



# Response to Finance Committee's Scrutiny of the Welsh Government's Draft Budget 2025-26

## Cabinet Secretary for Finance and Welsh Language

The Welsh Government published its Draft Budget 2025-26 on 10 December 2024.

On 3 February 2025, the Finance Committee published its report on the Draft Budget 2025-26, making 39 recommendations. 37 of these were for the Welsh Government and 2 were for the Office for Budget Responsibility.

This document sets out the Welsh Government's response to those recommendations.

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## Introduction

I thank the members of the Senedd Finance Committee for their work on scrutinising the Welsh Government's Draft Budget. I was pleased to attend meetings of the Committee on 12 December 2024 and 23 January 2025 to discuss the Draft Budget and to support the Finance Committee's work in this area.

The report of the Committee, and those of other Senedd Committees, have informed the development of the Final Budget 2025-26 which was published on 20 February 2025. I am grateful for the contribution that has been made to ensuring that the Final Budget delivers for the people of Wales, which enables us to make the best possible use of the funding available.

I have set out my response to the Report's individual recommendations below, building on the evidence I provided during these meetings. Furthermore, I have asked my officials to continue their engagement with the Clerk to the Finance Committee to ensure the Committee is updated on progress related to these recommendations.

## 1. Budget Process

**Recommendation 1.** The Committee recommends that if, as expected, the timetable for scrutinising the Draft Budget is curtailed for the 2026-27 budget round:

- the Cabinet Secretary and his officials continue to attend a pre-budget scrutiny session with the Finance Committee; and
- the Cabinet Secretary works with the Finance Committee to identify ways in which scrutiny opportunities can be enhanced in the Senedd.

**Response: Accept**

The work of the Senedd in scrutinising the Welsh Government's spending plans is an essential part of developing the Draft and Final Budgets. I am therefore keen to ensure that we make the best use of the time available for the 2026-27 budget round. I am happy to continue to attend a pre-budget scrutiny session with my officials as part of this. I welcome the work the Finance Committee is doing to enhance the scrutiny process and thank the Committee for its offer to involve the Welsh Government in these plans. I have asked my officials to work with the Clerk to the Committee to progress this.

**Recommendation 2.** The Committee recommends that the Cabinet Secretary:

- outlines his views on proposed changes to the Budget Process Protocol before the beginning of the next financial year; and
- works with Senedd officials to develop key principles as a basis for a fundamental redrawing of the protocol ahead of the next budget round.

### Response: Accept in principle

I am grateful to the Committee for its proposed changes to the Budget Process Protocol. Whilst I support a review and I am open to changing our ways of working, it remains my view that it is not the right point in the Senedd cycle to agree a fundamental redrawing of the Protocol. It will be for future elected members, especially in light of the planned reforms to the Senedd and the increase in the number of Senedd Members in 2026 to agree their preferred outcomes for the future. These changes may well result in alterations to the scrutiny process, including in the number of Senedd committees, their responsibilities, and how many members will sit on them.

This forthcoming change does not, however, prevent us from making improvements now. We have already been able to work together to facilitate the budget process without changes to the Protocol or to Standing Orders and I am keen to continue this approach, making only essential changes to the Protocol in advance to the next Senedd. I propose that officials work together fully to consider the proposed changes in this light.

**Recommendation 3.** The Committee recommends that the Cabinet Secretary provides dates and details of:

- the UK Government Spending Review and the Welsh Government's involvement in that process; and
- the Welsh Government's own Spending Review, including when the outcomes of the review will be known and how the Senedd can inform that process.

### Response: Accept

The Chancellor of the Exchequer announced that the UK Government Spending Review will conclude on 11 June.

I continue to engage with the UK Government through the usual channels. Most recently, I met the Chief Secretary to the Treasury with the other Devolved Government Finance Ministers at the Finance: Interministerial Standing Committee on 27 February, in addition to a bilateral meeting to discuss Wales-specific issues.

