receipts have been revised up by £13 million (20 per cent) in 2024-25 but then revised down thereafter by an average of £4 million a year (6 per cent). Receipts in 2024-25 have been revised up due to stronger than expected outturn in recent months, partly due to one large transaction. We assume this is a one-off and we therefore do not push this strength through the forecast.

⁵ Changes to multiple dwellings relief and additional LTT compliance activity explain the remainder of the 'policy changes' line within the additional rates forecast. We describe these in more detail in paragraph 1.6.

Table 3.5: Commercial LTT forecast

	£ million						
	Outturn		Forecast				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
February forecast	67	65	71	76	79	83	
December forecast	67	79	68	71	74	77	81
Difference		13	-3	-5	-5	-5	
<i>of which:</i>							
Price changes		1	2	3	3	3	
Transaction changes		2	-1	-4	-4	-4	
Outturn data and modelling		11	-4	-4	-4	-4	
Policy changes		0	0	0	0	0	

Source: OBR

Risks and uncertainties

- 3.20** In this section we summarise some key uncertainties around our central LTT forecast. These are again dominated by the risks to property prices and transactions given the outlook for interest rates and the uncertain path for CPI inflation. The risks are evenly balanced. On the downside, there is the risk that nominal earnings and inflation continue to be more persistent than expected, leading to higher interest rates. But it is also possible that interest rates will fall more quickly than expected, for example if economic growth does not recover as we expect. It is also the case that house prices could continue to show more resilience to higher interest rates than we anticipated in recent forecasts.
- 3.21** The commercial property market is generally sensitive to the overall economic outlook, but there are also uncertainties from potential changes in the composition of economic activity, such as greater prevalence of working from home or further growth in online retailing.
- 3.22** In this forecast we have not assumed any divergence in house prices or transactions between Wales and the UK as a whole, and so this remains a source of uncertainty, although the paths of both have been relatively similar in the UK and Wales in recent months.
- 3.23** Other risks relating to our LTT forecasts include:
- **Mapping property market determinants to the true tax base.** It is challenging to map from the whole property market to only those transactions that will be subject to LTT. Only a very small minority of all potential taxpayers will pay LTT in any given year, which differs from many other taxable activities, where taxpayers incur a liability year after year. There are around 1.4 million dwellings in Wales, but there were only around 44,000 residential transactions in 2023-24, and of these only a portion will be liable for LTT as main rate transactions below £225,000 are exempt from tax. Any changes in the composition of transactions relative to composition in recent outturn data will generate forecast errors.

- **Tax base concentration.** LTT has a progressive tax schedule: a £250,000 residential transaction will pay £1,500 in tax, whereas a transaction for four times this price (£1,000,000) pays over forty times more tax (£61,750). In 2023-24 around half of residential revenue came from the top 10 per cent of transactions. Our LTT forecast is also sensitive to a small number of high-value commercial property transactions. This is true historically and helps to explain past errors, both in the in-year position and the medium-term forecast.
- **Frequent policy changes.** The property transaction tax regime has been subject to repeated policy changes. These changes, especially when they are pre-announced, add uncertainty to our forecasts in respect of how taxpayers will respond to the new tax incentives they face. This applied to the temporary raising of both the LTT and SDLT thresholds at the height of the pandemic.
- **Forestalling.** Where rises in property taxes are pre-announced it allows for purchases to be brought forward in order to be taxed at the existing lower rate – this is known as ‘forestalling’. The reverse is also true if tax cuts are pre-announced, with buyers incentivised to defer transactions to benefit from the lower rate. While it is a regularly observed phenomenon, it is difficult to gauge the precise size of the behavioural response and the number of affected transactions, though we do use evidence from past episodes to guide us.⁶
- **Future LTT policy changes.** Our forecasts only include the effects of current stated policies, and not policy intentions or ambitions that are under consideration (reflecting the requirements placed on us by the UK Parliament when establishing the OBR). The Welsh Government has announced a public consultation on extending the refund period for the additional rates in exceptional circumstances, such as when there is unsafe cladding⁷ which would be likely to reduce receipts.⁸ We will include its effect, and those of other policy ambitions, when the policy is sufficiently firm and costed.⁹

⁶ For more detailed information on this see Mathews, P., *OBR Working Paper No.10: Forestalling ahead of property tax changes*, October 2016.

⁷ Written Statement by the Minister for Finance and Local Government, *Land Transaction Tax higher residential rates refund period extension where exceptional circumstances apply*, 16 November 2021.

⁸ In July 2022, the Welsh Government published a ministerial statement and consultation response document exploring options for local variation in LTT rates on second homes and are continuing consultation preparations for the introduction of this policy (Written Statement by the Minister for Finance and Local Government, *A summary of the responses to the consultation on second homes and land transaction tax*, 15 July 2022).

⁹ Another policy ambition is the December 2022 announcement on the intention to extend the Help to Buy Wales scheme until March 2025 (Written Statement by the Minister for Climate Change, *The future of Help to Buy Wales from April 2023*, 14 December 2022).

Land transaction tax

4 Landfill disposals tax

Introduction

4.1 This chapter:

- describes the **landfill disposals tax** levied in Wales;
- sets out our **methodology** for forecasting receipts; and
- presents our **latest forecast** and some **key uncertainties** around it.

Landfill disposals tax

4.2 Landfill tax was introduced in the UK in 1996. It applies to all waste disposed of by way of landfill at a licensed site unless the waste is specifically exempt. In Wales it was replaced with landfill disposals tax (LDT) from April 2018. The Welsh Government has said that LDT is designed to “*promote positive environmental behaviours through greater prevention of waste to landfill sites and to encourage the reuse, recycling and recovery of waste*”.¹

4.3 LDT is charged per tonne of waste disposed of at a landfill site. It is payable by landfill site operators, who are expected to pass the costs onto those making the disposals. A small number of disposals are exempt from LDT, while some reliefs and discounts are also available. The tax is collected by the Welsh Revenue Authority (WRA). The Welsh Government has kept the rates consistent with those in the rest of the UK since LDT was introduced.

4.4 Our forecast is driven by the amount of waste sent to landfill and the effective tax rate that will be paid. The latter largely depends on policy decisions on rates, but also on the composition of waste sent to landfill as there are three different rates – a ‘standard rate’, a ‘lower rate’ and an ‘unauthorised disposals rate’. In 2023-24 revenue from standard rate waste accounted for 94 per cent of total revenue from LDT.

Forecast methodology

4.5 The LDT forecast uses a bottom-up model operated on our behalf by analysts in the Welsh Government. The assumptions and judgements that are fed into it are those of the Budget Responsibility Committee. The forecast methodology is straightforward – the main steps are:

¹ Welsh Government, *Landfill Disposals Tax (Wales) Bill 2016: Impact Assessments*.

Landfill disposals tax

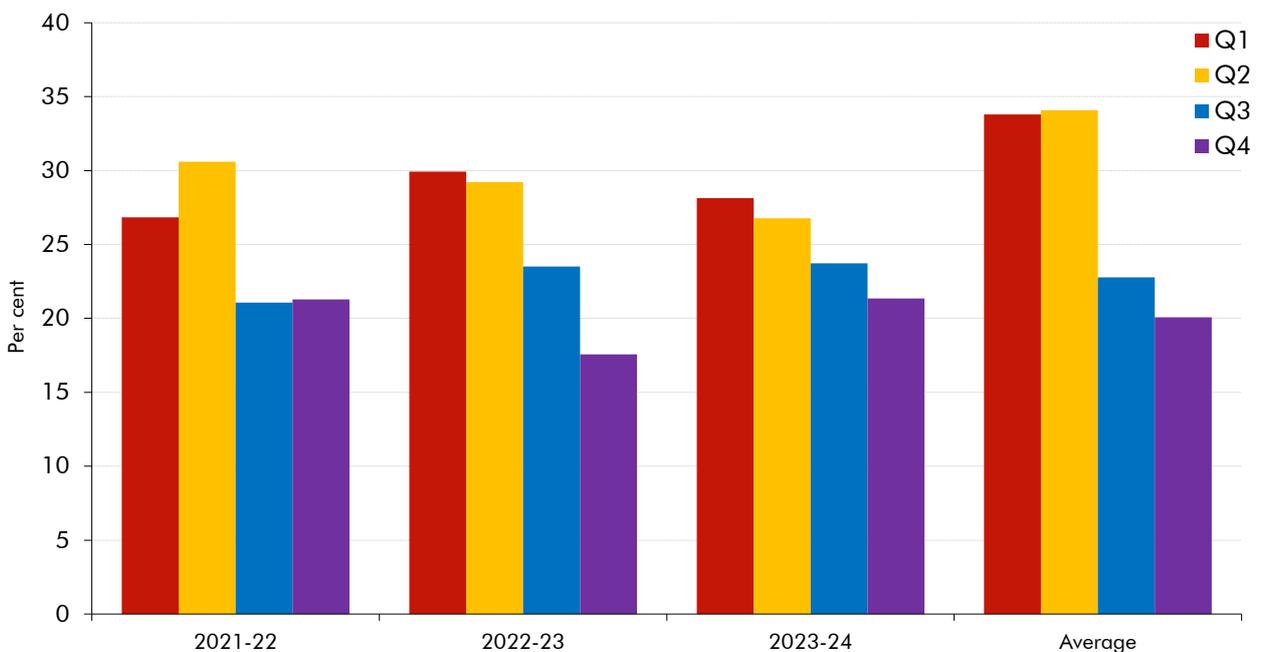
- establishing an **in-year estimate** drawing on the latest administrative data (and other relevant sources) to estimate the level of receipts in the current year;
- from the base provided by this current year estimate, produce a medium-term **pre-measures forecast** by using the LDT forecast model to multiply the amount of liable waste forecast to be sent to landfill (the tax base) by the relevant duty rate; and
- generating a **post-measures forecast** by adding the effects of any new policy measures.

Establishing an in-year estimate

4.6 Most LDT returns are received by the WRA at the end of April, July, October and January (returns must be sent by the last working day of the month following the end of the accounting period). The WRA uses this information to publish LDT receipts outturn data on a quarterly basis.²

4.7 Our in-year forecast in this WTO is based on outturn data from the first half of 2024-25. Chart 4.1 shows the quarterly split of annual LDT receipts from 2020-21 onwards, which shows a degree of seasonality in the amount of waste that is disposed of at landfill sites. Typically, the highest share of receipts come in the first and second quarters of the year. The exception to this in recent years was the lockdown-affected first quarter in 2020-21. Since 2021-22, the average share of full revenues received in the first half of the fiscal year has been 57 per cent.

Chart 4.1: Percentage of annual landfill taxes receipts from each quarter



Source: Welsh Revenue Authority

² Most landfill site operators have a calendar year annual accounting period. A smaller number of site operators use different accounting periods, which means that monthly data releases could be disclosive. We do not draw on the WRA’s unpublished monthly administrative data when preparing our in-year estimates.

