

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



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref: MA/MDWL/0809/25

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

30 April 2025

Dear Peredur

Thank you for your Committee's scrutiny of the Second Supplementary Budget 2024-25 and the report that followed.

I attach a written response to the recommendations which I hope you find useful.

Yours sincerely,

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

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

[Correspondence.Mark.Drakeford@gov.wales](mailto:Correspondence.Mark.Drakeford@gov.wales)  
[Gohebiaeth.Mark.Drakeford@llyw.cymru](mailto:Gohebiaeth.Mark.Drakeford@llyw.cymru)

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

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



# Response to the recommendations in the Finance Committee's report "Scrutiny of the Second Supplementary Budget 2024- 25"

March 2025

On 18 February 2025, the Cabinet Secretary for Finance and Welsh Language (the Cabinet Secretary) laid the Welsh Government's Second Supplementary Budget 2024-25 and accompanying documents.

Finance Committee took evidence from the Cabinet Secretary at its meeting on 6 March 2025 and published its report on 17 March. Finance Committee's report contained nine recommendations and one conclusion.

This document is the Welsh Government's response to those nine recommendations.

# Contents

<b>Introduction .....</b>	<b>3</b>
<b>Recommendation 1 .....</b>	<b>4</b>
<b>Recommendation 2.....</b>	<b>6</b>
<b>Recommendation 3.....</b>	<b>7</b>
<b>Recommendation 4 .....</b>	<b>9</b>
<b>Recommendation 5.....</b>	<b>10</b>
<b>Recommendation 6 .....</b>	<b>11</b>
<b>Recommendation 7 .....</b>	<b>13</b>
<b>Recommendation 8 .....</b>	<b>14</b>
<b>Recommendation 9 .....</b>	<b>15</b>

## **Introduction**

The Welsh Government tabled the second supplementary budget for 2024-25 in accordance with Standing Order 20. It reflects budgetary changes since the First Supplementary Budget 2024-25 laid on 1 October 2024.

It regularises allocations to and from reserves, transfers within and between portfolios and includes adjustments to the Wales budget to reflect the impact of UK Government fiscal events.

I thank the members of the Finance Committee for their report on the Welsh Government's Second Supplementary Budget 2024-25. I have set out my response to the Report's nine recommendations below.

Rt Hon Mark Drakeford MS

Cabinet Secretary for Finance and Welsh Language

## Recommendation 1

The Committee recommends that the Cabinet Secretary:

- outlines the mechanisms used to decide how money identified through departmental underspends is allocated at the end of the financial year; and
- outlines the consideration given to allocating funding associated with underspends to bodies that can carry funding forward into 2025-26, and to provide an explanation if this approach is not adopted.

**Response:** Accept

Across Welsh Government, we have a robust monthly monitoring process in place whereby updated forecasts of spend are reported to and reviewed by senior officials and Cabinet Secretaries. That process also identifies the risks and opportunities within each MEG and allows us to carefully monitor emerging pressures across Government to ensure that we allocate resources most efficiently.

Therefore, allocations are made following cross government consultation and are prioritised to respond to the need to protect our citizens, provide support to our public services, businesses and communities while reflecting our key priorities and taking account of the principles and objectives of the Well-being of Future Generations Act. We continue to closely monitor the 2024-25 financial position to ensure budgets are used most efficiently and effectively to deliver our objectives.

An example of the process being employed to inform resourcing decisions is that of the monitoring arrangements for Planned Care in the NHS (waiting times) that was discussed at the scrutiny session. Each health board provided a plan and trajectory of spend against their proposed additional allocation, by speciality for Referral to Treatment and diagnostic modality for the diagnostic investment.

A weekly monitoring process with weekly management data on numbers waiting was established to monitor progress against plan and was supported by weekly discussions with health boards to challenge delivery and understand mitigation plans when progress was not on track. Guidance was given on tracking financial spend against the additional investment, to ensure it was used for additional activity not to cover core activity funded through their already established budgets.

A separate monitoring process was established for the Paediatric Neurophysiology investment £3m as part of the redesign of the pathway and need for validation.

The principles of MWPM also guide our decisions to allocate funding to bodies that can carry funding forward into 2025-26. Everyone in the public service in Wales shares a personal responsibility for the stewardship of taxpayers' money and

---

public sector organisations should avoid carrying forward significant cash balances as this represents an inefficient use of public monies.

MWPM is clear it is not acceptable to provide funding to other bodies where no value has been received, simply to avoid underspending. Payments in advance should be exceptional and only considered if a good value for money case can be made (i.e. that "need" can be demonstrated).

**Financial Implications** – none.

## **Recommendation 2**

The Committee recommends that the Cabinet Secretary explains any impact of the UK Spending Review on arrangements relating to reserves, and other areas that help manage the Welsh Government's budget, such as borrowing, as soon as possible after the conclusion of that review.

**Response:** Accept

I will inform the Committee of any impact of the UK Spending Review on these arrangements following its conclusion on 11 June 2025.

**Financial Implications** – none.

**Recommendation 3**

The Committee recommends that the Cabinet Secretary confirms arrangements for monitoring capital projects and the structures in place that ensure they are delivering in line with the Welsh Government's stated priorities and maximising value for money.