The Prif Weinidog met the Chancellor of the Exchequer on 12 February, during which they touched on aspects of the UK Spending Review. Where appropriate, the Prif Weinidog and I correspond with relevant UK Ministers on specific Spending Review-related matters.

I would expect that the initial Welsh Spending Review work begin to impact in the 2026-27 Budget. It is important to recognise however, that the Welsh Spending Review takes a longer-term, strategic approach rather than being governed by annual budget cycles. I am committed to engaging with the Finance Committee on this work. A further response on the Welsh Spending Review is included under recommendation 9.

## 2. Economic Context

**Recommendation 4.** The Committee recommends that the Cabinet Secretary explains how capital funding has changed between the 2024-25 and 2025-26 financial years, broken down by portfolio and type of investment, and that such an approach is adopted in future Budget rounds.

**Response: Accept**

Capital allocations are outlined throughout the annual budget documentation, broken down by portfolio or Main Expenditure Group (MEG), Budget Expenditure Line (BEL) and Investment Area. They are categorised into various types of investment, such as the split between the General Capital and the Financial Transactions Capital (FTC).

In the 2025-26 Draft Budget, FTC has been further broken down into schemes, details of which can be found in Tab 8 of the Tables Supporting Spending Plans workbook. Tables mapping MEG allocations, further broken down to Budget Expenditure Line (BEL) level, and to Sectors and Investment Areas are to be found in the same workbook at Tab 9. A table mapping capital budget allocations to Investment Areas and Sectors has been provided since the Final Budget 2022-23 enabling comparison over time. Year on year changes to capital investment by portfolio are shown in Tab 11a. Further information was also provided to the Finance Committee to enable comparison with the 2023-24 outturn.

More detailed information on capital investments is included in the Infrastructure Finance Plan 2025-26.

**Recommendation 5.** The Committee recommends that the Cabinet Secretary includes a comparison of outturn figures from the previous financial years against the proposed figures for the forthcoming year, as part of the Draft Budget documentation from the next budget round onwards.

**Response: Accept**

I am content to provide a comparison of outturn figures from the previous financial years against the proposed figures for the forthcoming year alongside the Draft Budget. Following the discussion at the Finance Committee on 12 December, I wrote providing a comparison of the outturn figures from 2023-24 against the proposed figures for 2025-26 and the revised baseline for 2024-25. I will ensure that this information is provided in future years. Provisional outturn may be provided where publication of the Draft Budget is before the previous year's accounts have been audited.

**Recommendation 6.** The Committee recommends that the Cabinet Secretary publishes the latest block grant transparency data before the Final Budget debate and at regular intervals thereafter.

**Recommendation 7.** The Committee recommends that the Cabinet Secretary shares information provided by the Treasury to the Welsh Government showing Barnett consequential with the Senedd soon after each UK fiscal event.

**Response: Accept in principle**

A summary of Barnett formula consequential for 2025-26 arising from the Autumn 2024 UK Budget is provided below. The total Barnett formula consequential for 2025-26 are different from the year-on-year changes in the Welsh Government's resource and general capital settlements of £697m and £235m, as reported in the Draft Budget narrative. This is because the latter takes account of baseline and non-Barnett funding changes between years.

2025-26 Barnett formula consequential from October 2024 UK Budget (£m)

	Fiscal Resource	General Capital	Financial Transactions Capital
Health and Social Care	512	54	0
Education	218	31	6
DLUHC Local Government	137	0	0
DLUHC Levelling Up, Housing and Communities	-32	85	-7
Energy Security and Net Zero	3	41	-4
HM Revenue and Customs	2	1	0
Home Office	0	0	0
Science, Innovation and Technology	0	8	0
Transport	-2	35	0
Culture, Media and Sport	-5	2	0
Environment, Food and Rural Affairs	-12	-1	0
Business Rates	-83	0	0
<b>TOTALS</b>	<b>737</b>	<b>258</b>	<b>-5</b>

Where possible, the Welsh Government will provide this information to the Finance Committee following future major UK Government fiscal events.

