

Agenda – Finance Committee

Meeting Venue: Hybrid – Committee
room 3, Senedd and video conference
via Zoom

For further information contact:

Owain Roberts

Committee Clerk

Meeting date: 5 March 2026

0300 200 6565

Meeting time: 09.30

SeneddFinance@senedd.wales

Registration

(09.00 – 09.15)

Private pre-meeting

(09.15 – 09.30)

1 Introduction, apologies, substitutions and declarations of interest

(09.30)

2 Paper(s) to note

(09.30)

2.1 PTN 1 – Letter from the Cabinet Secretary for Finance and Welsh Language: Finance: Interministerial Standing Committee (F:ISC) – 19 February 2026

(Pages 1 – 2)

2.2 PTN 2 – Letter from the Cabinet Secretary for Finance and Welsh Language to Legislation, Justice and Constitution Committee: Development of Tourism and Regulation of Visitor Accommodation (Wales) Bill – 24 February 2026

(Pages 3 – 6)

2.3 PTN 3 – Letter from the Cabinet Secretary for Finance and Welsh Language: Recommendation 11 of the Finance Committee's Draft Budget report 2026– 27 – 24 February 2026

(Pages 7 – 10)

2.4 PTN 4 – Cabinet Secretary for Housing and Local Government: Building Safety (Wales) Bill – Revised Explanatory Memorandum – 24 February 2026

(Pages 11 – 12)



**2.5 PTN 5 – Letter from the Cabinet Secretary for Finance and Welsh Language:
Summary of the Roundtable event on Taxing Wealth – 25 February 2026**

(Page 13)

**2.6 PTN 6 – Letter from Audit Wales: Challenges and opportunities for Welsh
public services – 26 February 2026**

(Pages 14 – 30)

3 Second Supplementary Budget 2025–26: Evidence session

(09.30 – 10.30)

(Pages 31 – 49)

[Second Supplementary Budget 2025–26](#)

Mark Drakeford MS, Cabinet Secretary for Finance and Welsh and Language

Andrew Jeffreys, Director Treasury, Welsh Government

Sharon Bounds, Deputy Director, Financial Controls, Welsh Government

**4 Motion under Standing Order 17.42 (ix) to resolve to exclude the
public from the remainder of this meeting, and the meeting on 12
March 2026**

(10.30)

**5 Second Supplementary Budget 2025–26: Consideration of
evidence**

(10.30 – 10.45)

**6 The Welsh Tax Acts etc. (Power to Modify) Act 2022 (Extension of
Expiry Date) Regulations 2026**

(10.45 – 11.00)

(Pages 50 – 51)

[The Welsh Tax Acts etc. \(Power to Modify\) Act 2022 \(Extension of Expiry
Date\) Regulations 2026](#)

[Explanatory Memorandum](#)

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
Cardiff Bay
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19 February 2026

Dear Peredur,

A meeting of the Finance: Interministerial Standing Committee (F:ISC) will take place on 19 March in Northern Ireland. It will be chaired by the Minister of Finance for Northern Ireland, John O'Dowd.

The agenda will cover the economic outlook and the Spring Forecast, providing an opportunity to discuss and reflect on any issues or implications arising from the Chancellor's Statement on 3 March.

The key focus of the meeting will be to consider the potential for improvements to the operation of the Barnett formula. Joint work is currently underway with HM Treasury and the other devolved governments to look to address concerns in respect of fairness of the operation of the current system. A paper is expected to be tabled at the meeting for discussion.

We will also have a discussion on Private Financial Institutions (PuFIns), such as the National Wealth Fund, British Business Bank and GB Energy. It will be helpful to consider their current operation and interaction with devolved governments including how they can help support economic growth.

We will continue the discussions on improving the fiscal flexibilities available to devolved governments and addressing the use of the UK Internal Market Act (UKIMA) and financial assistance powers by the UK Government.

Finally, I will be sharing my reflections on the F:ISC, which was established as part of the IGR Review arrangements introduced in 2022, including what has worked well and potential areas for development in the future.

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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.

I will write to the Committee after the F:ISC to update it on discussions.

Yours sincerely,

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive style with a large initial 'M'.

Mark Drakeford AS/MS

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

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

Agenda Item 2.2



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA-MDFWL-3074-25

Mike Hedges MS
Chair
Legislation, Justice and Constitution Committee
Senedd Cymru
Cardiff Bay
Cardiff
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24 February 2026

Dear Mike

Development of Tourism and Regulation of Visitor Accommodation (Wales) Bill

I write further to your letter of 13 February requesting a written response to the recommendations in the Committee's Stage 1 report.

You refer to "a matter of long-standing parliamentary convention and of democratic courtesy that the Welsh Government responds in full to reports of Senedd committees". However, with the exception of responses to the Finance Committee, this is not the case for reports relating to legislation, where for primary legislation, the General Principles debate allows for the Senedd to discuss the conclusions of scrutiny committees.

I wrote in detail prior to the General Principles debate on recommendations 1 and 2, and my letter to the Economy, Trade, and Rural Affairs Committee of 12 January 2026, to which you were copied, set out:

- my intentions in respect of the powers under the Bill (recommendation 4);
- significant detail in respect of sections 46 and 47 (recommendation 9);
- my intention to bring forward amendments at Stage 2 in relation to a further 6 recommendations (namely 3, 5, 6, 7, 8 and 10).

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Pack Page 3

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Many of these issues were also discussed in the General Principles debate and I therefore did not consider a further written response was required. However, as you have requested it, please see below confirmation of my response to each of the recommendations made in this Committee's Stage 1 report.