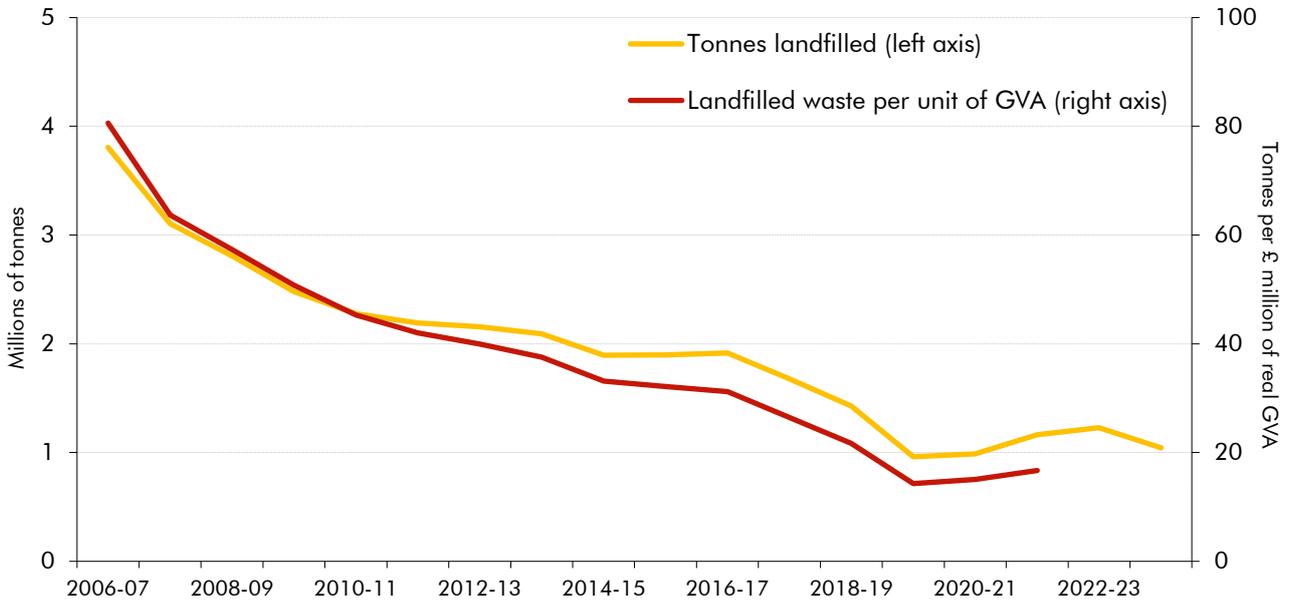
The pre-measures forecast

Tax base: the volume of waste sent to landfill

- 4.8 The volume of waste sent to landfill in future years is forecast by calibrating data from Natural Resources Wales (NRW) with the outturn data from the WRA. Our model sorts these data by 'European waste catalogue' code into tonnages liable to the standard and lower rates of LDT. This allows us to remove waste that is exempt from LDT. The LDT-liable tonnages are then projected forward using information on local authority waste management plans, waste infrastructure developments, and an assumption about the future path of other waste.
- 4.9 There are several alternatives to sending waste to landfill sites, including:
- **Recycling and incineration**, the levels of which depend on the capacity of available Welsh infrastructure. Given the relatively small tax base in Wales, changes in alternative waste treatment infrastructure can lead to relatively large effects on LDT receipts.
 - **Exporting waste**, which can be cheaper than sending it to landfill. There are currently two external factors that may limit the volume of exports over the medium term – any changes to the UK's trading relationship with the EU and the Chinese Government's ban on the imports of solid waste. Each could increase the amount of waste sent to UK and Welsh landfill (including waste generated in England) and represent an upside risk to LDT receipts. The extent to which these or other factors have already affected LDT receipts would be implicitly captured in our in-year estimate, rather than via an explicit forecast adjustment.
- 4.10 We do not explicitly model the use of these alternatives. Instead, we assume they provide sufficient headroom to accommodate future growth in waste arising without affecting the volume of landfilled waste. The granular level of information available to us on Welsh infrastructure means that we can factor in expected changes when we need to.
- 4.11 The volume of waste sent to landfill in the UK as a whole has been trending down. Chart 4.2 shows there was a similar pattern in Wales until recent years. The volume sent to landfill fell by more than 70 per cent between 2006-07 (3.8 million tonnes) and 2023-24 (1.0 million tonnes). However, since 2019-20 this decrease has stalled, with a small increase seen in 2021-22 and 2022-23. Chart 4.2 also shows that up to 2019-20, progressively less waste has been sent to landfill per unit of gross value added (GVA – a measure of economic activity). We assume that the level of waste sent to landfill follows recent trends, with the lower rate remaining constant over the forecast period, and the standard rate following a downward trend, but there is uncertainty around this judgement.

Landfill disposals tax

Chart 4.2: Landfill waste tonnage in Wales relative to Welsh economic activity



Source: National Resources Wales, ONS

The effective rate of landfill disposals tax paid

- 4.12 There are two main rates for LDT – a ‘standard’ rate and a ‘lower’ rate. The lower rate applies to waste that is ‘inert’ – i.e. less hazardous or less polluting materials such as bricks, concrete and sand. The standard rate applies to everything else that is neither exempt (see below) or unauthorised.³
- 4.13 Our pre-measures forecast assumes that the standard rate and lower rate of LDT both increase in line with RPI inflation in each year of the forecast (in line with the UK Government’s default indexation assumption).⁴
- 4.14 As with UK landfill tax, LDT legislation allows for both exemptions and reliefs. Where a disposal is exempt, for example within a pet cemetery, there is no tax liability, and the site operator does not need to record it on a tax return. Where a disposal is eligible for a relief, such as when it contains material removed from water by dredging, it needs to be accounted for by the site operator, but the relief can be claimed via the tax return. The effective rate paid depends not just on statutory rates and exemptions, but also the composition of waste disposals. In 2023-24, the effective rate paid was £28.20 per tonne of waste sent to landfill. In the first two quarters of 2024-25 the effective tax rate paid rose to £36.5 per tonne of waste, as a result of an increase in the share of standard rate waste.

³ The Welsh Government has also introduced a third ‘unauthorised disposals’ rate that applies to all disposals that are made outside of authorised landfill sites, regardless of whether they would have qualified for the standard or lower rates. This rate is set at 150 per cent of the standard rate. The 2024-25 rate for such disposals has been set at £155.55 per tonne of waste. It is set to rise to £189.25 in 2025-26.

⁴ All rates are subject to approval by the Senedd.

Post-measures forecast

4.15 The final stage in our forecast process is to add the effect of new policy measures that have been announced since our previous forecast was published. For landfill tax and LDT, these effects are typically small, although they can still be subject to some uncertainty. For example, the UK Government’s Autumn Statement 2023 policy introducing a new ‘extended producer responsibility’ scheme that requires packaging producers to incur the cost of managing the packaging once it becomes waste, and a Welsh Government workplace recycling measure which came into effect on 6 April 2024 and required all businesses, charities and public sector organisations to sort their waste for recycling.⁵ Both schemes are expected to lower landfill tax receipts by reducing the amount of waste sent to landfill.

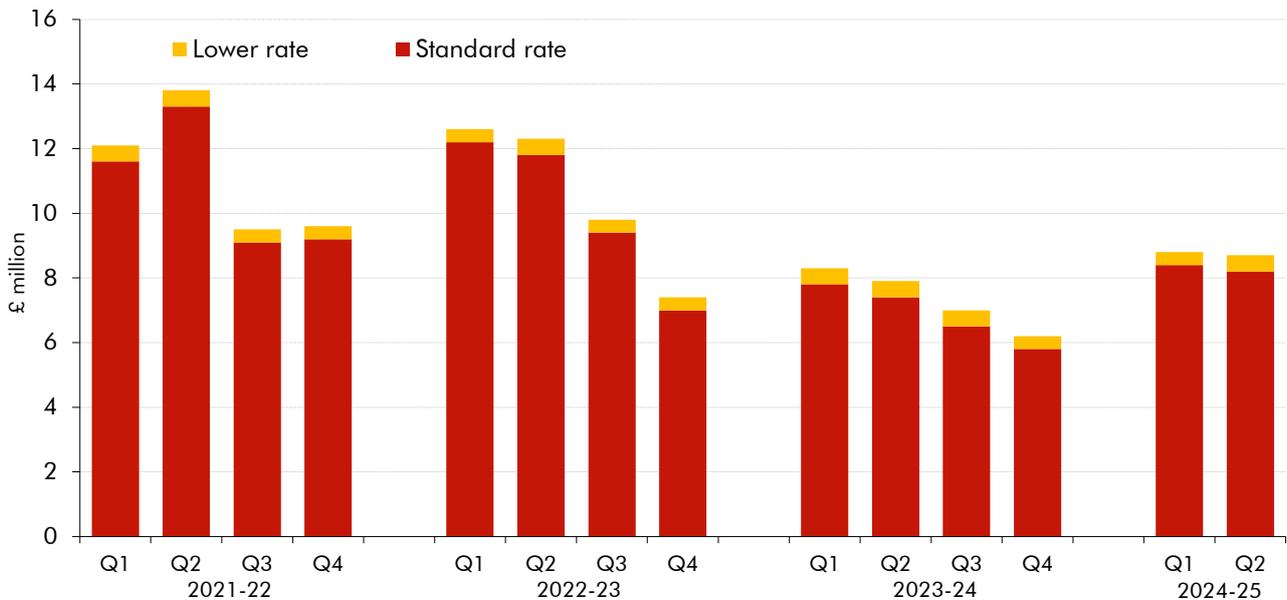
Landfill disposals tax forecast

4.16 Using the methodology described above and based on LDT outturn data for the first two quarters of 2024-25, this section describes our latest forecast and changes since February.

Receipts outturn

4.17 Chart 4.3 shows that receipts in the first half of 2024-25 are up by £1.3 million (8 per cent) on the same period last year, driven by an increase in the amount of standard-rated waste sent to landfill. Relative to last year we expect receipts to remain higher throughout the remainder of 2024-25, with forecast receipts totalling £30.7 million. Relative to the longer-term time series, however, LDT revenue remains historically low.

Chart 4.3: Quarterly LDT receipts



Source: Welsh Revenue Authority

⁵ Welsh Government, *Workplace Recycling, let's get it sorted*.

Landfill disposals tax

Latest forecast

4.18 Since our February forecast, we have revised receipts up by £3 million in 2024-25 and an average of £6 million each year thereafter, an average annual increase of 24 per cent. This reflects two factors:

- first, **the higher-than-anticipated volume and share of standard-rated waste in the first half of 2024-25** described above, which we assume continues in future years (which accounts for around half of the revision); and
- second, the **policy change to increase the standard and lower rates of LDT** (described in paragraph 1.6) also increases the forecast by an average of £3 million a year from 2025-26 onwards. The standard rate in Wales now aligns with the standard rate for landfill tax in England and Northern Ireland which was raised in the UK Government's March 2024 Budget. This is in contrast to the forecast underpinning our October 2024 EFO, prior to the Welsh Government Budget announcement on 10 December that equalised the standard rate with English landfill, which included some English waste crossing the border to Wales to avail of a lower standard rate.

Table 4.1: LDT forecast

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
February forecast	30	28	26	25	25	24	
December forecast	30	31	32	31	31	30	29
Difference		3	6	6	6	6	
of which:							
Outturn data		2	2	2	2	2	
Modelling and other		0	1	1	1	1	
LDT rates increase policy		0	3	3	3	3	

Source: OBR

Risks and uncertainties

4.19 This section summarises some of the main uncertainties around our central LDT forecast. We would not expect the risk posed by any of these to be particularly large. They include:

- The **net volume of waste arising** is assumed to remain constant over the forecast period. Changes in Welsh infrastructure, such as increases in incineration, mean that the forecast for tonnes of waste sent to landfill has previously trended down. As Chart 4.2 showed, waste sent to landfill has decreased over time, but in recent years this trend has levelled off. This illustrates the scope of the tax base to surprise us on either side of our central forecast.
- All taxes are subject to a degree of **non-compliance**, ranging from simple errors to deliberate criminal activity. At the UK level, HMRC uses statistical techniques to

measure the difference between the theoretical tax liability and what is actually paid, the 'tax gap'. Its latest estimate of the tax gap for the UK landfill tax is 14.5 per cent or £100 million.⁶ There is no estimate for the LDT tax gap, but if the gap were the same in percentage terms, then this would imply that around £5 million of potential receipts in 2023-24 were not collected. We do not yet have sufficient information on the WRA's LDT compliance activities to take a firm view so, for now, our forecast implicitly assumes no change in the (currently unknown) rate of non-compliance in future years. Any changes in that rate would pose a risk to receipts.

- LDT on **unauthorised disposals** is not a self-assessed tax, with the tax liability instead arising from the WRA identifying suitable cases and issuing charging notices. The WRA began issuing notices to potential taxpayers in 2021-22, and in 2022-23 they successfully charged their first two cases to the LDT unauthorised disposals rate of tax.⁷ The WRA plans to increase its operational activities over the coming years, which could lead to additional revenue. The amount collected would depend on resources, planning and the risks of litigation.
- Our forecast implicitly assumes that there is sufficient **incineration and recycling capacity** in Wales to absorb any increase in waste arising. These assumptions would need to be revisited if there were problems with infrastructure capacity, for example if a large incinerator were to be offline for a significant period or new capacity were delayed. Such events would imply a higher share of total waste being sent to landfill than implicitly assumed in our forecast and therefore higher LDT receipts.
- **Behavioural responses to policy changes.** The Welsh Government had previously aligned LDT rates with those for UK landfill tax. The Welsh Government has in its Draft Budget chosen to keep the standard rate aligned with that in landfill tax in the UK, but has increased the lower rate relative to the UK lower rate. Therefore, we now expect some waste to be diverted across the border. A significant share of waste being sent to landfill in Wales originates in England.⁸ Moreover, as Figure 4.1 shows, there are numerous landfill sites relatively close to the Welsh-English border, so there is clearly scope for such behavioural responses to take place following this policy divergence (although waste in scope of the lower rate is only a small proportion of the overall tax base).⁹ The degree to which this may occur would depend on how the potential tax saving will compare to the transport and other costs associated with sending waste to a landfill site subject to the lower tax rates. This represents a risk to our forecast. Similarly, the behavioural response to the new business recycling regulations remains uncertain.

⁶ This relates to 2021-22. For more detail see HMRC's *Measuring tax gaps 2023 edition*.

⁷ Welsh Revenue Authority, *Annual Report and Accounts 2022 to 2023*, September 2023.

⁸ Data from Natural Resources Wales show that in each year from 2018-19 to 2023-24, waste from England accounted for 16 per cent of overall waste sent to landfill in Wales.

⁹ The 60-mile corridor from the border is purely illustrative.

Landfill disposals tax

Figure 4.1: Landfill sites in Wales and within 60 miles of the border with England



A Forecasts required for the block grant adjustments

- A.1** The block grant is a mechanism for transferring funds from the UK Government to the devolved governments and is allocated from within the departmental spending limits set by the Treasury. The block grants for the Welsh and Scottish Governments are adjusted in accordance with their respective fiscal frameworks.¹ The OBR has no direct involvement in these spending decisions or block grant negotiations, but the spending settlements do draw on our tax forecasts.
- A.2** When a tax is devolved, the block grant is reduced by an amount equivalent to the revenue that would have been raised by the UK Government had those taxes not been devolved. This annex presents the forecasts that are required for this block grant adjustment mechanism. These largely relate to the UK Government's revenue from the taxes that are equivalent to those that have been devolved. For the three taxes covered in this report, the corresponding UK Government tax (relating to England and Northern Ireland in each case) is 'non-savings, non-dividends' income tax, stamp duty land tax and landfill tax.
- A.3** The forecast methodologies for the Scottish and UK Government taxes are largely the same as those described for Wales in Chapters 2 to 4 and on the relevant pages of our website. We first establish an in-year estimate using the latest administrative data to estimate the level of receipts in 2024-25. We then project that over the five-year horizon using the respective forecast models and our own judgements. The economic determinants used are from our October 2024 *Economic and fiscal outlook*.
- A.4** Tables A.1 to A.4 compare our current forecasts for the devolved Welsh (and Scottish) taxes to their UK Government equivalents (which relate to England and Northern Ireland). Our income tax forecasts reflect the package of policy measures announced by the UK Government in the October 2024 Budget.² In the longer term, differences in our income tax forecasts will mainly reflect assumptions about relative population growth. Differences in our forecasts for property transaction taxes derive from the more progressive structure of the Welsh and Scottish tax schedules, which delivers greater revenue gains from fiscal drag as house prices rise.