The block grant transparency document is an HMT publication. It is for the UK Government to publish updates, with the next one expected later this year. The Welsh Government does not hold all the detail in the format used for that publication and would not wish to replicate the work behind it. This will be kept under review if there are continuing delays to the HMT publication. In the meantime, the Draft Budget

documents contain considerable detail on the financing of the Welsh Government's Budget - including the block grant, tax revenues, and block grant adjustments.

**Recommendation 8.** The Committee recommends that the Cabinet Secretary works with the UK Government to ensure that issues with the Fiscal Framework regarding uprating borrowing and limits on the Wales Reserve to original real terms value; and removing the annual drawdown limit from the Wales Reserve are resolved before the end of the 2025-26 financial year and that an update is provided to the Committee on progress by the summer recess.

**Response: Accept**

The Prif Weinidog and I have had collaborative discussions with UK Ministers, including the Chancellor of the Exchequer, where we continue to press for further fiscal flexibilities. We have requested agreement to update the Welsh Government borrowing and reserve limits from 2018-19 to 2024-25 prices, in line with the latest Budget GDP deflators, and to index these to inflation thereafter. We have also asked for the Welsh Government annual reserve draw-down limit to be abolished.

I raised this issue with the Chief Secretary to the Treasury at our latest bilateral meeting on 27 February and will continue to raise this in future bilateral meetings if necessary. In addition to these changes, there is also a strong case for bigger increases to the annual and aggregate limits on access to capital borrowing, so they are at least in line with inflation, with the aim of providing sufficient flexibility to allow prudent budgetary management from one financial year to the next, in order to maximise the funding available to the Welsh Government.

I raised the wider issue of late UK Government allocations and end of year budget flexibilities alongside the Finance Ministers from Scotland and Northern Ireland at the Finance: Interministerial Standing Committee (F:ISC) in Cardiff on 27 February. This will be further considered as a substantive item at future meetings of the F:ISC.

The UK Government have responsibility for making decisions in this area but I will keep the Finance Committee informed of progress.

**Recommendation 9.** The Committee recommends that the Welsh Government provides details and timescales relating to the Welsh Spending Review, including details of documents and outputs, and commits to lay such documents before the Senedd ahead of the Draft Budget 2026-27 to allow time for Senedd committees to meaningfully inform and influence its outcomes.

**Response: Accept in principle**

It is important to recognise that the Welsh Spending Review is not intended to be a single episode, but rather a shift towards embedding a continuous and strategic approach to longer-term fiscal planning which will provide the best defence possible against the challenging fiscal outlook for public finances. There is no intention therefore, to conclude the work on a particular date or publish a specific report or set of documents. The outcomes of the Welsh Spending Review work are intended to feed into

future government policy and budgetary decisions, which will be published and scrutinised in their own right.

This longer term work will not replace the annual Budget process and the Senedd and its Committees will continue to inform and scrutinise this in the usual way.

The longer-term impacts of the work will extend beyond this Senedd term.

I am committed to engaging with the Finance Committee on Welsh Spending Review work and I have asked my officials to discuss with the Committee Clerk on how best to do this.

**Recommendation 10.** The Committee recommends that the Cabinet Secretary provides an update, as a matter of urgency and before the Final Budget debate, on funding the Welsh Government will receive from the Treasury to mitigate the impact of the increase in employer National Insurance Contributions on public services.

**Response: Accept in principle**

National Insurance is a reserved matter. The UK Government has confirmed it will provide funding to public sector employers to cover the increased costs of employer National Insurance Contributions using the official ONS definition of a public sector employer. Our initial estimate of the additional National Insurance costs to devolved public sector employers in Wales is £253m.