Recommendation 1

Prior to the Stage 1 debate on the general principles of the Bill, the Cabinet Secretary should publish a written statement explaining how the Cabinet Secretary assessed the Bill as compatible with Article 1 of Protocol 1 to the European Convention on Human Rights. That statement should include the Cabinet Secretary's rationale for concluding that:

- i. the interference with property rights is justified by being in the public interest; and
- ii. provisions in the Bill have a reasonable foundation and strike a fair balance between the demands of the general interest of the community and the protection of an individual's fundamental rights.

Government Response – Accept

This was addressed in my letter to Committee of 9 January.

Recommendation 2

Prior to the Stage 1 debate on the general principles of the Bill, the Cabinet Secretary should also explain whether he has identified any need to revise the conclusions on human rights in the Equality Impact Assessment as a result of evidence received during Stage 1.

Government Response – Accept

As I set out in my letter of 9 January, I am happy to confirm this is has not been necessary, and I remain satisfied that the Bill is compliant with Convention rights.

Recommendation 3

The Welsh Government should table amendments to the Bill to place a duty on Welsh Ministers to carry out a post-implementation review of the legislation.

Government Response – Accept

The amendment was tabled and agreed at Stage 2, and is now included in the Bill.

Recommendation 4

The Welsh Government should review the appropriateness of the delegated powers in the Bill, and consider whether any should be removed or limited.

Government Response – Accept

The powers in the Bill have been reviewed, and I consider those that remain to be necessary. However, following the recommendations by LJC and ETRA Committees, a number of amendments were tabled and agreed at Stage 2, to either enhance the procedures for, or limit the scope of, some powers in the Bill. As a result, offences created in regulations are limited to summary only, punishable by fines. Of the powers currently included within the Bill, 75% are now subject to the Senedd approval procedure, which I believe is an appropriate balance.

Recommendation 5

If the Welsh Government is minded to retain the powers in the Bill that enable a future Welsh Government to extend the scope of the Bill by regulations despite recommendation 4, the Welsh Government should table amendments to subject the

regulation-making power in section 5(1)(b) to an enhanced approval procedure that includes a requirement:

- i. for a minimum period of consultation, including with Senedd committees; and
- ii. to make a statement before any such regulations are made, detailing the outcome of that consultation (including areas of agreement and disagreement with stakeholders) and accordingly how the regulations have taken account of engagement with stakeholders.

Government Response – Accept

I tabled an amendment, agreed at Stage 2, to consult for a 12-week period prior to the use of the power under paragraph 5(1)(b). The power itself is already subject to the Senedd approval procedure, and, in addition, Standing Orders require an Explanatory Memorandum to be published alongside any regulations laid, which includes a section on consultation, and covers the matters in part ii of your recommendation. I believe this is sufficient for the Senedd to fulfil its role in scrutinising regulations under this section and making an informed decision.

Recommendation 6

The Welsh Government should table an amendment to section 25 of the Bill to include on its face the new criminal offences that would apply in relation to visitor accommodation licences.

Government Response – Accept

I tabled amendments, agreed at Stage 2, removing the power to prescribe offences for section 25, as on further reflection, the only offences that would be relevant for expiry and renewal of a licence are those already set out on the face of the Bill.

Recommendation 7

The Welsh Government should table amendments to section 57(4) of the Bill to subject the regulation making powers in section 27(2) to the Senedd approval procedure.

Government Response – Accept

I tabled amendments, agreed at Stage 2, to make the powers in section 27 subject to the Senedd approval procedure.

Recommendation 8

The Welsh Government should table amendments to section 57(4) of the Bill to subject the regulation-making powers in section 40(4) to the Senedd approval procedure.

Government Response – Accept

I tabled amendments, agreed at Stage 2, to make the powers in section 40(4) subject to the Senedd approval procedure.

Recommendation 9

The Welsh Government should table amendments to section 46(1) of the Bill to provide that the advertising and marketing requirements in that section, and to which the offence in section 47(1) relates, are to be made by regulations subject to the Senedd approval procedure.

Government Response – Reject

The Bill already states what is required, which is simply the premises registration number and information about how to access the directory to use that number. Specifying the manner in which the information must be displayed will need to cover a

wide range of scenarios, such as types of providers, platforms, booking agents, advertising mediums etc. This type of operational detail is better suited to guidance.

This part of the Bill is, however, still under consideration for amendment at Stage 3, with a view to clarifying the obligations and liabilities of those captured by these requirements, especially third parties who advertise and/or market visitor accommodation.

Recommendation 10

The Welsh Government should table amendments to sections 52 and 53 of the Bill to include on its face the new criminal offences that would apply in relation to cases where a Visitor Accommodation Provider dies, becomes incapacitated or becomes subject to an insolvency procedure, or otherwise ceases to exist.

Government Response – Accept

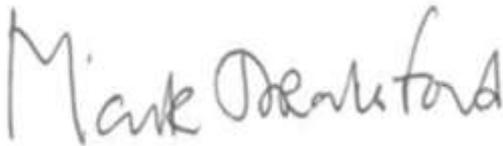
I tabled amendments, agreed at Stage 2, which amended the Bill in light of this recommendation.

I adopted a different approach, as I would not wish to pre-empt what may be necessary when making such provision, whilst ensuring the ongoing interaction between registration and licensing operates as intended in all circumstances. Instead, I have limited those powers such that they may create summary only offences punishable by a fine. This ensures all offences are consistent throughout the Bill, and that no such offences may carry a custodial sentence.