**Response:** Accept

The importance of robust monitoring arrangements throughout the year cannot be overestimated. This ensures we manage our financial planning effectively and resources, both revenue and capital, are deployed efficiently.

I cannot do this alone and so fellow Cabinet Secretaries have an important role to play in managing their budgets. That is why I meet with them regularly to discuss budgetary matters and any emerging funding pressures that they may have.

Individual Ministers are each responsible for the management of their own portfolios and in that management give consideration to both Value for Money and the impact on this Government's priorities.

In respect of capital projects, the Wales Infrastructure Investment Strategy (WIIS), published in 2021, is our outcome-based strategy, set over a 10-year term, which sets the framework for all Welsh Government infrastructure investments.

As Cabinet Secretary for Finance, my primary lever in delivering the strategic outcomes is through our budgetary processes, ensuring that our capital budgets are prioritised to finance those infrastructure investment areas that most effectively deliver the outcomes we have committed to in the WIIS.

Taking the budget settlement from the UK Spending Review, our first Infrastructure Finance Plan (IFP) was published alongside the WIIS, allocating capital budgets over the financial years 2022-23 to 2024-25. A further IFP was published alongside the draft Budget in December 2024 and allocating capital budgets for the financial year 2025-26.

Once budget allocations are within Ministerial portfolios, deployment of those budgets is the responsibility of the relevant portfolio Minister. However, the WIIS makes clear that when providing advice to Ministers, individual spending departments must set out clearly how the specific use of a particular budget allocation delivers against the strategic objectives laid out in the WIIS.

Investment decisions in WG are reached through the utilisation of the five case model (the UK public sector best practice approach to developing business cases), linked to the HM Treasury "Green Book" guidance on decision making. This

---

## FIN(6)-12-25 PTN 6

Welsh Government response to the recommendations in the Finance Committee's report on the Second Supplementary Budget 2024-25

---

ensures that the most appropriate investments are made and that value for money is integral to these decisions.

**Financial Implications** – none.

**Recommendation 4**

The Committee recommends that the Cabinet Secretary:

- provides updates on discussions taking place between the Welsh Government and the Treasury on the development of codified rules relating to the sharing of information between the Treasury and the devolved administrations; and
- confirms which areas could be codified under such arrangements.

**Response:** Accept

Welsh Ministers are seeking enhanced budget flexibilities, to enable the Welsh Government to manage its resources more effectively to support the delivery of high-quality public services and boost economic growth.

The Welsh Government has already seen some improvement in the budget process under the new UK Government. For example, it ensured the Welsh Government was aware of as much funding as possible at the Autumn Budget, including the Housing Support Fund consequential – something which the previous UK Government said would not be confirmed until UK supplementary estimates. This enabled the Welsh Government to allocate this funding and set out in-year funding announcements, maximising Welsh resources and offering better value for public money.

During the Finance: Interministerial Standing Committee (F:ISC) on 27 February, the Chief Secretary to the Treasury noted the progress made so far, including improvements to the in-year budget process to manage late changes to our settlement at Supplementary Estimates, sharing more information and giving early sight of issues and agreed to codify these improvements through an exchange of letters with the devolved government finance ministers. I will provide further details to the Committee as this work progresses.

**Financial Implications** – none.

**Recommendation 5**

The Committee recommends that the Cabinet Secretary confirms whether the First Minister or another member of the Cabinet is responsible for the categorised areas of spending relating to the First Minister's priorities, as outlined in the Supplementary Budget

**Response:** Accept

Individual Cabinet Secretaries and Ministers remain responsible for the delivery of government priorities and related areas of spend within their portfolio.

**Financial Implications** – none.

## Recommendation 6

The Committee recommends that the Cabinet Secretary:

- provides information on how data informs decisions in the Supplementary Budget; and
- explains the initiatives that exist within the Welsh Government to improve the use of data in the future to ensure that funding decisions are underpinned by reliable and accurate information and deliver value for money.

**Response:** Accept

To supplement discussions with Ministers I receive monthly forecasts of year end expenditure from the Finance Director and his officials throughout the year. These updates are based on the latest financial information which allows us to make informed financial decisions.

In addition, there is an internal change programme within Welsh Government to improve the delivery of corporate services; to adopt UK Government functional standards; and to procure corporate IT systems designed to deliver the processes underpinning these standards.

This Transforming Corporate Services Programme ("the Programme") is currently reviewing its scope and conducting a Digital, Data and Technology Roadmap exercise to reaffirm the systems in scope for the next phase of the Programme.

It is anticipated that the Programme will deliver a number of benefits which will directly support improvements in the use of data in the future to help ensure funding decisions are underpinned by reliable and accurate information and deliver value for money, and these include:

- **Effective Management Information, Data Quality and Utilisation and Data Analytics:** The Programme will enable effective management information and data analytics capabilities, providing accurate insights for decision-making and reducing time spent generating data-based answers to simple questions. This will be achieved through the creation of master data sets and the integration of people and finance datasets;
- **Alignment with Strategic Direction:** The Programme will improve and create alignment with strategic direction and objectives, enhancing support for initiatives and enabling adaptability to changing business needs and priorities;
- **Cost and Efficiency Gains:** The Transform options are expected to deliver significant additional benefits, including simplifying policies and processes,

enabling better data-driven resourcing decisions, and embedding a culture of continuous improvement.