Whilst the UK Government has confirmed that the Welsh Government will receive additional funding as a result of this support, we have not yet had confirmation of how much additional funding Wales will receive. I will update the Senedd as soon as I can after receiving this confirmation.

**Recommendation 11.** The Committee recommends that the Cabinet Secretary undertakes an assessment of the impact that increasing employer National Insurance Contributions will have on third sector organisations in Wales, and for such information to be made publicly available ahead of the Final Budget debate.

**Response:** As I outlined when I attended the Finance Committee, my responsibilities as Finance Minister are to make decisions on overall spending levels, to agree with my colleagues the major spending blocks and the allocations to each department, making sure we maximise the amount of resource that is available to us. It is for my Cabinet colleagues to make decisions on how to spend the funding available to them within their area of responsibility, as they are closer to the issues and will be engaging with partners in their sectors. The Draft Budget provided significant uplifts of funding to every area of the Welsh Government to enable my colleagues to invest in their areas of responsibility and to make the spending decisions which deliver the most for the people of Wales.

Overall responsibility for the third sector in Wales falls to the Cabinet Secretary for Social Justice, Trefnydd and Chief Whip. I have brought this recommendation to her attention for consideration.

**Recommendation 12.** The Committee recommends that the Cabinet Secretary ensures that any additional funding provided by the UK Government to make up for the increase to employer National Insurance Contributions is distributed to local authorities based on calculations of additional costs as a result of the change.

**Response: Accept**

I have repeatedly committed to passing any additional funding provided to the Welsh Government in relation to increased employer National Insurance Contributions costs to those public sector bodies affected, including local authorities.

I will keep the Senedd updated on progress in this matter.

**Recommendation 13.** The Committee recommends that the Welsh Government works with local authorities and the public sector to understand how commissioned services are impacted by the increase in National Insurance Contributions and considers the most appropriate method of distributing funds to mitigate the financial impact.

**Response: Accept in principle**

National Insurance is a reserved matter for the UK Government. The Draft Budget includes significant uplifts in funding to all areas of the Welsh Government and maximises the allocation of the funding we have available to us.

The UK Government has confirmed it will provide funding to public sector employers to cover the increased costs of employer National Insurance contributions. It will use the official ONS definition of a public sector employer. However, we have not yet had confirmation of how much additional funding Wales will receive.

We expect to receive the additional funding in late spring and are working with HM Treasury to clarify the details and the level of support that will be provided.

As I said during the Draft Budget debate on 4 February, once we know the additional funding we will receive from the UK Government I will ensure that it is passed immediately to those public service employers which come under the ONS definition.

### 3. Taxation, Forecasts and Other Fiscal Levers

**Recommendation 14.** The Committee recommends that the Cabinet Secretary provides a narrative around how the impacts of key long term financial risks such as climate change, demographic and health trends are being addressed in the short, medium and long term, to enable Senedd committees to consider this approach before the Draft Budget for 2026-27 is published.

**Response: Accept in principle**

The Well-being of Future Generations' Future Trends Report draws together a range of information on the big trends and drivers that are likely to shape Wales' future in the long term. It includes trends linked to the five ways of working that make up the sustainable development principle and the seven well-being goals as well as an insight into trends covering public finances.

The Wales Economic and Fiscal Report (WEFR) 2024 published alongside the Draft Budget includes material on longer term fiscal risks and demographic trends, together with longer term prospects for the Welsh Government's budget.

The Welsh Government's annual budget primarily relates to the year ahead so does not deal directly with longer term risks and trends, although we have used the well-being goals and national indicators and milestones to shape and inform the budget decisions. The Welsh Spending Review process is designed to take account of longer-term issues, creating a shift towards embedding a continuous and strategic approach to longer-term fiscal planning. This approach aims to enhance the budget process, including scrutiny, by considering an evidence based preventative approach to some of the key fiscal challenges we face.

**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

**Response:** These recommendations are for the Office for Budget Responsibility. We will ask them to consider these recommendations.