I hope this response is useful, and I would like to thank you and the Committee, for your considered scrutiny of the Bill.

I am copying this letter to the Chairs of the Economy, Trade and Rural Affairs Committee, and the Finance Committee, for information.

Yours sincerely,

A handwritten signature in blue ink that reads "Mark Drakeford". The signature is written in a cursive style and is contained within a light blue rectangular box.

Mark Drakeford AS/MS

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

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

Agenda Item 2.3



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Peredur Owen Griffiths MS
Chair
Finance Committee

SeneddFinance@senedd.wales

24 February 2026

Dear Peredur

Recommendation 11 of the Finance Committee's recent Scrutiny of the Welsh Government Draft Budget report asked the Welsh Government to work with the Office for National Statistics (ONS) and other stakeholders to ensure that data is available at a Welsh level to support the measurement and monitoring of economic performance and the impact of key policies. The Committee requested an update by the time the Second Supplementary Budget 2025–26 is laid on 24 February 2026. I am writing to provide this update.

Welsh Government officials continue to work closely with the ONS to ensure that Welsh priorities are fully reflected in the development of the ONS Economic Statistics and Survey Improvement Plans. We have been proactive in setting out Wales' requirements. In December 2025, the Permanent Secretary wrote to the Permanent Secretary of the ONS to welcome the progress being made while restating key Welsh priorities, including improved sample design and coverage in business surveys, the need to safeguard subnational data quality, and the critical importance of the Annual Population Survey (APS) for data on the labour market, Welsh language and population characteristics.

I continue to meet regularly with the Chief Statistician and others to maintain Ministerial oversight of data improvement.

These issues have also been discussed at senior UK wide statistical governance forums, including the regular quarterly meeting of Chief Statisticians from across the UK, where survey recovery and ONS prioritisation activities remain a regular item. At working level, officials continue to engage positively with ONS teams responsible for economic statistics, survey transformation, and labour market outputs. Through these channels we have set out

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Wales-specific requirements and contributed to the development of ONS prioritisation and recovery work.

On 19 February the ONS published an update on its prioritisation plans, confirming steps to streamline outputs so it can focus resources on producing and improving core national statistics such as GDP, prices, labour market and population data, alongside work on the Transformed Labour Force Survey and Census 2031. In response to strong user feedback (including from the Welsh Government), ONS confirmed that the Annual Population Survey will continue to provide local and regional insight.

The ONS has recently published the Labour Force Survey Performance and Quality Monitoring Report for October to December 2025. It reports improvements in achieved survey responses across Great Britain, with some improvements in response rates, including within Wales, despite ongoing challenges with survey engagement. The progress shown could suggest a slight increase in confidence in the use of the data for Wales, however the data quality still remains low by historical standards. Officials have requested that ONS provide further details on quality improvements for Wales as part of future updates.

As ONS indicate, their Economic Statistics and Survey Improvement Plans are multi-year programmes and changes to survey design and operations will take time to implement carefully. They have been undertaking, and are planning, a range of improvement activities and are providing updates on the progress they have been making across a number of social and business surveys. This includes investment in increasing the interviewer workforce to improve the number of achieved responses. The [latest progress report](#), reflecting the wider GB level developments was published in December 2025. We would expect these developments to have some positive impact on the quality of data for Wales.

We continue to work with ONS on a range of other areas which contribute to the measurement of policy impact in Wales. We already have a joint work plan in place with the ONS about the [coherence of Welsh language statistics](#), which will help us improve our understanding of how we measure and monitor progress towards our target of one million Welsh speakers by 2050. For example, we successfully linked Census 2021 data with Labour Force Survey data to understand differences in how people report their Welsh language ability between different surveys. We will continue working with the ONS to deliver key outputs from this work plan, for example, on understanding the requirements for information about Welsh language ability outside Wales, especially as we work with them on plans and preparations for Census 2031.

The Committee will be pleased to note that, through our ongoing engagement with ONS, we are seeing some quality improvements for Wales. However, there are still limitations with data. Officials therefore continue to recommend using a basket of indicators to monitor the labour market in Wales, including alternative sources such as the APS, annual HMRC Real Time Information on paid employees, and the claimant count. Officials will continue to engage closely with ONS as further development work progresses, emphasising the importance of robust Wales level data to support decision making. I would be happy to provide further updates to the Committee as this work develops.

Yours sincerely,

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive style and is contained within a thin black rectangular border.

Mark Drakeford AS/MS

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

Jayne Bryant AS/MS
Ysgrifennydd y Cabinet dros Lywodraeth Leol a Thai
Cabinet Secretary for Housing and Local Government



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA/JB/0084/26

Peredur Owen Griffiths MS
Chair
Finance Committee
Senedd Cymru

CC: John Griffiths MS, Chair of the Local Government and Housing Committee
Mike Hedges MS, Chair of the Legislation, Justice and Constitution Committee

24 February 2026

Building Safety (Wales) Bill – Revised Explanatory Memorandum

Dear Peredur,

Following completion of Stage 2 proceedings and in line with Standing Order 26.28, I have laid a revised Explanatory Memorandum (EM) for the Building Safety (Wales) Bill. I would like to bring relevant changes to the Committee's attention.