¹ *The agreement between the Welsh Government and the United Kingdom Government on the Welsh Government's fiscal framework*, December 2016, and *The agreement between the Scottish Government and the United Kingdom Government on the Scottish Government's fiscal framework*, August 2023.

² The full list of measures and their associated costing breakdowns are provided in supplementary Table 3.11, available on our website.

Forecasts required for the block grant adjustments

Table A.1: Income tax on non-savings, non-dividend income

	£ billion							
	Outturn	Forecast						
		2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Whole UK NSND income tax	227.6	253.2	282.4	301.9	315.3	327.2	337.9	351.0
of which:								
Welsh Government income tax (WRIT basis)	2.6	2.9	3.3	3.5	3.6	3.8	3.9	4.1
UK Government NSND income tax from Wales	3.4	3.9	4.4	4.7	4.9	5.2	5.3	5.6
Scottish income tax	15.2	17.2	19.2	20.3	21.1	21.8	22.4	23.1
England and Northern Ireland NSND income tax	206.3	229.2	255.5	273.5	285.6	296.5	306.3	318.3
UK Government NSND income tax¹	209.8	233.1	259.9	278.1	290.5	301.7	311.6	323.9
		Percentage change on a year earlier						
Whole UK NSND income tax		11.3	11.5	6.9	4.4	3.8	3.3	3.9
of which:								
Welsh Government income tax (WRIT basis)		11.7	11.4	6.3	5.0	4.0	3.2	4.0
UK Government NSND income tax from Wales		13.2	12.4	7.1	5.6	4.6	3.2	4.1
Scottish income tax		13.2	12.1	5.6	3.9	3.3	2.6	3.3
England and Northern Ireland NSND income tax		11.1	11.5	7.0	4.4	3.8	3.3	3.9
UK Government NSND income tax¹		11.1	11.5	7.0	4.5	3.8	3.3	3.9

¹Whole UK NSND income tax excluding Scottish income tax and Welsh Government income tax (WRIT basis).

Source: OBR

Table A.2: Welsh rates and England and Northern Ireland equivalent income tax by band forecast

	£ billion							
	Outturn	Forecast						
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
England and Northern Ireland NSND income tax (WRIT basis)	75.1	83.0	92.3	98.3	102.6	106.2	109.6	113.9
<i>of which:</i>								
Basic rate	49.6	54.6	60.3	63.7	66.3	68.3	70.5	73.2
Higher rate	15.3	15.7	17.8	19.3	20.2	21.1	21.5	22.1
Additional rate	10.2	12.7	14.1	15.3	16.0	16.7	17.6	18.6
Welsh rates	2.6	2.9	3.3	3.5	3.6	3.8	3.9	4.1
<i>of which:</i>								
Basic rate	2.2	2.5	2.7	2.9	3.0	3.1	3.2	3.3
Higher rate	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.6
Additional rate	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
		Percentage change on a year earlier						
England and Northern Ireland NSND income tax (WRIT basis)		10.5	11.2	6.5	4.3	3.5	3.2	3.9
<i>of which:</i>								
Basic rate		10.1	10.6	5.6	4.1	3.0	3.2	3.8
Higher rate		2.9	13.3	8.1	5.0	4.4	1.9	2.6
Additional rate		24.0	11.2	8.4	4.4	4.7	5.1	5.6
Welsh rates		11.6	11.4	6.3	5.0	4.0	3.2	4.0
<i>of which:</i>								
Basic rate		10.7	10.6	5.7	4.5	3.6	3.3	4.0
Higher rate		11.4	16.0	9.4	7.3	6.4	2.3	3.5
Additional rate		45.6	13.7	9.4	8.2	5.5	6.2	7.1

Source: OBR

Table A.3: Property transaction taxes

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Whole UK property transaction taxes	12,664	14,008	16,028	18,400	20,844	23,221	25,307
<i>of which:</i>							
LTT (Wales)	270	319	338	371	410	446	481
LBTT (Scotland)	784	975	1,038	1,120	1,221	1,319	1,411
SDLT (England and Northern Ireland)	11,610	12,713	14,652	16,909	19,213	21,456	23,415
		Percentage change on a year earlier					
Whole UK property transaction taxes		10.6	14.4	14.8	13.3	11.4	9.0
<i>of which:</i>							
LTT (Wales)		18.4	5.8	9.9	10.4	8.8	7.7
LBTT (Scotland)		24.3	6.5	7.8	9.0	8.1	7.0
SDLT (England and Northern Ireland)		9.5	15.2	15.4	13.6	11.7	9.1

Source: OBR

Forecasts required for the block grant adjustments

Table A.4: Landfill taxes

	£ million						
	Outturn	Forecast					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Whole UK landfill taxes	569	588	444	408	295	311	320
<i>of which:</i>							
Landfill disposals tax (Wales)	30	31	32	31	31	30	29
Scottish landfill tax	68	63	37	16	17	17	18
Landfill tax (England and Northern Ireland)	471	494	374	361	248	264	273
		Percentage change on a year earlier					
Whole UK landfill taxes		3.4	-24.6	-7.9	-27.7	5.4	2.7
<i>of which:</i>							
Landfill disposals tax (Wales)		3.4	5.6	-3.1	-2.3	-2.4	-2.4
Scottish landfill tax		-7.5	-41.6	-56.4	3.4	3.1	2.5
Landfill tax (England and Northern Ireland)		5.0	-24.3	-3.6	-31.3	6.5	3.3

Source: OBR

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By virtue of paragraph(s) ix of Standing Order 17.42

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Agenda Item 5

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

WGDB25-26(6)33: Ymateb gan: Grŵp Cyllideb Menywod Cymru (GCMC) Rhwydwaith cydraddoldeb merched (RCM) | Response from: Wales Women's Budget Group and Women's Equality Network (WEN)

Wales Women's Budget Group (WWBG) and Women's Equality Network (WEN) Wales joint submission to the Finance Committee

Welsh Government Draft Budget 2025-26

November 2024

About the Wales Women's Budget Group (WWBG): WWBG is a registered charity, currently housed by the Women's Equality Network (WEN) Wales, which works with government and civil society in pursuit of a more prosperous and gender equal Wales. Bringing together leading economic thinkers, academics, policymakers and women's networks, the WWBG works to influence and inform public policy to promote a gender equal economy in Wales through the use of gender budgeting.

About the Women's Equality Network (WEN) Wales: Our vision is of a Wales free from gender discrimination where all women and men have equal authority and opportunity to shape society and their own lives. We work with our vibrant coalition of organisational and individual members to transform society. Our work sits under three pillars. We will Connect, Campaign and Champion women so our vision is realised.

Key Messages

1. Due to persistent gender inequality, women in Wales – particularly single mothers, disabled women, ethnic minority and racialised women – continue to feel the brunt of high costs of living. While support measures such as hardship payments are welcome, renewed effort and investment are needed to address the systemic drivers of women's economic inequality
2. Lack of affordable and accessible childcare remains a key barrier to gender equality. The Welsh Government should reverse recent cuts to the childcare budget and commit consequential funding that meets the needs of parents, particularly mothers, in Wales.
3. Pressures on the third sector and the Violence Against Women, Domestic Abuse and Sexual Violence (VAWDASV) specialist support services are at an all-time high and likely to increase with rises to employer national insurance contributions. Urgent action is needed to halt the rapid loss of capacity in the Welsh third sector and protect the sustainability of support services.
4. While some steps towards implementing gender budgeting and improving Strategic Integrated Impact Assessments (SIIAs) have been made, the deprioritisation of equalities and human rights in last year's budget highlighted the urgent need for a wider roll out of gender budgeting in Wales to ensure evidence-based, equitable and transparent spending decisions.

Detailed response

1. What, in your opinion, has been the impact of the Welsh Government's 2024-2025 Budget?

- 1.1. While we appreciate the extraordinarily challenging financial circumstances within which the 2024-2025 Budget was produced, we are concerned that this has resulted in the deprioritisation of equalities issues and spending decisions that disproportionately and detrimentally impacted women in Wales.
- 1.2. **Cost of living support:** Persistent gender inequalities mean that women in Wales bear a disproportionate share of caring responsibilities. Due to this unequal position, women in Wales are over 2.5 times more likely than men to be working part-time, and are more likely to

be economically inactive, with 26.7% of women in Wales being economically inactive compared to 20.8% of men¹. Women are also over 3.5 times more likely than men to be economically inactive due to caring responsibilities.² In addition, women dominate some of the most insecure and low-paid sectors, including health and social care as well as food, accommodation and other services, where their representation recently increased.³ As a result, women have less savings and wealth overall and are thus more vulnerable to the economic impacts of successive crises. As we continue to navigate the cost of living crisis, women in Wales – particularly those facing specific intersectional disadvantage – are being pushed into debt and poverty as costs remain high.

1.2.1. In this context, we welcome the cost of living support measures announced in the 2025-2024 Budget. For example, we were pleased to see the Welsh Government's maintenance of the Discretionary Assistance Fund (DAF), which provides a vital lifeline to those on low incomes. The financial and in-kind support provided by the scheme can help to reduce pressure on women's incomes as the cost of essentials remains high. This is particularly important for single parent households, the majority of whom are women, of which one in three are living in relative income poverty in Wales.⁴

1.2.2. We welcome the Welsh Government's continued funding of its *Help to Stay* scheme, which supports homeowners to meet their mortgage repayments as interest rates remain high. We are concerned, however, at the comparative lack of available support for private renters as rental costs continue to soar. With 31% of private rented tenants living in relative income poverty in Wales, there is an urgent need for governmental support to prevent pushing low-income tenants, most of whom are women, further into debt and poverty.⁵

1.2.3. The Welsh Government's Council Tax Reduction Scheme is an essential form of support for lower income households and carers. Its continued funding in the 2024-2025 Budget is therefore welcome. However, it is disappointing that, despite its inclusion in the Local Government Finance (Wales) Bill, work to reform the regressive council tax system in Wales has been delayed until 2028. In the face of continuing shortfalls for local governments in Wales and the possibility of further council tax rises which will disproportionately impact those on low incomes, this delay is regrettable.

1.3. While the above hardship payments and support measures are necessary, we must emphasise that they are short-term measures which do little to address the underlying causes of the crisis and help households cope in the longer term. To ensure that these measures amount to more than temporary sticking plasters, they must be accompanied by concerted efforts to address the structural causes of inequality in Wales. Regrettably, the 2024-25 budget saw key areas of this work being deprioritised.

1.4. Public services: Persistent gender inequalities mean that women are more likely to work in public services, to rely on public services and to become providers of last resort when

¹ Women's Equality Network (WEN) Wales (2024), *State of the Nation 2024*, <https://wenwales.org.uk/wp-content/uploads/2024/09/SON-Report-2024.English.pdf>.

² Ibid.

³ Ibid.

⁴ Welsh Government (2024), *Relative income poverty: April 2022-March 2023*, <https://www.gov.wales/relative-income-poverty-april-2022-march-2023-html>

⁵ Ibid.

services are cut.⁶ Reductions or cuts to public service provision therefore represent a ‘triple whammy,’⁷ for women in the UK. While we welcome the commitment to protect Wales’ frontline services within the 2024-2025 Budget, we are concerned that that levels of support provided were insufficient to help providers meet growing cost pressures. We were also alarmed by the significant cuts in funding for the Welsh Childcare Offer in last year’s budget.

1.4.1. Health and social care: In combination with in-year spending changes announced in October 2023, the Welsh Government has invested over £900million in the Welsh NHS over the past year. With 78% of women working within the sector in Wales and waiting lists totalling over 800000 patient pathways in August 2024, this prioritisation of funding is necessary to address the continuing issues with the NHS.⁸ We are concerned, however, that the same priority has not been given to social care in Wales, which is inextricably linked to frontline NHS services. Imbalances in funding such as that in the 2024-2025 Budget not only result in bottlenecks within the health and social care system, but also disproportionately impact women, who make up 82% of Wales’ social care workforce.⁹ Inadequate support for this sector results in cuts to provision and growing rates of unmet need within the community. As noted by the UK Women’s Budget Group, this ‘often results in women picking up the care unpaid, impacting their own health and access to the labour market.’¹⁰ There is an urgent need to develop a more sustainable and balanced approach to funding health and social care in Wales, which recognises the value and importance of the social care sector alongside the NHS. The Welsh Government must also address the serious issues with recruitment and retention within social care by tackling the prevalence of precarious zero-hour contracts, lack of job security and shortage of progression and training opportunities.

1.4.2. Local Government: Local councils in Wales provide many of the vital public services that women use and need, including social care, childcare, housing and transport. As noted above, women are more likely than men to work in public services and to rely to them in times of crisis. Inadequate funding for local government therefore disproportionately impacts women as employees, service users and service providers of last resort. While we welcome the late allocation of £14.4 million to local authorities in the Welsh Government’s 2024-2025 Budget, we are concerned that this level of support was insufficient to keep pace with the cost pressures and increased demand faced by providers. With local authorities in Wales facing a further shortfall of £559 million in 2025-26, it is vital that more adequate funding is invested in local government to protect the services that women in Wales rely on and work within.¹¹

⁶ UK Women’s Budget Group (2022), *The gendered impact of the cost-of-living crisis on public services*, <https://wbg.org.uk/wp-content/uploads/2022/11/Gendered-impact-of-cost-of-living-crisis-on-public-services1.pdf>

⁷ Ibid.