**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.

**Response: Accept**

The Welsh Government is in close contact with the Office for National Statistics (ONS) regarding developments in statistical data sources. There have been well publicised issues with labour market statistics in recent years, particularly with the quality of data from the Labour Force Survey (LFS) and the speed of development of its successor survey – the transformed LFS. The Welsh Government is working with the ONS to address those concerns and in the meantime is disseminating data from a range of sources to provide the best available information on the labour market in Wales.

Welsh Government officials hold frequent meetings with the OBR on forecast methodologies and available data sources. The LFS is an important input to the OBR's macroeconomic forecast, however the devolved tax forecasts do not draw directly on LFS information. The forecast for the Welsh Rates of Income Tax utilises the latest monthly Real Time Information from HMRC Pay As You Earn sources to inform the starting point for the medium term revenue forecast. This is an administrative data source and is not subject to the same issues as survey-based information.

**Recommendation 18.** The Committee recommends that the Cabinet Secretary provides details of any assessments it has made of the likely impact of its plans to increase capital investment significantly in 2025-26 and how this may impact on capacity for private sector investment in Wales, both positively and negatively.

**Response: Accept**

The documentation published alongside the Draft Budget illustrates how capital budgets are to be used and their impacts. This includes the Infrastructure Finance Plan, the Draft Budget Narrative, Strategic Integrated Impact Assessment, and individual evidence papers from individual Cabinet Secretaries regarding their own spending plans.

Strategic public investment acts to crowd in investment from private sources. The £575m additional capital allocated through our Draft Budget 2025-26 is intended to do that: stimulating private companies in the construction industry, taking forward our ambitions for the renewable energy economy of the future, and paving the way for the Investment Summit which the First Minister will lead later this year.

The significant additional capital allocation to the Health and Social Care (HSC) MEG, for example, reflects the priority we place on improving the performance of the NHS in Wales. This funding will be for maintenance and improvement of the NHS Wales estate, such as ongoing refurbishment of Prince Charles Hospital in Merthyr Tydfil and the completion of the orthopaedic hub development at Llandudno Hospital. The funding will also be invested in the latest digital technologies, as well as the availability of fit for purpose, modern, reliable equipment. The capital allocations will have a significant beneficial impact on patients, staff and visitors through transformation of services and increasing planned procedures.

We take account of the current landscape in terms of private sector investment when considering how to allocate capital funding. Through the Draft Budget, the RSL Development Loans scheme, a key mechanism for delivering more homes for social rent

was extended for one year. This is in recognition of the current market failure due to the housing sector facing several difficult challenges including significant tender increases due to material cost rises and contractors pricing in higher risk, rising inflation and interest rates and higher bad debt and void rates. Our investment will provide a boost to the housebuilding industry and development supply chain, with new developments incorporating additional green features, such as renewable energy sources to help respond to our changing climate. For those who already own their own homes, we are investing to help retrofit and decarbonise their homes by funding heat pumps and solar panels.

## 4. Narrative and Strategic Approach

**Recommendation 19.** The Committee recommends that the Cabinet Secretary explains how the Draft Budget is moving money to support preventative measures, broken down for each Main Expenditure Group, and that this is provided ahead of the Final Budget debate.

**Recommendation 20.** The Committee recommends that the Cabinet Secretary works with the Future Generations Commissioner to agree an updated definition of what is meant by preventative spend, for inclusion in the Draft Budget narrative for 2026-27 and that an update on these discussions is provided by the summer recess.

### Response: Accept in principle

The Welsh Government is committed to a preventive approach in its budget processes and spending plans. I agree that it is essential we have a commonly understood, clear definition of what is meant by preventative spend as a first step towards achieving these recommendations.

When I attended the Finance Committee on both 12 December and 23 January, we discussed this matter in some detail and I am grateful to the Finance Committee for the constructive approach on this issue to date. I would welcome continued dialogue with the Committee as well as with the Future Generations Commissioner to identify and agree what actions and which elements of funding should be deemed as preventative.