- **Potential for AI and Analytics Capabilities:** The Transform options also have the potential to incorporate AI and analytics capabilities across the landscape in the future.

These benefits are expected to be realised through the implementation of new technologies and operating models, as well as through the adoption of leading practices and functional standards.

**Financial Implications** – none.

**Recommendation 7**

The Committee recommends that the Cabinet Secretary provides:

- a breakdown of the specific costs associated with the unanticipated pressures of £100 million relating to the Transport Main Expenditure Group; and
- further information on forecast spending within the Transport Main Expenditure Group to cover costs relating to Transport for Wales in 2025-26.

**Response:** Accept

An additional £147m was allocated in the Second Supplementary Budget for the Core Valleys Line programme within the Transport Main Expenditure Group. This funding was provided from:

- £70m from central reserves for activity anticipated before the start of 2024-25;
- c. £43m of further reprioritisation from within the Transport MEG for additional costs arising in year; and
- £33.9m of additional activity that would otherwise have been scheduled for 2025-26, reducing the pressure on 2025-26 budgets.

One of the major challenges of the programme has been to keep costs tightly under control while at the same time working on a live railway with material discoveries on some new asset conditions and a tight regulatory requirement as the work goes on to design and build the scheme.

To ensure effective financial management, the programme has seen a gradual and continual strengthening of the level of Transport for Wales (TfW) control over the monitoring process.

TfW continue to work to minimise the financial risks around the total expenditure on the programme; and Welsh Government officials work closely with TfW to manage that risk with officials maintaining a process of appropriate scrutiny and challenge.

The costs relating to Transport for Wales in in the Final Budget for 2025-26 are summarised in the recently published remit letter found here [Transport for Wales funding and remit | GOV.WALES](#)

**Financial Implications** – none.

**Recommendation 8**

The Committee recommends that the Cabinet Secretary provides an update on the outcome of discussions taking place between the Welsh and UK governments on rail funding and asks for an update to be provided as soon as possible after the outcome of that review is published on 11 June 2025.

**Response:** Accept

Discussions are continuing with the UK Government on rail funding. This follows the UK Government's acknowledgement of the historic low levels of enhancement spending on railways in Wales and endorsement of a pipeline of rail enhancement priorities identified by the Wales Rail Board in an exchange of letters between the Cabinet Secretary for North Wales and Transport and the Secretary of State for Wales and Secretary of State for Transport in January this year.

I will provide an update to the Committee on the outcome of discussions after the conclusion of the UK Spending Review on 11 June 2025.

**Financial Implications** – none.

**Recommendation 9**

The Committee recommends that the Cabinet Secretary provides a breakdown of the additional £25 million allocated to the Central Services and Administration Main Expenditure Group and an explanation of the intended outcomes.

**Response:** Accept

The Central Services and Administration MEG is the primary source of budget to support the running of the Civil Service, our people, our estates and the supporting IT and Digital infrastructure. The MEG also supports a number of our crucial delivery organisations, including Welsh Tribunals, Welsh Revenue Authority, and for the majority of the year, our Inspectorates.

Due to years of UK Government austerity and the need to prioritise our top line priorities of Health, Education and Local Government the Central Services and Administration MEG has had to manage with minimal uplift for a number of years and indeed, had a revenue baseline reduction of £27.69m or 8.3% for 2024/25.

The reductions to budgets have left the MEG with a very restricted financial quantum and a number of significant financial pressure areas have evolved during 2024/25, in relation to supporting our staff costs, due to pay awards and general price inflation and within the Tribunals and Estates functions. With particular exponential cost increases as a result of significant increases in utility costs and increasing numbers of Tribunal cases - which are demand led.

To respond to these immediate financial challenges to our running costs budget and to prepare for the wider challenges ahead, work was done through the WG2025 programme, our vehicle for change and continuous improvement, to introduce tighter controls to strive to operate within budget.

The recent budget settlement and the action we have already taken through WG2025 means we will be in a more stable position for the next few years and this allocation of £25m in year supports us to deliver those functions for which we are responsible and allow us to recapture some lost ground in meeting our objectives.

The inclusion of a £15m transfer from reserves and an in-year additional non recurrent allocation of £10m, has enabled a 5% pay award for staff, provided funding for the exit payments in relation to the Voluntary Exit Scheme of 91 staff in 2024/25 and helped offset pressures on Staff, Estates and Tribunals budgets.

Without these additional allocations there would be a significant forecasted overspend being reported against the CSA MEG.

## FIN(6)-12-25 PTN 6

Welsh Government response to the recommendations in the Finance Committee's report on the Second Supplementary Budget 2024-25

---

I was pleased to be able to make this modest allocation in this supplementary budget and have treated Welsh Government no more or less favourably than other public service organisations that we have supported in such a way.

**Financial Implications** – none.