⁸ WEN Wales (2024), *State of the Nation 2024*; Stats Wales (2024) *Patient pathways waiting to start treatment by month, grouped weeks and stage of pathway*, <https://statswales.gov.wales/Catalogue/Health-and-Social-Care/NHS-Hospital-Waiting-Times/Referral-to-Treatment/patientpathwayswaitingtostarttreatment-by-month-groupedweeks>

⁹ WEN Wales and Oxfam Cymru (2024), *Feminist Scorecard 2024*.

¹⁰ Women’s Budget Group (2024), *Some promising green shoots for women: challenge of poverty remains*, says WBG, <https://www.wbg.org.uk/article/some-promising-green-shoots-for-women-challenge-of-poverty-remains-says-wbg/>

¹¹ Welsh Local Government Association (WLGA), *Council services face “unsustainable” budget pressures*, says WLGA, <https://www.wlga.wales/council-services-face-%e2%80%9cunsustainable%e2%80%9d-budget-pressure-says-wlga>

1.4.3. Childcare: Childcare was not included in the frontline public services protected within the Welsh Government's 2024-2025 Budget. Instead, its funding was cut significantly. In addition to the reprioritisation of £16million from childcare budgets in the Welsh Government's 2023 in-year spending changes, the 2024-2025 Budget included a further £11.2million of cuts to its funding. In both cases, these decisions were justified on the basis of lower-than expected uptake forecasts of the Welsh Childcare Offer. However, it is well-evidenced that the need for affordable and accessible childcare remains critical in Wales, with high childcare costs compounding financial pressures and pushing families into debt and poverty.¹² As highlighted by Oxfam Cymru, 43% of parents and guardians in Wales are unable to pay other essential costs after paying for childcare, and over two-thirds have had to reduce their working hours due to a lack of childcare.¹³ These pressures are being felt most acutely by single parents, the majority of whom are women, and directly contribute to the unequal economic position of women, with over a quarter of women in Wales economically inactive due to caring responsibilities.¹⁴

1.4.3.1. As research consistently demonstrates the urgent and growing need for affordable childcare, the decision to cut funding sent a jarring message to families across Wales as it marked a further missed opportunity to address well known issues that make it difficult for families to access the Childcare Offer.¹⁵ Alarmingly, the decision to reprioritise childcare funding does not seem to have been subject to robust equalities impact assessment to understand its impact on parents, particularly mothers. The Strategic Integrated Impact Assessment, for example, simply stated that “[b]ased on latest forecast demand for our Childcare offer we are reprioritising £11.2m, with no anticipated direct impact to delivery.”¹⁶

1.5. Third sector: The cuts within in-year spending changes and Welsh Government's 2024-2025 Budget to Social Justice were deeply concerning as they indicated a deprioritisation of equalities and a reduction of resources to address long-term systemic change. The majority of these cut emanated from the Equalities, Human Rights and Inclusion expenditure group, which funds several important equality and human rights programmes and third sector organisations in Wales. In the context of unprecedented pressures on public services,

¹² Oxfam Cymru and Make Care Fair, *Little steps, big struggles: Childcare in Wales* (November 2023), <https://oxfamapps.org/cymru/wp-content/uploads/2023/11/Little-Steps-Big-Struggles.pdf>; Bevan Foundation and Joseph Rowntree Foundation, *Tackling disadvantage through childcare in Wales* (January 2024), [https://www.bevanfoundation.org/resources/tackling-disadvantage-through-childcare-in-wales/#:~:text=This%20new%20report%20from%20the,in%20order%20to%20improve%20outcomes](https://www.bevanfoundation.org/resources/tackling-disadvantage-through-childcare-in-wales/#:~:text=This%20new%20report%20from%20the,in%20order%20to%20improve%20outcomes;); Pregnant then Screwed, New Economics Foundation and Oxfam Cymru, *Family Childcare Promise: The effects of introducing a cap on childcare costs for families with 0-4 year-old children in Wales* (July 2024), <https://pregnantthenscrewed.com/wp-content/uploads/Combined-Towards-a-Family-Childcare-Guarantee-The-effects-of-introducing-a-cap-on-childcare-costs-for-families-with-0-5-year-old-children-in-Wales.pdf>.

¹³ Oxfam Cymru (2023), *Little steps, big struggles: Childcare in Wales*.

¹⁴ WEN Wales (2024), *State of the Nation 2024*.

¹⁵ Equality and Social Justice Committee (2024), *Their Future: Our Priority? Follow up inquiry into childcare provision in Wales*, <https://senedd.wales/media/iboexr4y/cr-ld16609-e.pdf>; WEN Wales (2024), *Consultation response: Follow-up inquiry into childcare and parental employment*, <https://wenwales.org.uk/wp-content/uploads/2024/07/WEN-consultation-response-2024-Inquiry-into-Childcare-and-Parental-Employment.pdf>.

¹⁶ Welsh Government (2023), *Draft Budget 2024-2025: A Budget to Protect the Services which Matter Most to You*, <https://www.gov.wales/sites/default/files/publications/2023-12/2024-2025-draft-budget-narrative.pdf>

significant cuts to the organisations which often make up for this shortfall and play an indispensable role in advocating for the most disadvantaged in our society, is prejudicial. The 2024-2025 cuts represented the latest shock to the rapidly contracting Welsh third sector, which has been hit successively by the loss of EU funding, rising cost pressures and increased levels of demand during the cost of living crisis. This has inevitably led to cuts to voluntary provision and the downsizing of third sector organisations, which have been felt most acutely by the communities that these organisations support. As noted by recent research by the WCVA, 43% of third sector organisations surveyed had to actively reduce staff numbers in 2023.¹⁷ In some cases, this has resulted in the regrettable closure of long-standing organisations such as Chwarae Teg, which represented a significant setback in the fight for gender equality in Wales. As noted below, without significant targeted support for the sector, its precarity is likely to increase this year, with organisations taking a further financial hit in the context of rises to employer National Insurance Contributions.

1.6. VAWDASV: The Welsh Government's Violence Against Women, Domestic Abuse and Sexual Violence (VAWDASV) budget has remained at the same level — £8m revenue and £2.2m capital — since the 2022/23 budget. While it is positive that this budget has been protected amidst cuts elsewhere, the lack of increase means a real-terms reduction. Rising costs across the sector make it difficult for service providers to absorb these increases without at least inflation-linked budget growth. The 2024/25 budget saw an increase in the Welsh Government's Housing Support Grant (HSG) for projects aimed at homelessness prevention and supporting groups such as VAWDASV survivors, including through refuges. While acknowledges the severe pressures on services, it follows years of underfunding relative to inflation and demand. Organisations rely heavily on short-term, competitive funding, which adds administrative burden, hinders long-term planning, and affects staff recruitment and retention. This challenge disproportionately affects smaller 'by and for' organisations that serve minority ethnic, disabled, LGBTQ+, and migrant women.¹⁸

1.7. Gender budgeting: The deprioritisation of equalities issues within the 2024-25 Budget highlighted the urgent need for gender budgeting in Wales. To ensure that spending decisions are subject to robust, evidence-based impact assessment and to avoid unequal gendered impacts such as those discussed above, the Welsh Government must progress with the roll out of gender budgeting as a matter of urgency.

1.7.1. We were pleased to see some progress in this area over the past year within the Welsh Treasury. This includes, for example, the development of an online gender budgeting resource for government officials and policymakers and the ongoing work to incorporate gender budgeting questions within the Welsh Government's departmental Equality and Human Rights Impact Assessment, both of which are important first steps in embedding a gender lens within the decision-making process. We also welcome the continued work being undertaken by treasury officials and other stakeholders through the Budget Improvement and Impact Advisory Group (BIIAG) to review the Strategic Integrated Impact Assessment (SIIA) published alongside the Draft Budget. As discussed further in this response, the shortcomings of the SIIA were highlighted in last year's iteration, which lacked depth and evidential backing for the spending decisions it discussed. We hope to see improvement and more robust impact assessments within this year's SIIA as a result of this ongoing work.

¹⁷ WCVA (2023), *The aftermath of an afterthought*, <https://wcva.cymru/views/the-aftermath-of-an-afterthought/>

¹⁸ WEN Wales and Oxfam Cymru (2024), *Feminist Scorecard 2024*.

1.7.2. Despite this progress, there is still much further to go with regards to gender budgeting in Wales. We are, for example, still awaiting the evaluation of the Welsh Government's remaining two gender budgeting pilots – Young Person's Guarantee and E-Move – which were scheduled to end in 2022-23. To prevent these pilots being siloed and to support crucial plans to roll out gender budgeting more widely, this information must be clarified without delay.

2. What action should the Welsh Government take to:

- **Help households with inflation and the cost of living issues;**
- **Address the needs of people living in urban, post industrial and rural communities, including building affordable housing and in supporting economies within those communities?**

2.1. As 'shock absorbers of poverty,' women feel the effects of rising food, energy, housing and other costs more acutely.¹⁹ This is particularly the case for single mothers, who rely on a single income and lack a co-parent to share childcare responsibilities with. Single parents – 86% whom are women²⁰ – remain most likely to be living in relative income poverty in Wales, with 30% currently doing so.²¹ The likelihood of living in relative income poverty in Wales increases to 50% for households headed by individuals from Black, Asian or minority ethnic groups.²²

2.1.1. In September 2024, 47% of Universal Credit claimants in Wales – the majority of whom are women – reported having to cut down on or skip meals entirely due to financial pressures.²³ This is twice the national average of 23%.²⁴

2.1.2. In the UK, 40% of young women with children reported having to choose between feeding themselves or their children in 2023.²⁵ This figure rose to 52% for women on benefits.²⁶

2.2. In this context, while we welcome Welsh Government's cost of living support measures, we are concerned that they do not go far enough to help women and other vulnerable groups cope with inflationary pressures and associated cost of living issues.

2.2.1. Discretionary Assistance Fund (DAF): As highlighted above, the DAF helps to reduce pressure on women's incomes as the cost of essentials remains high. Its continued funding in the 2024-25 budgetary cycle is therefore very welcome. However, in the context of increased demand for Emergency Assistance Payments in Wales over the past year, it is vital that, at a minimum, funding for the DAF is protected in the Welsh Government's upcoming Draft Budget.²⁷

2.2.2. Council Tax Reduction Scheme: As it is not based on income, council tax can have inequitable effects on low-earning tenants and homeowners. In the context of rising cost pressures, many local authorities in Wales have resorted to raising council tax

¹⁹ UK Women's Budget Group (2022), *The gendered impact of the cost-of-living crisis*, <https://wbg.org.uk/wpcontent/uploads/2022/03/The-gendered-impact-of-the-cost-of-living-crisis.pdf>

²⁰ Oxfam Cymru (2023), *Little steps, big struggles: Childcare in Wales*.

²¹ Welsh Government (2024), *Relative income poverty: April 2022-March 2023*.

²² Ibid.

²³ The Bevan Foundation (2024), *A snapshot of poverty in autumn 2024*, <https://www.bevanfoundation.org/wp-content/uploads/2024/11/Snapshot-Autumn-2024-Final.pdf>

²⁴ Ibid

²⁵ Young Women's Trust (2023), *The long road to change: Young Women's Trust annual survey 2023*, <https://www.youngwomenstrust.org/our-research/the-long-road-to-change-annual-survey-2023/>

²⁶ Ibid.

²⁷ The Bevan Foundation (2024), *A snapshot of poverty in autumn 2024*.

rates to plug funding gaps. Due to its regressive nature, council tax rises are felt most acutely by those on lower incomes, such as single parent households who rely on a single income. The Council Tax Reduction Scheme offers support to these households by reducing their council tax bills with discounts of up to 100%. With Welsh local authorities facing projected funding shortfalls of £559 million in 2025-2026, it is essential that support for this scheme is retained in the upcoming Draft Budget. Furthermore, in this context, the delay to the reform of Wales' council tax system is highly regrettable. To protect the most vulnerable households from inflationary and cost of living pressures, Welsh Government must accelerate its work towards a more fair and progressive council tax system in Wales.

2.2.3. Warm Homes Programme: We welcome the Welsh Government's new Warm Homes Programme which prioritises support for households living in the most fuel poor homes. There are, however, issues with the programme's pace of delivery, which the Bevan Foundation estimate will take over a century to fulfil its aim of helping all low-income Welsh households living in cold homes.²⁸ To tackle fuel poverty in Wales, the Welsh Government must adequately fund its Warm Homes Programme to ensure support reaches those most in need as soon as possible.

2.3. Childcare: In Wales, over a quarter (25.7%) of women are economically inactive due to caring responsibilities. The lack of affordable and accessible childcare therefore represents a key barrier to women's workforce participation in local economies.

2.3.1. As noted by Pregnant Then Screwed, families in Wales are paying costs of £46,215 for 40 hours of childcare per week across four years.²⁹ These costs place a prohibitive burden on many parents, particularly mothers, who are forced to leave work or reduce their working hours to make up for shortfalls in provision.³⁰

2.3.2. While funded childcare provision exists in Wales to help ease these pressures, significant accessibility issues remain with these programmes. For example, the Welsh Government's Childcare Offer, which provides 30 hours of funded provision to parents of three and four-year-olds, is only available to those in work, education or training. This excludes families on the lowest incomes. There are also significant gaps in provisions for parents working atypical hours, for disabled children and for those living in rural areas, meaning that many families who are formally entitled to the 30 hours are unable to access settings that meet their needs.