In developing an updated definition, we remain committed to working closely with the Budget Improvement and Impact Advisory Group to improve how we apply and reflect the Well-being of Future Generations Act within our preparation for Draft Budgets.

Further embedding a preventative approach will also be key to the Welsh Spending Review. The approach will consider the totality of the funding that is available to the Welsh Government, not just the block grant, and will enable us to consider all fiscal levers available to make up the overall spending envelope.

**Recommendation 21.** The Committee recommends that the Cabinet Secretary works with the Future Generations Commissioner to review its Strategic Integrated Impact Assessment to ensure it accurately reflects the ways of working outlined in the Well-being of Future Generations (Wales) Act 2015 and provides an update on those discussions ahead of the summer recess.

### Response: Accept

Our Strategic Integrated Impact Assessment (SIIA) is a key tool in identifying and addressing the strategic and cumulative impacts of decisions made in throughout the budget process. A review of the SIIA is currently underway and I expect it to conclude later this year.

I have already invited the Future Generations Commissioner's office, along with all other members of the Budget Improvement and Impact Advisory Group, to contribute to this

review to ensure that the SIIA accurately reflects the ways of working outlined in the Well-being of Future Generations Act 2015.

**Recommendation 22.** The Committee recommends that the Cabinet Secretary evaluates the documents it produces to assess the impact of the budget, to make it as straightforward as possible for stakeholders to identify how budgetary decisions align with the Welsh Government's aims.

**Response: Accept**

The Welsh Government is committed to continuing improving the documentation it publishes as part of the budget process.

In December we published a comprehensive suite of documents as part of the Draft Budget which provided a detailed account of the Welsh Government's decisions and how they align with our aims and our ambitions. This information serves a wide range of people, and so it is important that we continuously evaluate the way we present information on our budgetary decisions to ensure that we do so in the most appropriate and transparent way. We will continue to evaluate these and to make improvements wherever possible.

**Recommendation 23.** The Committee recommends that the Welsh Government publishes, as a matter of urgency, the results of the remaining gender budget pilots and works with stakeholders to reflect the results in future budget cycles.

**Response: Accept**

We are committed to publishing the key findings from the gender budgeting pilot schemes as soon as possible.

The Welsh Government is working to drive a better understanding of gender budgeting, building on the work with colleagues in the Equality and Human Rights Team and with the Wales Women's Budget Group (WWBG).

As part of our review of the SIIA, we will continue to engage with the Budget Improvement and Impact Advisory Group (BIIAG) as well as with other Governments including Iceland, Canada, Scotland and Northern Ireland to draw on experience and best practice from around the world. We have also engaged with key groups such as the Women's Equality Network in Wales and will be accelerating this engagement over the next few months and seeking wider views from across Wales.

**Recommendation 24.** The Committee recommends that the Cabinet Secretary establishes a Standing Committee on the Cost of Living and Poverty as a matter of urgency in order to ensure that support for those most in need is provided, and that an update on progress on this issue is provided by the summer recess.

**Response:** Responsibility for tackling poverty falls to the Cabinet Secretary for Social Justice, Trefnydd and Chief Whip. I have brought this recommendation to her attention for consideration.

**Recommendation 25.** We recommend that the Cabinet Secretary provides details of where and when the Welsh Government's Baby Bundle scheme will be rolled out, and if they are not provided universally across Wales, to explain the reasons for this, and for such information to be provided ahead of the Final Budget debate.

**Response:** Responsibility for the Baby Bundle scheme falls to the Minister for Children and Social Care. I have brought this recommendation to her attention for consideration.

**Recommendation 26.** The Committee recommends that the Cabinet Secretary:

- confirms the costs associated with the roll out of Phase 3 of Flying Start;
- issues an update on the proposed full roll out of the Flying Start programme, including the associated timeframes; and
- for these to be provided ahead of the Final Budget debate.

