

Finance Committee evidence session with the Office for Budget Responsibility (OBR) on the Welsh Government Draft Budget 2025-26 – 8 January 2025

Following publication of the Finance Committee's report on the Scrutiny of the Welsh Government Draft Budget 2025-26, the Committee wrote to the OBR (Annex A) requesting a response to several report recommendations.

Please find below a response from the OBR:

6 February 2025

Dear Peredur,

It was a pleasure to appear before the Finance Committee last month, and thank you for your letter setting out the Committee's recommendations relating to our Welsh taxes outlook and associated work that accompanies the Welsh Government's Draft Budget.

We agree with the recommendations highlighted in your letter. We plan to commence work on the redesign of the Welsh taxes outlook once we have finalised our Spring forecast for the UK Government on 26 March. The redesign will incorporate analysis showing the relative growth and performance of the Welsh tax base compared to the UK and the impact of UK Government decisions to freeze income tax thresholds on Welsh income taxes as set out in the recommendations. Once we have commenced this work, it will enable us to provide a more detailed response to you in the Summer, when we should also be in a position to more fully consider the scope of the redesign of the Welsh taxes outlook.

We will also seek to keep the Welsh Government updated insofar as possible on the ONS data issues and how we have sought to alleviate the impact on our UK and Welsh forecasts as a result of these issues. We will also continue to work closely with Welsh Government officials on any Welsh forecast-related matters and on the redesign of the Welsh taxes outlook and can keep you informed of progress on this, should that be helpful.

Yours sincerely,

Richard Hughes

Chair, Office for Budget Responsibility

Richard Hughes, Chair
Office for Budget Responsibility
By email

6 February 2025

Dear Richard,

Finance Committee Report: Scrutiny of the Welsh Government Draft Budget 2025-26

Thank you for attending the Finance Committee on 8 January 2025 to give evidence on the Welsh Government Draft Budget 2025-26. As usual, we found your session extremely helpful which greatly informed our report that was laid before the Senedd on Monday 3 February.

I wish to draw your attention to the following recommendations which relate to the work of the Office for Budget Responsibility:

***Recommendation 15.** The Committee recommends that the Office for Budget Responsibility, as part of the redesign of their Wales Taxes Outlook publication, prioritises improving its analysis of the relative growth and performance of the Welsh taxbase and tax incomes compared to the UK in their Welsh tax outputs.*

***Recommendation 16.** The Committee recommends that the Office for Budget Responsibility provides an update on its work to understand the impact that freezing income tax thresholds will have on the proportion of income tax raised in Wales, ahead of the 2026-27 budget round.*

***Recommendation 17.** The Committee recommends that the Cabinet Secretary provides an update on the outcome of discussions it has had with the Office for*

National Statistics and the Office for Budget Responsibility on steps taken to mitigate the loss of key data and its impact on Welsh forecasts.

I would be grateful if you could respond to these recommendations as soon as possible, but by the end of the Senedd's summer term (18 July) at the latest. A copy of this letter has been sent to the Cabinet Secretary for Finance and Welsh Language for information.

Yours sincerely,



Peredur Owen Griffiths MS
Chair, Finance Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