2.3.3. The phased expansion of childcare to parents of two-year-olds through the Flying Start programme, while welcome, only amounts to 12.5 hours a week/2.5 hours a day, which does little to support working parents. Research shows that funded childcare in the region of 15 hours or less is largely ineffective in addressing parental employment, whereas expanding entitlements to 30 hours leads to significant increases in labour force participation and employment of mothers whose youngest child is eligible.³¹

2.3.4. We are concerned that this situation is set to worsen, with uncertainty regarding the Welsh Government's commitment to expanding childcare to all two-year-olds

²⁸ The Bevan Foundation (2024), *Response to the Senedd inquiry into fuel poverty in Wales*, <https://www.bevanfoundation.org/resources/esj-committee-response-inquiry-fuel-poverty/>

²⁹ Pregnant Then Screwed (2024), *Welsh families are spending £46,215 per child for full time childcare. It's time for a Family Childcare Promise*, <https://pregnantthenscrewed.com/familychildcarepromise/>

³⁰ Oxfam Cymru (2023), *Little steps, big struggles: Childcare in Wales*

³¹ Institute of Fiscal Studies (2022), *Does more free childcare help parents work more?* <https://ifs.org.uk/publications/does-more-free-childcare-help-parents-work-more>

through Phase 3 of its Flying Start programme.³² Delays to this expansion in close succession to childcare cuts in last year's budget would indicate a worrying lack of commitment to improving access to childcare in Wales.

2.3.5. In the context of increases to employer National Insurance Contributions and the National Minimum Wage announced in UK Government's Autumn Budget, 95% of childcare providers have reported that they will be forced to increase fees to meet these additional cost pressures, with 40% reporting that they will have to close their doors entirely.³³ We welcome the Welsh Government's recent announcement to make permanent the non-domestic rates relief for childcare premises as well as the decision to move from three-yearly to annual reviews of the rates paid to providers delivering the Childcare Offer.³⁴ While these announcements demonstrate a commendable commitment to supporting the childcare sector, it is unclear whether this is sufficient to halt the loss of capacity and fee increases seen in recent years. Further investment will be needed to address gaps in provision that disproportionately impact women, and to facilitate better pay for the female dominated childcare and early years workforce.

2.3.6. The Government must investigate and address the reasons for the lower-than-expected uptake of its Childcare Offer and use consequential funding to ensure that funded childcare meets the needs of parents, particularly mothers, in Wales. The Welsh Government should also consider providing further support to the childcare sector to mitigate the impacts of increases to employer National Insurance Contributions and the National Minimum Wage.

2.4. Social Care: Women make up 82% of the social care workforce in Wales.³⁵ As a traditionally lower-paid employment sector, we are pleased to see the Welsh Government's continued commitment and funding to pay all social care workers the Real Living Wage. We are concerned, however, that this funding may not be reaching the whole sector, partly because it was not hypothecated.³⁶ With 82% of social care workers in Wales finding it more difficult to cope financially than a year ago, Welsh Government must ensure that the Real Living Wage is implemented across the sector.³⁷

2.4.1. There remain significant issues with recruitment and retention within the social care sector. As highlighted in the 2023 Social care workforce survey, over a quarter of social care workers stated that they were 'quite' or 'very likely' to leave the workforce within the next 12 months.³⁸ 40% of these respondents gave 'poor employment or working

³² The Bevan Foundation (2024), *Rolling back on childcare commitments?*

<https://www.bevanfoundation.org/views/rolling-back-on-childcare-commitments/>

³³ Early Years Alliance (2024), *Families face rising early years costs for families and setting closures as providers warns of the impact of National Insurance and minimum wage rises, Alliance survey finds*, <https://www.eyalliance.org.uk/news/2024/11/families-face-rising-early-years-costs-families-and-setting-closures-providers-warns>

³⁴ Welsh Government (2024), *Huge boost for childcare sector in Wales as small business rates relief made permanent*, <https://www.gov.wales/huge-boost-childcare-sector-wales-small-business-rates-relief-made-permanent>; *Written Statement: Childcare Offer for Wales: Rates Review*, <https://www.gov.wales/written-statement-childcare-offer-wales-rates-review>

³⁵ WEN Wales and Oxfam Cymru (2024), *Feminist Scorecard 2024*.

³⁶ Ibid.

³⁷ Social Care Wales (2024), *Social care workforce survey 2023*, <https://socialcare.wales/pdfs/scw-workforce-survey-2023-412240.pdf>

³⁸ Ibid.

conditions' as the reason for their decision to leave.³⁹ The working terms and conditions within the sector therefore represent key barriers to the retention of social care workers, and the economic equality of its predominantly female workforce. To address these issues, the Welsh Government must take urgent action to tackle the prevalence of precarious, zero-hour contracts, lack of job security, and shortage of training and progression opportunities within the sector.

2.4.2. Another factor which contributes to recruitment and retention issues in social care is the lack of parity of esteem with NHS workers. As discussed above, despite being inextricably linked to the NHS, the social care sector has not received the same support or recognition. With fewer than half of the social care workforce feeling valued by the public, there is an urgent need to develop a more holistic approach to funding health and social care in Wales, which recognises the value and importance of the social care workforce.⁴⁰ As highlighted by the Welsh Government itself, investing resources to improve pay and conditions within the social care sector will not only help to tackle the economic and health inequalities of women in Wales, but it will also improve the efficiency of the Welsh NHS.⁴¹

2.5. Gender budgeting and mainstreaming: While we welcome the introduction of the Welsh Government's Child Poverty Strategy for Wales in January of this year, we are disappointed that it does not fully address the gendered impacts of poverty in Wales. As noted by the Women's Budget Group, the root causes and consequences of women's and children's poverty are inextricably linked.⁴² Tackling poverty in Wales therefore requires addressing gender inequality at its root and reducing the economic inequalities that have left women vulnerable to successive crises. The Welsh Government can do this by implementing the recommendations of the Gender Equality Review *Deeds Not Words* in full and embedding an intersectional gendered lens into all future spending decisions by progressing the wider roll out of gender budgeting.⁴³

3. Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively?

3.1. The inflexibility of the Welsh Government's fiscal framework was highlighted in last year's budgeting cycle, during which challenging financial circumstances necessitated significant budgetary cuts and reprioritisations. As noted above, this resulted in the regrettable deprioritisation of equalities issues, but it also emphasized the limited tools at the Welsh Government's disposal to manage its budget from year to year. As noted by the Institute of Welsh Affairs (IWA), this 'lack of fiscal firepower,'⁴⁴ constrains the Welsh Government's policymaking abilities in gendered areas such as health, economy, housing and transport. While the full impact of these inflexibilities in the context of a new UK Government and earlier

³⁹ Ibid.

⁴⁰ Ibid.

⁴¹ Welsh Government (2022), *The Quality Statement for women and girls' health*.
<https://www.gov.wales/sites/default/files/pdf-versions/2022/7/2/1657017419/quality-statement-women-and-girls-health.pdf>

⁴² Women's Budget Group (2005), *Women's and children's poverty: making the links*,
<https://oxfamlibrary.openrepository.com/bitstream/handle/10546/112550/women's-children's-poverty-010305-en.pdf;jsessionid=7CF916436D8B79C80A6B8D9D25D182CD?sequence=1>

⁴³ Chwarae Teg (2019), *Deeds Not Words, Review of Gender Equality in Wales*.

⁴⁴ Institute of Welsh Affairs (2022), *Fiscal Firepower: Effective Policy-Making in Wales*.

<https://www.iwa.wales/wp-content/media/IWA-Fiscal-Firepower-and-Effective-Policy-Making.pdf>

UK budget timelines remains unclear, the Welsh Government must continue to call for a fairer fiscal framework for Wales, to support responsible and sustainable budgeting for the people of Wales.

3.1.1. Taxation: Notwithstanding a small number of devolved taxes – Council Tax, non-domestic rates, land transaction tax and landfill disposals tax – Wales' tax powers are limited.

3.1.1.1. **Council tax:** In the context of projected shortfalls of £559 million for local authorities in 2025-2026, the delay to reforming the council tax system in Wales is highly regrettable. As noted above, the regressive nature of council tax means that any rise in council tax to plug local authority funding gaps, will disproportionately impact those on the lowest incomes. To protect the most vulnerable households, the Welsh Government must accelerate its work towards a more fair and progressive council tax system in Wales.

3.1.1.2. **Income tax:** While income tax is more progressive than council tax, there is limited scope to use it as a fairer means to raise revenue in the Welsh context. Unlike in Scotland, the Welsh Government cannot adjust income tax bands (which are formulated on a UK basis) or create new ones. Instead, under Welsh rates of income tax, the Welsh Government can amend the top 10p paid by Welsh taxpayers in every £1 of income in each tax band (Basic, Higher, Additional). As noted by Wales Fiscal Analysis, current income tax thresholds are not suitable to income levels in Wales, where 93% of taxpayers pay the basic rate.⁴⁵ The Welsh Government must continue to make the case for further devolution of taxation powers to Wales, to allow more flexibility and to respond to the needs of Welsh taxpayers.

3.1.2. Borrowing: As noted by the IWA, the Welsh Government's current borrowing cap 'embeds expensive borrowing and essentially bans cheaper forms of borrowing above a certain level.'⁴⁶ This arrangement locks Wales into lower levels of development than other parts of the UK. To address this, the Welsh Government should continue to call for and explore the case for the devolution of prudential borrowing powers with the new UK Government.

4. The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below? /Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?

See answer to question 3 above.

How could the budget further address gender inequality in areas such as healthcare, skills and employment?

5.1 Health inequalities: While women in Wales tend to live longer than men, they have a shorter *healthy* life expectancy and live fewer years 'disability free.'⁴⁷ Entrenched gendered biases in

⁴⁵ Wales Fiscal Analysis (2023), *The medium-term fiscal outlook for local government in Wales*, https://www.cardiff.ac.uk/_data/assets/pdf_file/0007/2779342/The-medium-term-fiscal-outlook-for-local.pdf

⁴⁶ Institute of Welsh Affairs (2022), *Fiscal Firepower: Effective Policy-Making in Wales*.

⁴⁷ WEN Wales and Oxfam Cymru (2024), *Feminist Scorecard 2024*; Welsh Government (2022), *The Quality Statement for women and girls' health*.

Wales' healthcare system mean that women experience barriers to accessing services and have poorer health outcomes than men.

- 5.1.1** A key reason for this disparity is the traditional underrepresentation of women in clinical trials, which has resulted in diagnosis, treatments and clinical guidelines largely based in men's experience of illness.⁴⁸ Consequently, any different symptoms that women may experience are often over-looked or dismissed.⁴⁹ This results in delays to diagnosis, worsening prognoses and poorer health outcomes for women in areas such as cancer, diabetes and mental health.⁵⁰
- 5.1.2** Moreover, health conditions which specifically affect women– such as endometriosis and menopause – are under-researched and poorly understood. Women report that symptoms are often dismissed as 'normal' or erroneously attributed to psychological causes.⁵¹ This results in diagnostic delays and limits access to healthcare, some of which are particularly severe in the Welsh context. For example, at 9 years and 11 months, Wales has the longest average diagnosis times for endometriosis in the UK.⁵² Prolonged waiting times and multiple GP visits significantly impact patient's employment, education, mental health and wellbeing.⁵³
- 5.1.3** These gender health gaps are starker for women who experience additional intersectional disadvantage. For example, Asian women are twice as likely to die in childbirth than white women, with this figure rising to almost four times for Black women in the UK.⁵⁴
- 5.1.4** In this context, we welcome the Welsh Government's forthcoming NHS Women and Girls' Health Plan, which is to be published in December 2024. It is hoped that this plan can establish the necessary infrastructure and governance to tackle these health inequalities, and it is vital that it is implemented without delay. It is important that the plan is co-produced with patients and women's health organisations. Adequate resources and support must be allocated to this work in this years' Budget to ensure that women in all areas of Wales have access to high quality and timely healthcare services.

5.2 Employment and skills: Due to deep-rooted gender inequality, women in Wales are more likely to be working in part-time, insecure and low-paid jobs. To address the gender inequalities in employment, the Welsh Government must reduce the barriers that women face to entering, progressing and remaining in the workplace.

- 5.2.1 Childcare:** With over a quarter of women economically inactive due to caring responsibilities, one of the biggest barriers to women's economic activity in Wales is the lack of affordable and accessible childcare provision.⁵⁵ As laid out in detail in Section 3.3, prohibitive costs, limited entitlements to funded provisions and and

⁴⁸ Senedd Research (2024), *Women's health needs and the pursuit of equity: the absence of a dedicated plan*, <https://research.senedd.wales/research-articles/women-s-health-needs-and-the-pursuit-of-equity-the-absence-of-a-dedicated-plan/>

⁴⁹ Fair Treatment for the Women of Wales (FTWW), *Our Mission*, <https://www.ftww.org.uk/our-mission/>

⁵⁰ Senedd Research (2022), *Hormonal, emotional and irrational: Is it really the case that women's health is taken less seriously than men's?*, <https://research.senedd.wales/research-articles/hormonal-emotional-andirrational-is-it-really-the-case-that-women-s-health-is-taken-less-seriously-than-men-s/>

⁵¹ Welsh Government (2022), *The Quality Statement for women and girls' health*.