**Response:** Responsibility for Flying Start falls to the Minister for Children and Social Care. I have brought this recommendation to her attention for consideration.

**Recommendation 27.** The Committee recommends that the Cabinet Secretary works with support and charitable organisations, including those bodies representing older people, to ensure that those who are eligible to receive financial support in lieu of the Winter Fuel Payments are able to do so.

**Response:** Responsibility for tackling poverty falls to the Cabinet Secretary for Social Justice, Trefnydd and Chief Whip. I have brought this recommendation to her attention for consideration.

## 5. Budget Priorities

**Recommendation 28.** The Committee recommends that the Cabinet Secretary explains how the allocations in the Draft Budget will address the increased demand for social care and outlines the actions the Welsh Government will take, as a matter of urgency, to address the social care funding model to ensure its future resilience and provides an update to the Committee by the Final Budget debate.

**Response:** Responsibility for social care falls to the Minister for Children and Social Care. I have brought this recommendation to her attention for consideration.

**Recommendation 29.** The Committee recommends that the Cabinet Secretary provides an update to the Committee on any additional funding the Welsh Government will provide to the social care sector and for associated purposes, ahead of the Final Budget debate.

**Response: Accept**

I am pleased to be able to allocate an additional £30m of resource funding for the social care sector at Final Budget to target delayed hospital discharges and provide more care and support in local communities. This funding will be provided the Health and Social Care MEG (Main Expenditure Group) to local authorities through a Pathways of Care Transformation Grant to boost investment in community-based social care. It will support assessments and provide packages of care to ensure people can leave hospital when they are medically fit to do so, helping to reduce the level of delayed hospital discharges. It will also strengthen community-based care services.

**Recommendation 30.** Following the UK Government Spending Review, the Committee recommends the Cabinet Secretary provides local authorities with multi-year funding settlements, as a matter of urgency, to ensure greater financial stability and facilitate future planning.

**Response: Accept in principle**

I agree that ensuring greater financial stability for local authorities and other partners that we fund is a priority and we have always committed to provide longer-term budgets when possible. We welcome the UK Government's intention to provide us with multi-year settlements from 2026-27 onwards as this will allow us greater financial stability and the ability to plan further than a single year's budget.

**Recommendation 31.** The Committee recommends that the Cabinet Secretary considers a funding floor for local authorities in the Final Budget 2025-26 and provides the criteria used for deciding when, and at what level, to implement a funding floor.

**Response: Accept**

I am pleased to be able to allocate a further £8.24m through the local government settlement to ensure every local authority sees an increase in their funding of at least 3.8% compared to 2024-25, on a like for like basis. This floor is 1.5% higher than the previous year and supports nine authorities. Every authority will see a larger increase in 2025-26 than they did in 2024-2025.

The Cabinet Secretary for Housing and Local Government published the final local government revenue and capital settlement on 20 February, this includes the final Local Government Finance Report and additional tables containing details of the final settlement by individual authority.

**Recommendation 32.** The Committee recommends that the Cabinet Secretary provides further clarity on the protocol being developed between the Welsh Government and local authorities that would apply in circumstances of significant financial challenge, including timescales for implementation, by the Final Budget debate.

**Response:** Responsibility for local government falls to the Cabinet Secretary for Housing and Local Government. I have brought this recommendation to her attention for consideration.

**Recommendation 33.** The Committee recommends that the Welsh Government publishes the Local Health Board allocation letter for 2025-26 and NHS Wales Planning Framework for 2025-2028 before the Final Budget debate, and reiterates its recommendation that the Welsh Government should, as a matter of course, make this information publicly available each year at the same time it is issued to the sector to facilitate scrutiny of the Draft Budget.

**Response:** Responsibility for the NHS falls to the Cabinet Secretary for Health and Social Care. I have brought this recommendation to his attention for consideration.

