

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
CF99 1NA

18 November 2025

Dear Peredur,

I am writing to make you aware of two expert roundtable discussions that I recently convened. The first, held on 6 November, was to discuss ways of improving the system for funding the Devolved Governments. The second, held on 11 November, focused on the principles and practical considerations relating to taxing wealth and assets.

Barnett Roundtable

The Welsh Government has long made the case for fundamental reform of the Barnett system. We recognise replacement of the Barnett formula would be a significant change that would also require the consent of all four nations. It will involve a considered approach with an assessment of whether a realistic alternative can be developed. More immediately, there is also scope to explore improvements to the existing operation of the Barnett formula.

To discuss these issues, the roundtable drew on expertise of UK funding arrangements, fiscal and public policy, and intergovernmental relations. Membership is outlined in the Annex.

The roundtable provided open and constructive dialogue. Initial discussion focused on the unlikelihood of a shift towards a new four nations system due to current Barnett arrangements being deeply embedded in constitutional settlements. It was also noted that the funding arrangements within England were also evolving, and this would need to be taken into consideration.

The discussion then moved to practical action that could be taken to improve the current Barnett system. There was a shared recognition of the importance of addressing concerns in respect of transparency of the operation of the system, to secure the best outcomes for Wales. This included the provision of timely, consistent and transparent information in relation to Barnett consequential decisions, including clarity on how comparability factors are determined and how decisions are taken on classification of projects.

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

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

To support this, the participants reflected on whether there is a role for an independent body to have oversight of the operation of the system. Points were also raised about the need for an improved mechanism for dispute resolution with an element of independent arbitration.

It was agreed that while improvements to the system may be perceived as technical, they are grounded in a constitutional basis, and proposed improvements to the system will support fairness and sustainability. There was also consensus at the roundtable that enhanced flexibilities would be beneficial to the Welsh Government to maximise its resources.

The views provided will help to inform future thinking by the Welsh Government and feed into the joint four nations piece of work looking at ways of improving the operation of the Barnett formula which the UK Finance Ministers agreed to take forward at the meeting of the Finance: Interministerial Standing Committee (F:ISC) in October.

Wealth Taxes Roundtable

The challenging fiscal position along with the substantial and growing wealth inequality in our society has led to increased recognition that the UK needs a fairer and more equal tax system, which would provide billions in revenue to invest in our public services, improve living standards, and grow our economy. The second roundtable brought together a small, focussed group including fiscal and tax experts and key stakeholder interests to consider the issues, opportunities and challenges associated with greater emphasis on taxing wealth and assets. Membership is outlined in the Annex.

The discussion reflected on our existing tax levers both in Wales and at the UK level, as well as potential new taxes on assets and wealth. It was clear from the discussion the importance of reflecting on the fairness and equality of the different tax levers. It was noted that the reforms already introduced to Council Tax in Wales, one of the key existing taxes on property assets, demonstrates our commitment to making our taxes more progressive.

Participants also considered some of the practical and behavioural considerations associated with making changes to taxation of assets and wealth, and the need to fully interrogate the evidence available to inform such considerations.

Finally, the discussion focussed on the opportunities associated with directing or hypothecating the revenues generated by a tax on wealth and assets. The participants discussed how investment in public services could be used to mitigate social inequality, for example in education and health funding. Participants recognised that any plans for a wealth tax must clearly articulate how additional monies raised would be spent.

The debate in the Senedd on 19th November on taxing wealth will provide a further opportunity to discuss the principle and practical considerations. I am pleased that the Senedd has the opportunity to contribute its voice to wider debate on this issue that is happening at the UK level.

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

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Cabinet Secretary for Finance and Welsh Language

Annex 1:

Membership of Barnett roundtable

- Chair: Cabinet Secretary for Finance and Welsh Language
- Professor Gerry Holtham - Wales Centre for Public Policy and Life Fellow, Institute of Welsh Affairs
- David Philips – Associate Director, Institute for Fiscal Studies
- Guto Ifan - Wales Governance Centre, Cardiff University
- Professor Hugh Rawlings - Wales Governance Centre, Cardiff University
- Professor John Denham - University of Southampton
- Dr Victoria Winckler – Former Director, Bevan Foundation
- Professor Mairi Spowage - Director, Fraser of Allander Institute
- Sir Robert Chote - Northern Ireland Fiscal Council
- Dr Rhys Ap Gwilym - Bangor University

Membership of Wealth Taxes roundtable

- Chair: Cabinet Secretary for Finance and Welsh Language
- Professor Gerry Holtham – Wales Centre for Public Policy and Life Fellow, Institute of Welsh Affairs
- Stuart Ward – Institute for Fiscal Studies
- Guto Ifan –Wales Governance Centre, Cardiff University
- Professor Mairi Spowage – Director, Fraser of Allander
- Dr Rhys Ap Gwilym - Bangor University
- Arun Advani – CenTax, University of Warwick
- David Barnett – Chartered Institute of Taxation
- Caitlin Boswell – Tax Justice UK
- Suzanne Bold – Patriotic Millionaires UK
- Jane Hutt MS– Cabinet Secretary for Social Justice, Trefnydd and Chief Whip
- Jane Dodds MS – Leader, Welsh Liberal Democrats