⁵² WEN Wales and Oxfam Cymru (2024), *Feminist Scorecard 2024*.

⁵³ Ibid.

⁵⁴ UK Women and Equalities Committee (2023), *Black maternal health*, <https://committees.parliament.uk/publications/38989/documents/191706/default/>

⁵⁵ WEN Wales (2024), *State of the Nation 2024*.

barriers to accessing these significantly limit women's ability to engage and progress in the labour market. The Welsh Government must urgently commit further and sustained funding to build a childcare system that meets the needs of families in Wales.

5.2.2 Underrepresentation: Another key contributing factor to women's economic inequality is their underrepresentation in high-paid sectors such as mining and quarrying, energy production and supply, and water supply, sewage and waste.⁵⁶ As highlighted in State of the Nation 2024, each of these sectors are heavily male dominated, with men making up over 70% of the workforce in each sector.⁵⁷

5.2.2.1 To address these labour market disadvantages, the Welsh Government should use its upcoming budget to invest in employability programmes and interventions designed to meet the needs of women and girls in Wales and increase their representation in high-earning sectors.

5.2.3 VAWDASV: Recorded levels of Violence Against Women, Domestic Abuse and Sexual Violence (VAWDASV) across England and Wales remain inexcusably high, with around three quarters of domestic abuse related offences and over 80% of sexual assault cases being committed against women.⁵⁸ Welsh Women's Aid data shows that, in the last financial year, 739 survivors in Wales were able to access refuge-based support services, while 712 survivors were not. A lack of refuge spaces has been the most common reason for this for several years.⁵⁹ In one survey, nearly 70% of specialist services reported an increase in demand compared with the previous year.⁶⁰

5.2.3.1 To support those in urgent need of support, the Welsh Government should commit funding towards a more sustainable funding model for VAWDASV specialist services with simplified tendering and reporting process and long-term contracts.

5.2.3.2 The Welsh Government Migrant Victim of Abuse Support Fund (MVASF), launched in April 2023, offered crisis support for VAWDASV survivors with No Recourse to Public Funds (NRPF) by topping up the Home Office's Support for Migrant Victims (SMV) fund. It is critical that the Welsh Government maintains the MVASF at the year-one level as a minimum, and expands the fund to cover designated support staff as well as accommodation and living allowances.

5.2.4 Gender budgeting: The Welsh Government can tackle gender inequalities in all of the above areas and avoid unequal gendered impacts in its decision-making process by embedding an intersectional gendered lens in its spending and policy decisions. As noted throughout this response, to do so Welsh Government must expediate the rollout of gender budgeting. The Gender Equality Review, *Deeds Not Words* provides a clear, well-evidenced framework through which to do this.⁶¹ The Welsh Government should progress the implementation of the outstanding recommendations as a matter of urgency.

⁵⁶ Wales Fiscal Analysis (2023), *Labour Market Update for Wales*, https://www.cardiff.ac.uk/_data/assets/pdf_file/0007/2779882/20230920_Labour-Market_27oct.pdf

⁵⁷ WEN Wales (2024), *State of the Nation 2024*.

⁵⁸ Ibid.

⁵⁹ Welsh Women's Aid (2024), *State of the Sector 2023-24*. <https://welshwomensaid.org.uk/wp-content/uploads/2024/03/State-of-the-Sector-2023-24-FINAL-ENG.pdf>

⁶⁰ Ibid.

⁶¹ Chwarae Teg (2019), *Deeds Not Words, Review of Gender Equality in Wales*.

- 5. How should the Welsh Government explain its funding decisions, including how its spending contributes to addressing policy issues? /How can the documentation provided by the Welsh Government alongside its Draft Budget be improved? /How is evidence and data driving Welsh Government priority-setting and budget allocations, and is this approach clear?**
- 6.1.** Our ability to scrutinise the Welsh Government's budgetary decisions from a gendered and intersectional perspective remains significantly limited by a lack of transparency and information.
- 6.1.1.** The main source of information on the rationale and impact of funding decisions published as part of the draft budget is the Strategic Integrated Impact Assessment (SIIA). The SIIA aims to identify strategic and cumulative impacts on different areas and groups, so as to reduce disproportionate impacts on any one specific group or area and help to reduce inequalities.
- 6.1.2.** This approach is, in principle, commendable, and we appreciate that the production of production of the SIIA is a complex task that recently had to be completed within very tight timescales. There is also general lack of international best practice with regards to SIAs, which can be drawn upon to improve identified issues within the Welsh context. We therefore acknowledge the Welsh Government's commitment to improve SIAs, and value the opportunity to contribute to this through the Budget Improvement Impact Advisory Group (BIAG). While earlier BIAG engagement resulted in some tangible improvements to the 2023-24 SIIA i.e. improved case studies and better linking of evidence to specific decisions, these developments were mostly reneged upon in the 2024-25 SIIA. In its current high-level narrative form, the SIIA has significant limitations.
- 6.1.2.1.** The SIIA does not provide information on the cumulative impact of budgetary decisions on specific groups or policy issues, including gender equality. The present format also fails to touch on all the statutory (and non-statutory) commitments that it is supposed to, including in relation to the Equality Act 2010 and the Public Sector Equality Duty.
- 6.1.2.2.** The SIIA's value for understanding the gendered impact of spending decisions is generally limited due to the lack of transparency on the information fed in from Integrated Impact Assessments and wider evidence at the portfolio level. Without any linking to IAs or other evidence substantiating the SIIA narrative conclusions, it is impossible fully understand the gendered impact of spending decisions or the extend to which they are driven by robust data and evidence.
- 6.1.3.** A further issue is that it is not always possible to cross-reference spending decision with actual budget lines, because the MEG tables do not provide enough detail. This makes it difficult to contextualise spending decisions and understand how spending has developed historically.
- 6.1.4.** More detailed information on the impact of specific spending decisions in each MEG is only published as part of the Ministerial evidence to Senedd scrutiny committees. This is after the timeframe during which civil society stakeholders can provide evidence to the Finance Committee and therefore can only inform our scrutiny work retrospectively.
- 6.2.** To facilitate better understanding and scrutiny of spending decisions, the SIIA should refer to relevant IAs and other evidence substantiating its narrative conclusions. Better linking to the MEG budget lines of specific decisions would also improve transparency. Supplementary use of case studies and tables/infographics linking to Welsh Government's statutory and non-statutory commitments would be useful to break down the otherwise high-level and wide scope of information addressed within the SIIA.

6.3. Incorporating gender budgeting within the Welsh budgetary process and the SIIA would raise the standard of information on which those decisions are made by ensuring that they are grounded in evidence i.e. gender and intersectionally disaggregated data. This would not only promote transparency and accountability, but also ensure that public money is being spent most effectively, and that support reaches the societal groups most in need.

7. Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost of living crisis and the pandemic, sufficient?

- 7.1.** As noted above, the precarity of the Welsh third sector is at an all-time high with over 50% of Welsh community organisations experiencing increased service demand as their income has decreased.⁶² In the context of rising operational costs, constrained funding, severe recruitment and retention challenges as well as cuts to government support, the future ability of the sector to deliver its essential services is uncertain.⁶³
- 7.2.** The impact on the women's sector is especially severe, as it is already seriously underfunded. Research by the Rosa Foundation showed that only 1.8% of the total grants awarded to charities in the UK in 2021 went to women and girls focused activity.⁶⁴ Such uncertainty around funding makes it incredibly difficult to plan strategically for the future, with the incredibly sad loss of Chwarae Teg evidencing the consequences of these pressures. Worryingly, the precarity of the Welsh third sector will now be compounded by the rise in employer National Insurance Contributions announced in the UK Government's Autumn Budget 2024. As noted by the WCVA, this represents 'a significant new cost that many organisations simply cannot absorb without a corresponding impact on their service delivery.'⁶⁵
- 7.3.** To counteract the alarming loss and expertise in the Welsh third sector and support its predominantly female workforce, Welsh Government must take urgent action to protect the sustainability of the sector. We therefore urge the Welsh Government to mitigate the impacts of employer National Insurance Contributions by uplifting funding for the third sector and voluntary organisations in Wales.

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⁶² Building Communities Trust (BCT) (2024), *Beyond Essentials: Community Responses to the Cost of Living Crisis*, <https://static1.squarespace.com/static/62554a379dc7e96b0ee4c256/t/665f053ece4b1b4d69c39739/17503298830/Beyond+Essentials.pdf>

⁶³ WCVA (2023), *The aftermath of an afterthought*.

⁶⁴ Rosa (2023), *Mapping the UK Women and Girls Sector and its Funding: Where Does the Money Go?* <https://rosauk.org/wp-content/uploads/2023/04/Women-and-Girls-Sector-Research-Mapping-ReportAmended.pdf>

⁶⁵ WCVA (2024), *Open letter to the new cabinet*, <https://wcva.cymru/open-letter-to-the-new-cabinet/>

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

WGDB_25-26(6)27: Ymateb gan: Cyngor ar Bopeth Cymru | Response from: Citizens Advice Cymru



Citizens Advice Cymru evidence to Finance Committee

Scrutiny of the Draft Budget 2025-26 (November 2024)

1. Introduction:

- 1.1. Citizens Advice in Wales is a network of 19 local offices, all individual charities, offering free, confidential advice online, over the phone and in person.
- 1.2. Since January 2024 we've helped over 123,000 people across Wales with a range of problems, including issues with benefits, debt, crisis support, housing, employment, discrimination, relationships and consumer rights. Often people have more than one issue they need help with.

Consultation questions:

2. What action should the Welsh Government take to help households cope with inflation and cost of living issues?

- 2.1. Hundreds of thousands of people across Wales are still feeling the impact of the deterioration in living standards we've seen over the last decade, made even worse following the pandemic and cost-of-living crisis. Evidence from our clients and commissioned research highlights how many people are constantly struggling to make ends meet, cutting back or going without essentials, going deeper into debt, and/or relying on crisis support to keep their homes warm and put food on the table. Inflation may now be far lower than it was, but the knock on effects of recent peaks in inflation and increased everyday living costs remain.
- 2.2. So far in 2024 local Citizens Advice offices across Wales have generally seen more people coming for advice on household debt, homelessness and crisis support issues than at the same point in the previous five years. During the height of the cost-of-living crisis half of all our debt clients were living on a negative budget, where their income just isn't enough to cover all their essential outgoings. This has dropped slightly since (47% in 2024) but remains much higher than five years ago (40% in 2019).

- 2.3. Our recent [Reaching Crisis Point](#) report confirmed that for thousands of households in Wales crisis interventions are no longer a one-off form of assistance, but a recurring necessity just to stay afloat. Increasingly, crisis payments and support are now being built into people's budgets because without them they cannot afford basic essentials. This illustrates how the nature of being in crisis has changed: what was once an unexpected, short-term event in a person's life has now shifted to an ongoing struggle of not having enough money to meet essential living costs.
- 2.4. Comparing the first 10 months of 2021 (before the start of the energy crisis) with the first 10 months of this year, our local offices have seen a 119% rise in the number of people coming to them in crisis situations¹. So far this year the number of people coming to us for help with Discretionary Assistance Fund (DAF) applications or issues has also risen significantly, reaching 8,307 people by the end of October 2024, up 32% from the same point in 2023. Our data suggests people living with a long-term health condition or disability, single adult households (including those with children), and social renters are needing crisis support more often than others.
- 2.5. To help mitigate the impact of the rising cost of living the Welsh Government has invested in a range of specific crisis support interventions over the last 3 years. This has included substantial investment for the DAF, which has helped to provide vital support to many people when they needed it the most. The evidence gathered for our recent Reaching Crisis Point report, and that gathered by others, including the [Bevan Foundation](#), [Community Housing Cymru](#) and [Trussell](#) confirms **now is not the right time to be reducing such support**.
- 2.6. A failure to maintain levels of DAF funding, at least to the current level, risks greater long-term costs down the line, such as worsening public health and increased homelessness.
- Citizens Advice Cymru is therefore calling for the Welsh Government to protect future funding for the Discretionary Assistance Fund and boost the allocation for the financial year 2025-26 in order to meet the continued and rising need for this vital support.**
- 2.7. Rising household bills in recent years have contributed to the financial struggles many people have been facing, in particular the rising cost of energy. Energy is not a luxury. It is essential for each and every household

¹ It should also be noted that since the pandemic new and/or stronger referral mechanisms have been developed between Citizens Advice and other organisations including Trussell and the DAF, therefore this will have also had an impact on numbers.

to keep their living area to a comfortable temperature, to clean theirs and their children's clothes, to take showers and to power lights and electronics. Last winter, over a quarter of households (26%) in Wales struggled to keep their home warm, with renters, households with children and those with a disability or long-term health condition amongst the hardest hit².

- 2.8. Despite a significant drop from their highest levels, this winter average energy prices remain £500 higher than they were in 2021. Recent research commissioned by Citizens Advice Cymru found that 3 in 5 (59%) households in Wales are worried about affording their energy bills this winter in light of the new price cap (£1,717), which came into effect in October³. With experts predicting a slight increase in the energy price cap once again in January⁴ such worries are well-founded.
- 2.9. Unaffordable energy costs leave households at risk of falling into unmanageable debt or taking drastic actions that mean they cannot meet their basic needs. More than half (55%) of those who say they are worried about paying their energy bills say they would use less or switch off their heating or hot water this winter to manage their bills and 2 in 5 (41%) say they would need to cut back on or skip meals⁵.
- 2.10. Households who prepay for their energy are particularly susceptible to rising prices, including those living off-grid who often have to pay upfront for heating fuel. With winter fast approaching, in recent months **Citizens Advice Cymru has been calling for the Welsh Government to protect emergency style support for prepayment meter users who are at risk of disconnection from an energy supply, and for households living off-grid, as this is an essential part of the support structure in Wales.** This includes funding provided to the Fuel Bank Foundation for fuel vouchers and support for off-grid households via the Heat Fund, both of which are providing critical support to those in need⁶.
- 2.11. We are therefore very pleased to see [confirmation](#) from the Cabinet Secretary for Social Justice that funding has been increased by £700,000 so that this vital crisis support will continue alongside the Discretionary Assistance Fund.

