



Llywodraeth Cymru
Welsh Government

Welsh Government

Final Budget 2024-25

A Budget to Protect the Services which Matter Most to You

February 2024

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Chapter 1: Introduction

Overview

1.01 The Welsh Government has tabled the Final Budget 2024-25 in accordance with Standing Order 20. The Final Budget sets out the Welsh Government's resource and capital spending plans for 2024-25. It reflects changes to the Draft Budget published on 19 December 2023.

Draft Budget scrutiny

- 1.02 The timing of the UK Government's Autumn fiscal event once again had a significant impact on the publication of this year's Budget. The Welsh Government, with the agreement of the Senedd Business Committee and Finance Committee, triggered exceptional arrangements in relation to this year's Budget process.
- 1.03 The [2024-25 spending plans](#); taxation and borrowing proposals; and the detailed portfolio budget proposals were published on 19 December 2023.
- 1.04 The scrutiny of the 2024-25 Draft Budget covered elements such as the sources of our funding, borrowing and taxation powers, as well as detailed consideration of departmental spending plans by Senedd Committees. The Finance Committee and other Senedd Committees published their reports on the Draft Budget on 5 February, ahead of the Draft Budget debate in the Senedd on 6 February.
- 1.05 The Welsh Government welcomes the scrutiny of our Budget proposals provided by the Finance Committee and other Senedd Committees. We have reflected on the recommendations made by all the Senedd Committees and will respond formally to these prior to the Final Budget debate on 5 March.

Changes to the Welsh Government's Budget for 2024-25

- 1.06 The Welsh Government has received further Barnett consequential funding allocations from the UK Government as part of the UK Supplementary Estimates process. This includes an additional £231m in resource, £8m in general capital and a reduction of £38m to Financial Transactions (FT) capital.
- 1.07 Although provided very late in financial year 2023-24, the Welsh Government has the ability to carry some of this funding forward into 2024-25 through the Wales Reserve. Alongside this, HM Treasury has provided an additional £43.9m resource funding which Welsh Government can use outside of the Wales Reserve in 2024-25.
- 1.08 We also received a £25m resource consequential arising from the Department for Levelling Up, Housing and Communities' announcement of additional funding for the English Local Government settlement to respond to pressures in social care. The Finance Minister published a [Written Statement](#) on 7 February setting out that this funding would be used to support local government in Wales and to reverse reductions made to the social care workforce grant in the Draft Budget.
- 1.09 Further allocations have been reflected in the Final Budget. Details of these are provided in Chapter 2.

- 1.10 We have received confirmation from HM Treasury of an additional £107m FT capital available in 2024-25, giving a total of £133.2m. During the Draft Budget we allocated £31.8m of FT capital, with further allocations totalling £66.5m allocated at Final Budget. Details of these additional allocations are provided in Chapter 2.
- 1.11 Alongside the measures outlined above, this Final Budget contains a modest number of administrative and accounting changes and the latest revenue forecasts for Land Transaction Tax and Landfill Disposals Tax. Detail on the tax forecasts is included in the Office for Budget Responsibility's update to the Welsh Taxes Outlook published alongside the Final Budget.
- 1.12 As the changes between Draft and Final Budgets build on existing measures, an assessment of these impacts has already been provided at [Draft Budget 2024-25](#). Changes contained in this document are modifications to the spending plans set out in Draft Budget 2024-25, therefore an updated Strategic Integrated Impact Assessment has not been published alongside this Final Budget.

Update to the Economic Context 2024-25

- 1.13 Economic conditions and near-term prospects are largely unchanged since publication of the Chief Economist's Report in December 2023.
- 1.14 UK output or GDP decreased in both the third and fourth quarters of last year and, for the year as a whole, increased by just 0.1%. GDP per person, which underpins living standards much more than aggregate GDP, decreased in each quarter last year. For calendar year 2023, GDP per person decreased by 0.7%.
- 1.15 The Bank of England's latest economic forecast suggests performance is not going to improve materially any time soon, with GDP expected to increase by just 0.1% each quarter this year.
- 1.16 Essentially, the short-term outlook is one of stagnation, continuing the pattern of the last two years. In the three years to the end of 2024, GDP is expected to expand by only 1%, about 4.5 percentage points short of what would have been achieved historically. The shortfall is equivalent to at least £1,500 per person across the UK, including Wales.
- 1.17 Against this background, the labour market, which currently has limited positive momentum, is unlikely to gain much traction. Economic inactivity as a result of ill health remains a key concern across the UK.
- 1.18 Annual consumer price inflation is now running at 4.0%, down from more than 10.0% a year ago. Owing in part to the operation of Ofgem's 'energy price cap', inflation - according to the Bank of England - will be close to the UK Government's 2.0% target over the spring months and may tick up moderately after that.
- 1.19 UK Government borrowing for the 2023-24 fiscal year is tracking below the Office for Budget Responsibility's (OBR) most recent forecast prepared for last November's Autumn Statement. Even so, the medium-term outlook for public finances is effectively unchanged.