Revisions have been made to the following sections of the EM to reflect the amendments agreed at Stage 2:

- Chapter 3: Purpose and intended effect
- Chapter 4: Consultation
- Chapter 5: Power to make subordinate legislation
- Annex 1: Explanatory notes
- Annex 2: Index of standing order requirements

Having considered the effect of amendments on the costs and benefits of the Bill, I have concluded there are none. Therefore, I have not amended the RIA as a consequence of Stage 2 amendments.

However, I have addressed your recommendation to undertake a comprehensive revision of the RIA. As I mentioned in evidence, we have continued to work with stakeholders to clarify the costs. The costs workstream with local authorities has reassessed the costs associated with enforcement and sanctions, building certificates and transitional costs. There are some changes to the RIA as a result. The workstream continues, and output from it will inform preparations for implementation.

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The total cost estimate for the Bill has increased from £165.44m (£144.91m in present value) to £169.41m (£148.23m in present value). The cost estimate for the Welsh Government remains unchanged at £25.51m (PV £22.03m). The cost estimate for fire and rescue authorities is marginally higher at £2.60m (PV £2.21m) compared to the original estimate of £2.59m (PV £2.46m). The cost estimate for local authorities is up from £5.31m (PV £4.62m) to £7.72m (PV £6.84m).

Estimated compliance costs for industry have also been adjusted. Transitional costs are estimated to be slightly lower at £27.60m (PV £26.78m) but recurrent costs are estimated to increase from £99.97m (PV £88.2m) to £105.99m (PV £90.36m). Thus, the overall estimated compliance cost increases from £132.02m (PV £115.80m) to £133.59m (PV £117.14m). Compliance costs will become clearer still as we progress the detailed work on regulations. We will, of course, continue to engage the sector as we embark on that.

As you recommended, table 8.16 now shows details of the specific activities individual bodies will undertake, including a breakdown of costs by individual provisions. As I explained in my letter of 19 December, the new building safety regime will consist of a package of measures. I do not think it is possible to assign benefits to individual provisions with any degree of accuracy and so I have not attempted to do that.

Chapter 8 now includes a detailed account of the costing methodology used.

Finally, the RIA now makes clear where key supporting documentation such as the Cost and Benefits Model reports are published. Information previously referred to as being in the Excel Model is now included in the Cost Model report.

I hope you find the revised EM helpful.

While writing, I will take the opportunity to let you know that I have tabled Stage 3 amendments in response to recommendation 5 of the LJC Committee. The amendments include removing the power to define “storey” from section 6. “Storey” is not defined in section 6 of the Bill, so will have its everyday meaning. However, the amendments include defining when a mezzanine floor is to be regarded as a “storey” in respect of regulated buildings, and to enable regulation under section 17 to amend the meaning of “storey” in section 6. Such regulations would be subject to an enhanced Senedd approval procedure.

I would like to take the opportunity to again thank each of the Committees for their scrutiny of the Bill.

Yours sincerely,

A handwritten signature in black ink that reads "Jayne Bryant". The signature is written in a cursive, flowing style.

Jayne Bryant AS/MS

Ysgrifennydd y Cabinet dros Lywodraeth Leol a Thai
Cabinet Secretary for Housing and Local Government

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



Llywodraeth Cymru
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Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru
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25 February 2026

Dear Peredur,

My letter to you of 18 November 2025 provided a summary of the Roundtable event on Taxing Wealth, which I chaired on 11 November. The meeting brought together a range of experts and key stakeholders to discuss the principles and practical considerations relating to taxing wealth and assets.

I wanted to update the Committee that the note of the meeting has now been published on the Welsh Government website and can be accessed here <https://www.gov.wales/taxing-wealth-roundtable-11-november-2025>.

I trust the Committee will find this note helpful.

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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Peredur Owen Griffiths MS
 Chair
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Mark Isherwood MS
 Chair
 Public Accounts and
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Reference: AC535/caf

Date issued: 26 February 2026

Dear Peredur and Mark

Challenges and opportunities for Welsh public services

As you are aware, I am approaching the end of my term as Auditor General over a period that coincides with the Senedd election. Whatever the policy priorities for the next Welsh Government, the incoming administration faces some big questions around the future sustainability of our public services.

We recently released a [podcast series](#) that explored my perspective on some of those issues. My reflections built on the work of Audit Wales over the past eight years, as also summarised through my earlier [Picture of Public Services](#) reporting, my [‘Firefighting to future-proofing’](#) commentary, and my [‘No time to lose’](#) report on implementation of the Well-being of Future Generations (Wales) Act 2015. The podcasts also touch on themes discussed during my appearance at the [Finance Committee on 5 November 2025](#) as part of its Welsh Government budget scrutiny and in my [supporting written evidence](#). That evidence highlighted various relevant examples from my more recent work.

As your committees reach the end of their own terms, I wanted to put on record a summary of some of the thinking that sits behind the podcast series, although this is by no means exhaustive.

Frustratingly perhaps, much of what I have set out is not new; for example, my reflections around our public service landscape mirror issues raised by my predecessor and, before that, by other commentators. These issues are, in my view, ever more pressing. In the course of my time as Auditor General, I have seen much that is good. But the challenges facing public services are huge and the scope for improvement considerable. I hope that these reflections, and the fabulous work of my colleagues at Audit Wales, will be drawn on by the next Senedd and Welsh Government as they seek to address those issues.

As I step down, I should like to thank both Committees and the wider Senedd for their support for the work of Audit Wales throughout my tenure.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Adrian Crompton', with a long horizontal stroke extending to the right.