² Citizens Advice Cymru, [Energy Affordability Autumn 2024](#), September 2024

³ Citizens Advice Cymru, [Energy Affordability Autumn 2024](#), September 2024

⁴ Cornwall Insight, [Cornwall Insight release final January price cap forecast](#), November 2024

⁵ Citizens Advice Cymru, [Energy Affordability Autumn 2024](#), September 2024

⁶ Citizens Advice Cymru, [Reaching crisis point: the story in Wales](#), October 2024

- 2.12. One of the biggest contributors to the current situation has been the erosion of the social security safety net since the early 2010s. Unfortunately, while there was some welcome news for benefit recipients in the UK Government's Autumn Budget, including a reduction in the amount that can be deducted from someone's Universal Credit (UC) payment to repay debts, the Budget offered very little respite for the millions of people reliant on UC who are struggling to cover their essential living costs.
- 2.13. **We recognise the Welsh Government does not have powers over Universal Credit or the wider UK social security system however, we urge them to push the UK Government to implement long overdue reforms, particularly to Universal Credit, to help relieve the financial pressures, and reliance on crisis support, many UC claimants across Wales are currently experiencing.** This includes:
- 2.13.1. ensuring benefit payments are at least enough to cover essential costs. Almost a quarter of clients (24%) who came to local Citizens Advice offices in Wales for advice on UC last year also needed a food bank referral or other charitable support⁷;
 - 2.13.2. addressing the 5 week wait at the start of a UC claim by replacing advance loans with new claim grants that don't need to be repaid;
 - 2.13.3. ensuring LHA rates are annually updated in line with the 30th percentile of local market rents. Last year Citizens Advice Cymru research with private renters in Wales found 3 in 4 of those on UC had a shortfall in the support they receive for housing costs and their rent⁸; and
 - 2.13.4. considering options for removing the 2-child limit and reducing the harms of the benefit cap as part of their long-term objective to reduce child poverty. Around 20,000 households in Wales are affected by the 2-child limit (excluding those who are exempt)⁹, meaning they are losing out on up to £3,455 a year for each additional child.
- 2.14. Until the above, and other broader policy reforms are implemented, there will be **an ongoing need to maintain and strengthen a permanent crisis support scheme in Wales, such as the Discretionary Assistance Fund (DAF), to help people over the coming months and years.**

⁷ Citizens Advice Cymru, [Reaching crisis point: the story in Wales](#), October 2024

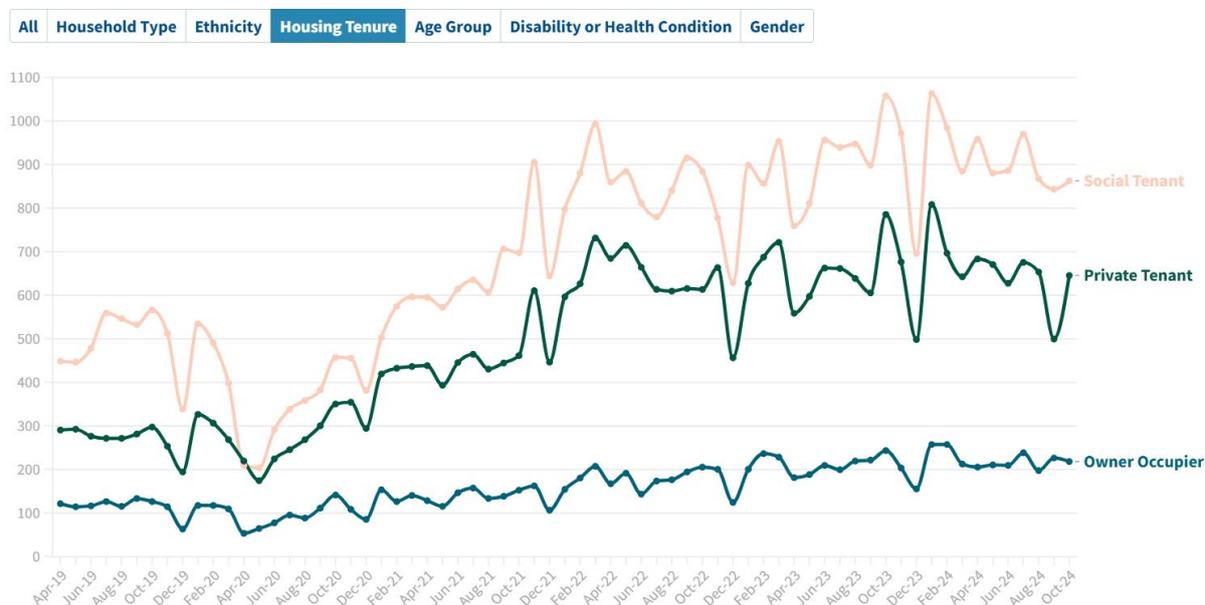
⁸ Citizens Advice Cymru, [On the brink](#), November 2023

⁹ UK Government, [UC and CTC claimants: statistics related to the policy to provide support for a maximum of two children](#), April 2024, July 2024

3. What action should the Welsh Government take to address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?

3.1. We know that access to adequate and affordable housing allows people to put down roots and thrive in communities however, since the start of 2024 alone our local Citizens Advice offices in Wales have helped almost 29,000 people with an issue related to [housing affordability](#)¹⁰, an 89% increase compared to the same period in 2019. As Figure 1 shows renters are particularly struggling.

Figure 1: Number of people helped with housing affordability issues



3.2. Most worryingly, the number of people seeking our help on homelessness issues has increased by 7% since this time last year, and 133% since 2019.

3.3. Low availability of properties to rent, both socially and in the private sector, leave more households reliant on the private sector competing over available housing. This is helping to push up market rents, leaving many lower income households behind. Latest figures show the average private rent in Wales was £766 in October (up 7.9% from a year earlier)¹¹.

¹⁰ This includes rent and mortgage arrears, homelessness issues, rent/mortgage increases, Local Housing Allowance restrictions, Discretionary Housing Payments, and lack of affordable/suitable accommodation in the local area.

¹¹ ONS, [Private rent and housing prices, UK](#), November 2024

Last year Citizens Advice Cymru research with private renters in Wales found 1 in 4 (24%) often or always struggle to pay their rent, with three-quarters of those struggling (74%) saying they have had to go without at least one essential item in order to pay their rent¹².

- 3.4. This can all have a significant impact on people's financial well-being, sense of security and physical and mental health. **We therefore believe ensuring access to decent, affordable homes for all renters needs to be a priority for the Welsh Government in the immediate future as well as the longer term.**

4. The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget: Do you have any specific comments on any of the areas identified below?

Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?

Is the Welsh Government's approach to preventative spending represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).

- 4.1. Predictions that wholesale energy prices are likely to remain higher than pre-crisis levels for the rest of the decade¹³ helps to emphasise the need for much more to be done to ensure bills are more affordable for those on low incomes, particularly those with the highest energy needs.
- 4.2. The situation in Wales is exacerbated by the fact we have some of the least efficient housing in England and Wales¹⁴, making homes expensive and difficult to heat, as well as more prone to damp and mould.
- 4.3. Our analysis of energy consumption by EPC in December 2022, showed that the average home pays an 'inefficiency penalty' of almost £350 a year compared to a home with an EPC C, with the worst insulated homes wasting more than £900 a year.¹⁵

¹² Citizens Advice Cymru, [On the brink](#), November 2023

¹³ Cornwall Insight, [New forecast warns power prices to remain elevated until late 2030s](#), July 2023

¹⁴ The median efficiency score in Wales is 66 which is joint lowest out of the regions in England and Wales, with Yorkshire and Humber.

¹⁵ Citizens Advice, [Grinding to a halt? Removing the roadblocks to increased energy efficiency and decarbonisation of private housing in Wales](#), December 2022

- 4.4. With 3 in 4 privately owned homes failing to reach the EPC C target, Wales has a long way to go to reach the 2035 fuel poverty targets¹⁶. This means over a half a million households are wasting money on heat that escapes through leaky buildings.
- 4.5. The key objective of the Welsh Government's Warm Homes Programme (WHP) is to tackle fuel poverty in Wales, whilst also progressing energy efficiency of poorly insulated homes. We, along with other members of the Fuel Poverty Coalition Cymru, have a long-held concern that the level of funding currently allocated to 'Part One' of the Warm Homes Programme falls far short of the total funding needed to meet its goals. For example, estimates suggest there is an 89% shortfall to reach EPC goals for privately rented housing.¹⁷
- 4.6. **Citizens Advice Cymru therefore believe that the Welsh Government should progress plans to assess the overall level of funding needed to achieve their 2035 fuel poverty targets to identify both funding gaps and opportunities.** This could include, for example, utilising future Barnett consequentials from the UK Government's Warm Homes Plan, and facilitating the best use of private sector funding.
- 4.7. Much of our response has focussed on the need to maintain and strengthen crisis support. While we believe this is vital, we also believe **more needs to be done to formally integrate wider support into crisis interventions, the benefits of which have been long proven.**
- 4.8. The Discretionary Assistance Fund mainly operates through an approved partner network. On the positive side, this enables the majority of people to have support in applying to the Fund, and helps to reach those in the most need. However, it also places an over-reliance on third-sector partners to handle complex cases, without providing them with sufficient resources to do so. As a result, the ability of these organisations to work with other clients is depleted and frontline staff are increasingly stretched.
- 4.9. Evidence gathered during the evaluation of the Standard and Enhanced DAF Project Pilots¹⁸ showed that being referred into Citizens Advice services resulted in a number of positive outcomes for DAF clients, including improvements in their financial circumstances (with an average

¹⁶ Ibid

¹⁷ Chartered Institute of Housing, [Decarbonising Wales' Private Rented Sector](#), July 2022

¹⁸ Citizens Advice, Evaluation of Welsh Government Enhanced DAF Project Pilot, 2022 (unpublished)

annual income gain of £251), as well as enhanced mental and general health.

- 4.10. Interestingly, whilst priority is given to providing direct support to people in need of help with bills, food and other essentials, in recent allocations of the Household Support Fund local authorities across England have also been able to use the Fund to supplement provision with signposting, advice and preventative support¹⁹.
- 4.11. Citizens Advice Cymru is currently calling for the Welsh Government to undertake a full review of the Discretionary Assistance Fund design, eligibility criteria and the value of awards to assess whether it is still meeting the needs of people in crisis and/or experiencing particular financial hardship. **We believe this review should include exploring how a more preventative approach could be incorporated into the Fund's design through an adequately resourced integrated partner system.** It is our goal to strengthen the Discretionary Assistance Fund.

5. Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost of living crisis and the pandemic, sufficient?

- 5.1. The increasing financial hardship experienced by individuals and families across Wales is placing immense pressure on our local Citizens Advice offices, as well as other third sector organisations. This is likely to get even worse following the changes to Employer National Insurance contributions (NICs) announced in the UK Government Budget. While the increase to the Employment Allowance provides some protection for the smallest of our local Citizens Advice offices, most will struggle to meet the increased cost from already stretched and often declining budgets. For the largest offices the additional costs will be between £150,000 to £200,000. This can only lead to detriment for the people and communities that we serve at a time when our services are already under severe strain.
- 5.2. The third sector employs a greater percentage of part-time staff than either the private or public sectors. Our local offices are also concerned these changes may act as a disincentive to employ part-time workers and put jobs at risk. This could have a disproportionate impact on disabled people or those with long-term health conditions, carers, and women - all of whom are more likely to work part-time.

¹⁹ DWP, [1 October 2024 to 31 March 2025: Household Support Fund guidance for county councils and unitary authorities in England](#), September 2024

- 5.3. The Chief Executive of Citizens Advice has written to the Chancellor urging her to recognise the vital role civil society plays in delivering essential public services **by extending the public sector exemption from increased Employer NICs to voluntary organisations. We believe the Welsh Government must consider how to support third sector organisations who will be placed under additional financial strain.**
- 5.4. Charities such as us are often the first port of call in crisis situations and in recent years, as demand for this type of support has increased, organisations are having to meet growing needs with limited resources. Evidence gathered during the research for our Reaching Crisis Point report²⁰ reveals the worrying picture that the safety net provided by the third sector is beginning to fray. We heard from organisations whose funding has been reduced, as well as overstretched staff dealing with an overwhelming number of clients.
- 5.5. Our advisers are experts at what they do, and advice can be, and often is, life changing. However increasingly, in more and more cases our advisers are faced with an impossible task. Despite doing everything they can to help someone, by boosting their income or reducing their costs, many clients are still unable to afford the basics. Not only does this situation negatively impact the clients concerned, it also places additional strain on our advisers' own mental health.
- 5.6. In previous budget scrutiny sessions we have highlighted the pressure that flat budgets have put on the **delivery** of headline Welsh Government programmes such as the Single Advice Fund. We would reiterate this point and urge the Welsh Government to consider the forward needs of delivery partners when setting the final budget.