**Recommendation 34.** The Committee recommends that the Cabinet Secretary:

- explains how the Welsh Government is assessing productivity across the Welsh public sector;
- explains how the capital allocations are linked to making revenue more efficient; and
- outlines the improvements it expects from public services in 2025-26 in return for the capital funding provided, and that this information is provided ahead of the Final Budget debate.

**Response: Accept**

When allocating significant increases in capital funding for 2025-26 I have emphasised the importance of using this funding to improve productivity and enable services and workforces to work more effectively. I anticipate significant enhancements in public services as a result of over £3 billion capital investments in 2025-26. For example, over £554 million in NHS Wales infrastructure and equipment is aimed at maintaining and addressing backlog as well as improving the efficiency of healthcare delivery. Through

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upgrading buildings, digital infrastructure and medical equipment, we can reduce operational costs and enhance service delivery, ultimately leading to more efficient use of revenue.

Issues around the performance and productivity of Welsh public services is an area my Cabinet colleagues focus on continually. For example, improving performance in the NHS is one of our key priorities and the Cabinet Secretary for Health and Social Care has been clear with the NHS that current and additional investment needs to demonstrate value for money. The work of the NHS Value and Sustainability Board and that of the NHS Executive supports a range of activities directed at improvements in productivity, better outcomes, cost savings and reduced variation. A Ministerial Advisory Group is also currently reviewing how the NHS could ensure improved productivity and performance related to secondary care access, unscheduled care, planned care (including cancer) and diagnostics.

Similarly, in local government, funding to improve productivity is demonstrated by allocations to support digital innovation in local government. The Welsh Government provides ongoing core funding of £900,000 for the Local Government Chief Digital Officer and her team. In addition, last year over £1.3m was also provided for the Local Government Digital Transformation Fund and Digital Skills Fund to support digital transformation projects which solve shared problems. Funding for decarbonisation in the estate is also intended to drive savings over the medium and long term, which can be seen in an increase in funding for local authority estate decarbonisation from £20m to £30m for 2025-2026.

**Recommendation 35.** The Committee recommends that the Cabinet Secretary explains how the £40 million for the Digital Priorities Investment Fund within the Health and Social Care Main Expenditure Group was determined, how it will be allocated and how outcomes for this funding will be evaluated.

**Response:** Responsibility for funding within the Health and Social Care MEG falls to the Cabinet Secretary for Health and Social Care. I have brought this recommendation to his attention for consideration.

**Recommendation 36.** The Committee recommends the Cabinet Secretary provides assurances that the funding allocated in the Draft Budget to alleviate workforce pressures in the NHS and Social Care workforce is sufficient to address the recruitment and retention challenges being faced.

**Response:** Responsibility for the NHS and social care workforces falls to the Cabinet Secretary for Health and Social Care and the Minister for Children and Social Care. I have brought this recommendation to their attention for consideration.

**Recommendation 37.** The Committee recommends the Cabinet Secretary confirms whether the funding for the education and training of the NHS workforce reflects the Health Education and Improvement Education and Training Plan for 2025-26, with an

explanation if this is not the case together with an assessment of the potential consequences.

**Response:** Responsibility for the NHS falls to the Cabinet Secretary for Health and Social Care. I have brought this recommendation to his attention for consideration.

**Recommendation 38.** The Committee recommends that the Cabinet Secretary outlines how funding is being prioritised to support Additional Learning Needs in the Draft Budget, and the outcomes it expects this funding to achieve, ahead of the Final Budget debate.

**Response:** Responsibility for education falls to the Cabinet Secretary for Education. I have brought this recommendation to her attention for consideration.

**Recommendation 39.** The Committee recommends that the Cabinet Secretary provides an update on the assumptions used to derive allocations to Transport for Wales in the Draft Budget ahead of the Final Budget debate.

**Response:** Responsibility for Transport for Wales falls to the Cabinet Secretary for Transport and North Wales. I have brought this recommendation to his attention for consideration.