ADRIAN CROMPTON
Auditor General for Wales

Copied to: Senedd Policy & Legislation Committees

Auditor General reflections on challenges and opportunities for Welsh public services

Wales has a strong and capable public service

The people of Wales rely on our public services – we see their impact and delivery all around us in our schools, our hospitals, our homes, our environment, our communities.

Those services in turn rely on the skill, hard work and dedication of hundreds of thousands of public servants – frontline staff, politicians, senior leaders – whose motivation is to serve their communities and to improve the lives of others.

Services have been tested by two decades of financial pressure, demographic and social change, ever increasing demand, and wider challenges from climate change, Brexit and global events. The COVID-19 pandemic rocked our society to its core and called for an unprecedented response. The residual effects of the pandemic are still with us today in the shape of pent-up demand for services and fundamental changes to society and behaviours.

There is much to reflect on and learn from the pandemic response, as we are still seeing played out through the UK public inquiry and wider scrutiny. However, we should recognise we also saw the very best of the public service in Wales during the response. Frontline workers continued their vital work, often under immense pressure; the NHS and local and central government collaborated to deliver life-saving initiatives such as the Test, Trace, Protect programme and mass vaccination; all parts of the public service adapted swiftly through remote working and service redesign to continue supporting their communities.

Though a dreadful time for so many, the response showed what can be achieved when public services are united around a clear, common objective and pulling in the same direction. We saw this too in how public services worked together to accommodate and support displaced Ukrainians arriving in Wales from early 2022 onwards, building on learning from the pandemic response.

But excellent service delivery is not just about responding to emergencies. The public have a right to expect it always and for the flexibility, collaboration and pace we saw in the pandemic to be standard. They should also expect that public money is well-managed and delivering good value.

Persistent and emerging challenges

Through the work of my office, I have consistently reported on some persistent challenges faced by the public sector.

Financial pressures

In local government, budgets have been squeezed. Fast rising costs in areas like children's services and temporary accommodation are bringing some councils to the very edge of financial sustainability.

Generally, we see councils having a sound grip on their immediate financial pressures but with many relying on reserves to balance budgets.

This approach is unsustainable in the long run. Individual councils, and the sector as a whole must strengthen their long-term planning, forecasting and oversight if they are to remain financially viable.

In the NHS, the Senedd passed legislation in 2014 requiring individual health bodies to break even over a three-year period and to have medium-term financial plans that are approved by the Welsh Government. Yet despite these statutory expectations, most health boards have been unable to meet that break-even duty for several years.

Despite record levels of investment and ever-increasing levels of savings, health boards are struggling to control costs driven by rising demand for services, overall growth in pay costs, and other inflationary pressures. With most health boards still unable to produce financially balanced three-year plans, the overall NHS deficit position is unlikely to change for the foreseeable future.

Those financial pressures stimulate an understandable focus on short-term financial management. But this reactive approach hinders the longer-term planning and transformational changes that are needed to create more financially sustainable services.

This is all before we add into the mix wider pressures, for example around the investment needed to support policy priorities around decarbonisation, deal with the impacts of climate change, and help society adapt. I have reported previously that the scale of spending that might be needed in these areas, and where that funding will come from, remains unclear.

Against this backdrop, making the most of every pound of public spending is essential. The work of my office gives assurance that, overwhelmingly, public money

is well managed. Many public bodies demonstrate strong governance and accountability. However, there is still waste, error, and fraud. Exercises like the data matching we facilitate as part of the UK-wide National Fraud Initiative are an important part of our counter fraud landscape. However, there is much more that public bodies need to do to raise their game in response to increasing fraud risks.

Demand and performance

Demographic and societal change, and the lingering impact of the pandemic are driving ever-increasing demand.

In some important areas, service performance and quality are declining. My 2025 report on cancer services, for example, described a failure to meet key waiting time targets and growing inequalities in outcomes despite increased funding. These issues are compounded by workforce shortages, ageing infrastructure, and rising public expectations.

Simply allocating more funds does not guarantee a solution. Except for 2022-23, the NHS has seen large, above inflation increases in its funding in recent years yet still it is unable to break even and performance in many areas is unsatisfactory.

And that ever-growing share being taken by the NHS undoubtedly squeezes the resource available for other areas. That changing pattern of funding between sectors needs to be rebalanced if important services are to be sustainable, and better outcomes need to be achieved across the board with the public money that is available.

Complexity and fragmentation

The public service delivery landscape in Wales is crowded. By way of illustration, my office audits the accounts of close to 100 larger public bodies and structures, even before considering other smaller bodies that I audit, notably the over 700 town and community councils.

In addition, various partnership and collaborative arrangements exist to address the challenges and problems that cannot be addressed by individual organisations alone; for example, Public Services Boards, Regional Partnership Boards and Corporate Joint Committees.

These partnership structures are of variable effectiveness – with some very good and others less so. They often work on differing geographical footprints and can have

overlapping memberships and objectives. They each require contributions from many of the same players, so spreading available resource more thinly.

While every one of our public bodies and partnership structures is no doubt rooted in a well-intentioned rationale, the combined effect is overly complex.

That complexity leads to a system that can be fragmented and slow-moving, with overlapping responsibilities and unclear lines of accountability. This complexity can hinder transformation and make it difficult for citizens to navigate services or understand who is responsible for what.

Our work also shows how many public bodies often fail to capture the service-user perspective. This affects service design, public understanding of lines of accountability, and the ability of service users to navigate what can be complex and poorly signposted systems.

Trust and confidence

I have growing concerns about declining trust and confidence in public services and governance structures across Wales.