²⁰ Citizens Advice Cymru, [Reaching crisis point: the story in Wales](#), October 2024

WGDB25-26(6)53 Wales Council for Voluntary Action (WCVA),

Senedd Cymru | Welsh Parliament

Y Pwyllgor Cyllid | Finance Committee

Cyllideb Ddrafft Llywodraeth Cymru 2025-26 | Welsh Government Draft Budget 2025-26

Ymateb gan Cyngor Gweithredu Gwirfodol Cymru (CGGC) | Evidence from Wales Council for Voluntary Action (WCVA)

1. What, in your opinion, has been the impact of the Welsh Government's 2024-2025 Budget?

Please outline your reasons for your answer to question 1 (we would be grateful if you could keep your answer to around 500 words).

Last year we saw a shift away from preventative spending in a Welsh Government budget that contradicted Wellbeing of Future Generation's Act principles. The voluntary sector was hit hard across several key areas of work, undermining organisations tackling some of Wales' biggest challenges. Last year's budget set out an alarming direction of travel where the voluntary sector was expected to deliver and prop-up frontline services without being involved in decision making or having sufficient resources to operate.

Despite strong evidence in favour of multi-year funding and existing Welsh Government guidance, multi-year grants for the sector are still rare. Organisations delivering a variety of annually renewed contracts are therefore ill-prepared to respond to sudden economic shocks. The simultaneous cuts in preventative spending across multiple portfolios left many organisations in a very vulnerable financial position.

While services can be scaled back, to the detriment of the communities they support, rising overhead costs are significantly more difficult to address in this financial environment. This uncertainty, coupled with the impact of inflation, puts substantial pressure on the sector's workforce and staff are leaving in pursuit of more competitive pay and job security. Organisations are dealing with major viability challenges and this is putting all of their activities at risk.

Since January, Third Sector Support Wales has spent 21,628 hours providing support to voluntary organisations. The average time spent on each case is 56 minutes, a 16% increase as compared to the same period in 2023, and 33%

increase as compared to 2022. This increase indicates the complexity of issues organisations are facing.

The lack of consideration for the voluntary sector, as seen in last year's budget, should not be repeated. Funding for the sector and parity of pay for our staff delivering public contracts must be budgeted for across all ministerial portfolios.

2. How financially prepared is your organisation for the 2025-26 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?

Please outline your reasons for your answer to question 2 (we would be grateful if you could keep your answer to around 500 words).

3. What action should the Welsh Government take to:

- help households cope with inflation and cost of living issues;
- address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?

(We would be grateful if you could keep your answer to around 500 words).

4. Have Welsh Government business support policies been effective, given the economic outlook for 2025-26?

(We would be grateful if you could keep your answer to around 500 words).

5. Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

(We would be grateful if you could keep your answer to around 500 words).

We welcome the inclusion of tackling the climate crisis as one of the First Minister's priorities for government. The voluntary sector plays an important role in slowing down climate change, involving communities in developing innovative solutions for nature recovery and supporting a transition to green economy practices.

We have been pleased to see investment from Welsh Government in a number of our environmental workstreams, such as work through Local Nature Partnerships, which includes Local Places for Nature and Coastal Capacity Building Scheme, Landfill Disposals Tax Communities Scheme and National Nature Service Wales. Even though investment in most of these projects has, in practice, been continual through re-applications for funding, none of them have been funded long-term.

Having to develop objectives based on short project lifecycles limits stakeholders' ability to be really ambitious, retain talent, sustain momentum and implement truly long-term strategies.

The National Nature Service for Wales workstream is a great example – initial Welsh Government funding was secured to develop a strategy, but funding for the implementation was delayed. In addition, despite presenting a three-year implementation plan, the partnership working on the new Service was only granted funding for the first year of implementation and this funding came from a charitable foundation rather than being a government investment.

Building a green economy will take time and requires a high level of involvement and commitment from the public, private and voluntary sectors. We want to see Welsh Government's ambitions translated into long-term funding to enable our sector to play our full role in Wales' path to environmental sustainability.

This year we welcomed Welsh Government's commitment to fund a three-year MARINE Fund Cymru Development Manager post. This role is designed to attract funding from private sector developers to be invested in programmes supporting marine and coastal ecosystems across Wales. We see this as a good example of partnership working between Welsh Government and the voluntary sector in order to expand the pool of resources we can draw upon to achieve common environmental objectives.

6. Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively?

(We would be grateful if you could keep your answer to around 500 words).

We would like to see more transparency in how the revenue from Welsh taxes is spent.

7. The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?

Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?

(We would be grateful if you could keep your answer to around 500 words).

Bevan Foundation's latest Snapshot points to 44% of people in Wales reporting their mental health has been negatively impacted as a result of financial pressures. 29% report a negative impact on their physical health. Financial hardship is not distributed

equally across different groups either. Disabled people whose condition limits them a lot are 70% more likely struggle to afford essentials than people with no health condition. Meanwhile, The Trussell Trust reported a record number of food parcels distributed in Wales during 2023/24 financial year. People living in relative income poverty are struggling to cope and the voluntary sector is playing a key role in supporting them. Last year's budget resulted in funding cuts for disability, housing, and mental health voluntary organisations, among many others. Welsh Government must ensure preventative and support services are adequately funded to support people living in relative income poverty and those most at risk.

How could the budget further address gender inequality in areas such as healthcare, skills and employment?

(We would be grateful if you could keep your answer to around 500 words).

Voluntary organisations, such as Fair Treatment for the Women of Wales (FTWW) and Women's Equality Network (WEN) Wales play a key role in identifying areas for improvement, equipping women with the tools they need to advocate for themselves, driving positive change, and holding decision-makers to account. A quote from a recent Age Cymru report captures typical involvement of women's equality organisations in improving healthcare outcomes for women quite well:

'After I was recently discharged from hospital, had no social care support in place despite being discharged with a care package. After a complaint by Women Connect First, carers started attending but they don't come on time, and I have to keep complaining. No urgent occupational therapy and assessment completed and I had to access support from Women Connect First.'

The closure of Chwarae Teg has significantly diminished our nation's capacity to work towards gender equality, especially in skills and employment. While other women's organisations took on some of the work Chwarae Teg used to do, they received no accompanying funding for this work. As a result, progress in other important workstreams has slowed down to carve out capacity. Welsh Government funding for the gender equality sector has, overall, dramatically decreased since the closure of the charity. Gender equality organisations must be adequately funded to help drive positive change across all sectors.

Is the Welsh Government's approach to preventative spending represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).

(We would be grateful if you could keep your answer to around 500 words).

We saw a drastic shift away from preventative spending in last year's resource allocations, resulting in less public funding for the voluntary sector, while the demand for our prevention and support services rose.

Even more alarmingly, where Welsh Government has attempted to commit preventative funding for the voluntary sector, this has not always been cascaded to voluntary organisations in practice. As per the Health and Social Care Regional Integration Fund (RIF) Guidance, each Regional Partnership Board (RPB) is expected to invest a minimum of 20% of their RIF allocation in delivery through social value sector organisations and involve them in the planning and design of the models of care. However, the way in which RPBs have implemented this is varied and inconsistent. We are concerned that the voluntary sector is not universally involved in an early and continuous dialogue about the allocation of resources. Instead of simply putting aside 20% of the allocation for the voluntary sector, the population needs assessments should be used to inform decision-making about resource allocations between health, social services and the voluntary sector. But even with the current model, we are really alarmed to receive reports that the minimum expectation is not met in some regions, with voluntary sector allocations as low as 8% of the overall RIF budget.

How should the Welsh Government explain its funding decisions, including how its spending contributes to addressing policy issues?

(We would be grateful if you could keep your answer to around 500 words).

Our longstanding ask of Welsh Government has been to publish the individual cabinet secretaries' responses outlining implications for their portfolios at the same date as the draft budget. Currently, these responses get published in the weeks following the draft budget announcement, which limits stakeholders' ability to scrutinise the budget as it is difficult to understand what the implications would be before we have seen how each cabinet secretary intends to spend within their portfolio. Given UK Government's Autumn Statement was made three weeks earlier than we have seen in the past few years, this year we are expecting a timely publication of cabinet secretary responses clearly demonstrating the criteria and priorities behind budgetary decisions within their portfolios.

How can the documentation provided by the Welsh Government alongside its Draft Budget be improved?

(We would be grateful if you could keep your answer to around 500 words).

The Budget Expenditure Lines (BEL) tables should have a consistent use of language and approach over the years to allow for easier tracking of budget lines outside of Government. The discrepancies in how information is being presented make it very difficult for specialist organisations, let alone smaller voluntary groups or the general public, to interpret the data and, therefore, limits our ability to scrutinise it.

We welcome the improvements in the format and presentation of Ministers' written evidence to Senedd scrutiny committees on allocations within each MEG document last year. Welsh Government should continue refining the document, which is still very lengthy at around 400 pages and lacks consistency across MEGs, especially when it comes to linking through to Integrated Impact Assessments (IIAs). Welsh Government should also aim to release the document as close to budget publication day as possible.

How should the Welsh Government prioritise its resources to tackle NHS waiting lists for planned and non-urgent NHS treatments. Do you think the Welsh Government has a robust plan to address this issue?

(We would be grateful if you could keep your answer to around 500 words).

Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning.

(We would be grateful if you could keep your answer to around 500 words).

Has there been adequate investment from the Welsh Government in basic public sector infrastructure.

(We would be grateful if you could keep your answer to around 500 words).

The continuously increasing demand and scope of voluntary sector services reflects the erosion of investment in public sector infrastructure. Voluntary organisations increasingly deliver services previously provided by the public sector or launch services responding to a need created by long waiting lists and other deficiencies in public sector provision. In some instances, the voluntary sector is paid to provide statutory services, but the contracts or grants often do not cover the true cost of delivery and our sector subsidises these services from our own budgets. The shift away from preventative spending in last year's budget is a particular cause of concern for our sector and we have seen the impact of that in increased demand and complexity of support needs for the communities we support. Underfunding of public sector infrastructure also limits public bodies' ability to engage in lasting collaboration and partnership with the voluntary sector. The close collaboration between the voluntary sector and public bodies was instrumental in Wales' response to the Covid-

19 pandemic but we feel subsequent cuts to funding have made it difficult for the two sectors to continue maximising the value of existing investment through joint working.

How should the Budget support young people?

(We would be grateful if you could keep your answer to around 500 words).

How is evidence and data driving Welsh Government priority-setting and budget allocations, and is this approach clear?

(We would be grateful if you could keep your answer to around 500 words).

The contextual evidence provided through the draft budget supporting documents, including the SIIA summary and Chief Economist's report, does provide a good overview of considerations at the strategic level (allocation to Main Expenditure Groups). The data and evidence used to inform portfolio level decisions (allocation within Main Expenditure Groups) is not as readily available and the amount of information differs across the MEGs. The approach to allocations within MEGs can be made clearer by including more data and evidence in individual cabinet secretaries' reports and setting out a template with a minimum standard requirement for the data provided.

Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost of living crisis and the pandemic, sufficient?

(We would be grateful if you could keep your answer to around 500 words).

Voluntary organisations in Wales are dealing with record high service demand, there are substantial challenges with staff and volunteer recruitment and retention, funding from all sources is dwindling, and inflation is squeezing the existing budgets.

Preliminary results from our current state of the sector survey indicate 48% of organisations have less volunteers than they did a year ago and 32% have less full time staff members. Meanwhile, 73% report increased service demand and 53% are not able to meet the current demand for their services fully, or at all.

40% of organisations told us they have received less public funding this year. 50% told us none of the public contracts they deliver cover the true cost of delivery. 40% said none of their public contracts have been uplifted in the past year.

All of these factors have led to charities increasingly relying on reserves – 70% of organisations we surveyed said they have had to use reserves in the past year.

UK Government's 2025-26 budget brought more bad news with the increase of Employer National Insurance Contributions (NICs) leaving 65% of organisations we surveyed very or moderately concerned about their ability to afford the rise. 21% told us they are considering reducing service delivery and 14% said they are considering service closure as a result of the increase of NICs and the new National Living Wage.

We are calling on Welsh Government to carefully consider the circumstances voluntary organisations are in and the impact service reductions and service closures would have on demand for public services, and the state of our natural environment. This impact will fall disproportionately onto the most marginalised communities across Wales. Welsh Government can help prevent this by allocating adequate amounts of funding for the voluntary sector in their 2025-26 budget.

Our survey respondents were asked an open-ended question about their priorities for Welsh Government's budget, two strong themes are emerging:

multi-year core funding for the voluntary sector;

public contract and grant uplifts to account for the increase of Employer NICs and the new National Living Wage;

Other responses we received capture the truly dire situation some voluntary organisations are in:

'[Welsh Government] to ensure service users can afford to live if we are forced to close'

What are the key opportunities for the Welsh Government to invest in supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations (Wales) Act 2015?

(We would be grateful if you could keep your answer to around 500 words).

Working in partnership with the voluntary sector, including through targeted investment, is a key opportunity to better deliver against the well-being goals in the Wellbeing of Future Generations Act.

We believe both the public and private sectors can learn from the value-driven approach voluntary organisations and social enterprises implement in strategic planning and day-to-day operation. Whether it is the adoption of a triple bottom line framework or practices of co-production, the blueprints of how to drive positive change already exist. Closer partnership with the voluntary sector will facilitate transfer of knowledge and expertise in this area.

Fully embedding the Code of Practice for Funding the Third Sector into decision making processes at all levels would aid Welsh Government in implementing The Five Ways of Working and deliver against the well-being goals.

Document is Restricted