That is not unique to Wales and is fed in part by factors beyond our control – broader geopolitical and domestic political issues, societal changes, change in the way people access media, information and analysis, the public's view of politics nationally and internationally.

Some factors, though, are much more within our gift. To win and maintain public trust and confidence, we must consistently demonstrate public service delivery that is timely and of good quality. When outcomes are poor and are not seen to improve – or seen to worsen – it is unsurprising that the public loses confidence in the public sector's capability. Not so much in the efforts of individuals and frontline services, but organisationally and system-wide.

We know from our own work and wider evidence that poverty and inequality remain deeply entrenched in many communities despite the best efforts of local government and others.

Similarly, my work in the NHS has shown that the failure to meet targets in key areas such as elective waiting times and ambulance handovers has sadly become the norm. This is demoralising for staff and will colour patients' views.

A further factor, on which I have a direct line of sight, is governance. It might not sound the most obvious cause of low public confidence, but I believe it is important.

The overwhelming majority of public sector organisations are well governed most of the time. Regrettably, though, I have reported on too many examples of poor organisational governance at every tier of the public sector – from the Welsh Government itself to the NHS, local government, some central government organisations, and the smallest tier of government in our town and community councils.

I fear even a small number of such cases colour the public's perspective of public sector governance in the round. These failures invariably feature some weaknesses in process such as poor record-keeping, application of policy, or a lack of transparency. But more significantly, in my view, many governance failures in public organisations are rooted not in process but in human behaviour.

If those in the public sector, especially in positions of leadership, lose sight of the required values and behaviours, the effects are damaging. They manifest in the form of poor decision making, relationship breakdown, wasted public money – on settlement payments, legal or consultancy fees – and distracted organisational leadership and service provision.

And every time the public sees such examples, it further undermines their confidence and trust: trust that is essential if the public is to support the kind of transformation required to make our public services sustainable for the long term.

Opportunities to do things better

Getting the basics right

Effective public service delivery begins with getting the basics right. Years of financial pressure has left some important areas under-invested and this needs addressing if we are to improve services and increase public sector productivity.

Digital

The technology already exists to transform service delivery, reduce costs and improve the user experience. I recognise that the public sector is already working to improve its approach to realising benefits from digital solutions and identifying services requiring transformation.

This work must replace antiquated IT systems, improve the quality and shareability of data, recruit and retain scarce skills in high demand across the economy, and reshape service delivery with citizens and users at the heart. The challenge is considerable.

The potential efficiency gains in those services are enormous, with more modern and responsive public services delivering improved service to customers. However, I have also emphasised the importance of balancing spending on infrastructure with work to tackle the root causes of digital exclusion. And while artificial intelligence presents great opportunity, it is not without risk.

My work on councils' digital strategies has revealed uneven progress. Only half of Welsh councils had up-to-date digital strategies, and many lacked robust arrangements for resourcing, monitoring, and evaluating impact.

In the NHS, digital transformation can be extremely slow and made more difficult by funding and capacity constraints, information governance challenges, and a lack of consistency on the 'Once for Wales' approach.

One prime example of these challenges can be seen in my previous reporting on the implementation of the Welsh Community Care Information System where, unfortunately, the reality of implementation did not meet the original ambition.

More specific and closer to home, my audit work could be made far more efficient and effective if the bodies we audit had modern systems for their financial and

performance information. In many cases, bodies instead have ageing, unreliable systems that are difficult to interrogate or integrate.

Many systems are outdated and not fit for purpose, limiting the ability of organisations to manage operations effectively or provide timely, reliable data for audit and decision-making. This technological deficit hampers both assurance and accountability, and crucially the ability to modernise and join up services to make them more efficient and improve the end-user experience.

So investing in updated finance and performance platforms is not simply to benefit the auditor – that is a relatively marginal matter. The more important question, and what should be front of mind for senior leaders, is how can they expect to run well-governed organisations, and take informed decisions, without them? Outdated systems can also increase cyber-security risks, something public bodies cannot afford to be complacent about.

Workforce

Workforce pressures are a recurring theme across my work. In all sectors and many specialised areas, staffing challenges – exacerbated by rising demand – have strained service delivery.

Examples from our work include capacity and capability challenges within the Welsh Government's civil service, pressure resulting from recruitment and retention challenges in the NHS and education, and in other specialised areas such as digital transformation, planning, active travel, building safety, and flood defence.

We see in our audit of accounts work too that many organisations are struggling to recruit and retain high quality finance professionals. This is concerning, and not just because we need these people to help produce good quality sets of accounts but because the finance profession has an important role to play in plotting a path to a more sustainable future for our public services.

Competition for specialist skills is inevitable, even within the public sector, and there will always be questions for public bodies to ask themselves about what they do in-house and what could be done by other organisations. But there needs to be a stronger approach to developing coherent workforce strategies, aligning staffing models with future service needs, and developing staff accordingly. Without this, policy ambitions risk being undermined by operational constraints.

Asset and infrastructure management

The efficient maintenance and improvement of existing assets such as roads, hospitals, schools and flood defences is every bit as important as getting value for money in building new infrastructure. After all, new assets will only deliver promised benefits if they are properly maintained.

All too often our work has highlighted the false economy of allowing maintenance backlogs to build up. Not least within the NHS where challenges with an outdated estate can drive inefficiencies, cost and impact negatively on patient care.

So a disciplined approach to asset management, for each part of the public estate, is an essential component of the change we need to see.

Overall, the Welsh Government spends more than £3 billion a year on infrastructure, although a lot of that is delivered through other public bodies. My recent review of how the Government is managing that significant spend shows clear effort to align it with wider strategic outcomes.

But these benefits will not magically materialise. It will need a concerted effort to line up the machinery of government – baking these benefits into plans from the outset and ensuring they are delivered over the longer-term. These issues are within the Welsh Government's gift to put right but rely on a sustained improvement in programme and project management that has not been achieved to date.

The underlying weaknesses in some of these basic building blocks of our public service contributes to the second area where I believe change is required, namely productivity and value for money in the public sector.

Productivity and value for money

In the face of rising demand pressure and ever-more stretched budgets, improving productivity and delivering better value for money is essential.

Our work points to some of the productivity challenges for the public sector, especially in the NHS where outputs in terms of activity have not increased in proportion to additional inputs in terms of money and capacity in areas such planned care.

I am sure that leaders across the public sector share an ambition to make a step change in productivity. There's enough evidence from the positive examples we have found in our work to be confident that significant amounts of public money can be

freed up. But it will take a disciplined, focused, cross-government approach over several years to fully realise the potential and make the exceptional the norm.

Hence, my reports consistently highlight that VFM is not just about spending less, it is about making the money we do have work better. A good example is the number of people who are in hospital awaiting discharge. While there has been some recent improvement, the picture across Wales remains challenged, absorbing huge costs and adversely affecting patient flow and the optimal rehabilitation of patients.

Many discharge delays are a result of waiting for social care support, often linked to funding and resource pressures in local authorities. Better funding to increase social care capacity would therefore free up significant NHS resource and represent a cost-effective way of improving patient experience and outcomes.

In a context of constrained budgets and rising demand, public bodies must focus on outcomes, not just outputs, and ensure that every pound spent contributes meaningfully to public well-being. At a very basic level, our work shows that too often public bodies lack reliable data with which to assess value for money and are unclear as to the outcomes they are looking to achieve.

My work on Active Travel, for instance, demonstrated how the Welsh Government itself is unclear about how assessment of its policy is to be achieved. As a result, significant sums had been invested without a robust means to assess its effectiveness and value for money.

And I have reported previously on how the Welsh Government had not done enough to ensure its investment in affordable housing contributes to wider policy objectives and to be able to tell a clear story on that front.

Many public organisations struggle to report on outcomes effectively. Performance tends to focus on outputs—such as the number of services delivered—without evaluating the difference those services make.

It is vital too that the public sector views value for money through the lens of the Well-being of Future Generations Act, which requires public bodies to consider long-term impacts, prevention, integration, collaboration, and involvement. As I have emphasised through my reporting on implementation of the Act, we cannot afford for public services to design solutions that do not meet people's needs, burden future generations with avoidable higher costs, or miss opportunities to deliver more with the same or less.

That much sharper and relentless focus on the delivery of value for money also requires a mindset shift to one focused on prevention and the longer term.

Shifting to a long-term, preventative mindset

Public Health Wales has estimated that for every £1 invested in public health interventions, there is a return of £14. This includes reduced demand on hospitals, social care, housing, and emergency services.

But too often, public services operate in crisis mode, responding to immediate pressures rather than planning for the future. This short-termism is reinforced by annual budget cycles, reactive funding decisions, and political incentives that prioritise quick wins over sustainable outcomes.

The Well-being of Future Generations Act provides a legislative framework to do something different – to act for the long-term and to act preventatively by addressing the root causes of issues, rather than dealing with the symptoms.

However, I have highlighted recently some prime examples where public bodies have been struggling to make a meaningful shift towards prevention, as evidenced for example in my work on cancer services and on how councils are managing temporary accommodation demand. This is despite there being clear evidence that investment in prevention makes sense from a value for money perspective.

Though Wales has an overarching, legislative framework to drive a longer-term, preventative mindset, our work suggests it is not yet doing so.

One of the challenges with prevention is that benefits take time to materialise. This lag can make prevention politically and operationally difficult, especially in a climate of financial pressure. However, the long-term gains—in health, well-being, and cost savings—are substantial and well-evidenced.

The Welsh Government has a critical role in enabling prevention. This includes setting coherent policy frameworks, aligning funding mechanisms, and creating incentives for collaboration.

It must lead a shift towards long-term financial planning, integrated delivery models, and cross-sectoral working. This means breaking down silos and ensuring that prevention is a whole-of-government priority.

Prevention cannot be achieved through isolated programmes. It requires a more radical, whole-system change and joined-up working between a range of agencies such health, social care, housing, education, and the third sector, with aligned accountabilities and funding streams and shared outcomes. Prevention must be embedded not just in strategy documents, but in everyday decision-making,

budgeting, and service design. Without this any policy aspirations around prevention risk becoming more rhetoric than reality.

Reducing complexity

As noted earlier, the current landscape of Welsh public services is characterised by a web of organisations, partnerships, and governance structures. The cumulative effect is a system that is fragmented and difficult to navigate.

While it is not for me to blueprint the alternative, I am clear on the need to simplify and avoid further complexity. If starting from a blank sheet of paper, we would surely not design the arrangements we currently have in place.

Reducing complexity is not about dismantling collaboration but about streamlining it. We need fewer, clearer structures with well-defined and sharper lines of accountability.

This is also not simply about rationalising the number of public bodies or making their collaboration with each other more effective. Reducing complexity and strengthening integration and collaboration applies just as much to the internal functioning of public organisations. These are expectations set by the Well-being of Future Generations Act where our work demonstrates much more needs to be done.

Citizen-centred design must underpin this simplification: services should be organised around the needs of people, not the convenience of institutions. This means engaging communities in shaping services, using plain language in communication, ensuring that performance information is meaningful and accessible, and considering the equality and other impacts of decisions. It also means being honest with the public about what constitutes safe and affordable public service provision, especially in relation to health and care services.

A simpler, more streamlined public service in Wales would also help breakdown silos within and between sectors and support better sharing and embedding of good practice. The latter is something that Wales seems to struggle with and all too often my work points to unexplained and often unacceptable variation in performance across different public bodies. This is despite our relatively small size and the close connections of many in the public sector. When good practice is established in part of the public sector, a more robust approach to 'adopt or justify' elsewhere may be required.

As Auditor General I see complexity manifested in other ways, including through our annual audit of the accounts of public sector bodies. A dry topic to some, this work is

essential if the public and the Senedd are to have an accurate and timely picture of the state of the public finances. For individual organisations, that accuracy and timeliness are essential if good decisions are to be taken.

For our local authorities, for example, the financial regime in which they operate is becoming increasingly technical with disproportionate emphasis on things like asset valuations and pension liabilities. Important, but obscuring what truly matters to users – councillors, officers, the public – namely, how public money is spent and the value it delivers.

I see some particular challenges emerging in this area which, if not addressed, will quickly weaken the overall financial regime and lead to poor decision making and a reduction in transparency.

Leadership

Addressing the areas I have mentioned will require political and executive leadership.

That means being honest about the scale of change required, making difficult decisions, and communicating clearly the necessary trade-offs. It also means modelling the behaviours we want to see: integrity, collaboration, and a relentless focus on outcomes.

The Welsh Government has a pivotal role to play in enabling this transformation. It is our system leader, sets the tone, and provides the legislative and financial frameworks within which other public bodies operate. While the Welsh Government does much that is good, too often I find myself reporting that it needs to be clearer and firmer in its system leadership.

My work has also highlighted examples where the Welsh Government can do more to support implementation of legislation it has introduced and follow up on whether it is being implemented effectively and having the desired impact.

It must provide clarity and coherence across policies, funding, and accountability frameworks. Mixed messages – such as promoting prevention while incentivising short-term performance targets – undermine progress.

This has been my central message in much of the work we have done around the Well-being of Future Generations Act. So that, for example, the expectation on organisations to plan and act for the long term and with prevention in mind, is not undermined by funding decisions, target setting, and accountability frameworks that incentivise the opposite.

I recognise the intense pressures faced by public sector leaders. These are difficult jobs. It is testament to them that our work often highlights examples of good practice where leaders have taken bold decisions in difficult circumstances.

But as noted already, my work on governance and transparency has also shone a light on the small number of cases where leadership fails to uphold the desired values. The result can be costly, public confidence erodes and service effectiveness suffers.

The challenges facing Welsh public services are complex and systemic. They cannot be solved by technical fixes or incremental change. They require bold decisions, honest conversations, and a shared commitment to doing what is needed.

Conclusion

Despite the significant challenges facing public services, there is potential for meaningful reform and improvement, especially if the themes I have described are sincerely addressed.

Wales is a small, tightly networked country; a population of just over three million people; a newly expanded legislative parliament and a government with significant autonomy; its public spending budget of nearly £30 billion represents almost one third of Welsh GDP; and despite challenges its public sector is highly capable and well-resourced compared to many countries.

One of our advantages is our scale. We are big enough to act strategically but small enough to be agile, collaborative and innovative. We can convene the key players on any issue, enabling us to act swiftly and cohesively in a way that is much harder in larger jurisdictions. That is a great base to work from.

The expansion of the Senedd to 96 members marks a further significant milestone in Welsh democracy. The public sector will rightly look to that new Senedd and Welsh Government for leadership in tackling the challenges I have outlined.

I very much hope that the larger legislature uses its additional capacity to improve scrutiny and accountability, and thereby to strengthen evidence-led policymaking. If not, a hard-won constitutional change will have been wasted.

As it does so, the message I would leave after eight years in the role of Auditor General is that radical transformation is needed.

It is possible, but difficult, and will require a clarity of purpose on the scale of that seen during the Covid years.

Public service leaders across Wales recognise the scale of the challenge and many are already navigating complex environments with limited resources. But the pace and progress need to be increased.

If not, our current model of public service delivery is not sustainable. Money will become even more thinly spread, services will continue to deteriorate, and outcomes will worsen. There must be a shift from short-term firefighting to long-term futureproofing, as I have called for consistently.

The Welsh Government has a critical role in providing leadership and in creating the conditions for transformation. This includes reducing funding uncertainty where possible, aligning policy and delivery frameworks, incentivising collaboration and

encouraging investment in prevention. It must also lead by example, embedding the sustainable development principle in its own operations and ensuring that its actions match its policy intent.

And even then, success will hinge on individuals making the right choices. Funding, process, frameworks and policies are important, and of course the work of auditors, regulators, politicians, and the media are essential in holding public organisations accountable. But those scrutineers should not, and cannot, be everywhere. Ultimately, our public services rely on thousands of people making the right choices, taking the right decisions, and acting in the right way.

The challenge for government and organisational leaders throughout the public sector is to make that as easy as possible – to lead by example, to role model desired behaviours, to give clarity about the scale of challenge and permission to make the changes required, and to create an environment in which all those in public service can play their part.

Document is Restricted

Agenda Item 6

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

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