1.20 Barring a major surprise, the OBR will tell the Chancellor that he has precious little margin for 'give-aways' in the Spring Budget if he is to meet his primary fiscal target. The International Monetary Fund has advised the Chancellor that public spending and debt consolidation should have priority over tax cuts that are reported to be under consideration.

Chapter 2: Changes between Draft and Final Budget 2024-25

- 2.01 The changes made between the publication of the Draft and Final Budgets are outlined in this chapter.
- 2.02 This budget documentation should be read in conjunction with the previously published multi-year funding approach (Draft and Final Budgets 2022-23, which provide plans from 2022-23 to 2024-25). These documents can be accessed via the Welsh Government [web pages](#).
- 2.03 Changes to the Final Budget 2024-25 have been agreed by Welsh Ministers in line with the priorities set out in the Draft Budget. These include protecting core frontline public services, as far as possible; prioritising jobs, wherever possible; delivering the greatest benefit to households which are hardest hit; and refocusing funding away from non-devolved areas, which are the UK Government's responsibility to fund.
- 2.04 Throughout this process, we have been guided by the principles embedded in the Well-being of Future Generations Act 2015. We have continued to maintain our approach towards understanding the integrated impacts of the choices we are taking, along with the need to act now to prevent the worst impact to services. We have acted in the short-term to protect services for the future.
- 2.05 Through their scrutiny of the Draft Budget, Senedd Committees identified proposals and spending plans which the Welsh Government recognised as being unlikely to have been implemented had the extent of the consequential funding been known prior to publication of the Draft Budget. The full detail of the consequential funding allocations from the UK Government, as part of the UK Supplementary Estimates process, has come very late in the financial year, making budget setting and planning incredibly difficult.
- 2.06 Such late notification has resulted in the Welsh Government being forced to make certain choices, which could have been averted if we had received this information at the same time as other Whitehall departments. As part of developing the Final Budget, we have also considered areas of further preventative spend, as highlighted by Senedd Committees during budget scrutiny.

Resource

- 2.07 We are allocating a further £14.436m to Local Authorities through the Local Government settlement. Local authorities deliver a wide range of public services, often to those who are most vulnerable in our society and to people who are economically disadvantaged. These include significant services for children, through schools and social services, and a wide range of services for adults who may be facing challenges in their everyday lives, through social services, housing support and other community services. We recognise the substantial pressures facing local authorities and have provided this funding through the unhypothecated settlement to enable flexibility for local authorities to allocate funding to their local priorities.

- 2.08** In addition, we are providing £10.564m to restore the Social Care Workforce Fund, reversing a reduction made in the Draft Budget. This will allow us to continue our aims to improve social care through the recruitment and retention of a quality and professional workforce. This will also help to minimise impacts on local authorities and social care partners which could affect disabled people, older people, and the most vulnerable and disadvantaged members of society.
- 2.09** We are restoring £5m for the Children and Communities Grant to reverse much of the reprioritisation we had to undertake as part of our Draft Budget plans. We have recognised the importance of this flexible fund which seeks to address the support needs of disadvantaged and often vulnerable children and adults in our communities through a range of early intervention, prevention, and support mechanisms.
- 2.10** We are allocating £5m to the homelessness prevention and support budget, in recognition of the importance of preventative services to deliver our long-term ambition to end homelessness.
- 2.11** We are allocating £5.25m for apprenticeships to offer more opportunities for apprenticeship starts. This recognises the importance of apprenticeships to our aims of long-term prevention, supporting efforts to tackle poverty, wider improved longer-term outcomes, and supporting economic growth.
- 2.12** The Welsh Government stands with our steel sector, and those communities and individuals impacted by commercial decisions taken by Tata. Given the uncertainty facing workers, we are ready to play our part. We will invest £4.75m in our employability programmes including ReAct+, Communities for Work + and Jobs Growth Wales+, boosting existing investments to enable us to do what we can to prevent the worst outcomes for Welsh steel communities.
- 2.13** We are allocating £1.5m resource funding towards delivery of our future proofing Non-Domestic Rates Fund that will support businesses to be more sustainable into the future. This sits alongside the capital funding, which is set out in the next section and agreed as part of the Draft Budget.
- 2.14** We are providing £1.4m to recognise the impacts identified through scrutiny on Cadw and the Royal Commission on the Ancient and Historical Monuments of Wales. This increase should help mitigate some of the worst impacts on the provision of statutory functions in protecting and accessing our historic environment for future generations and support life-long learning, educational visits, volunteering and participation, monument interpretation, non-income generating events and support for third-sector organisations.
- 2.15** As part of our Cooperation Agreement with Plaid Cymru we have made additional allocations in a number of areas. We will be providing £225,000 to take forward next steps towards a National School of Government and £1m to take forward work on Constitutional Reform. We will also progress activity on important transport initiatives. We have published a joint paper setting out a range of areas of agreement where allocations have been made.

Capital

- 2.16 We are providing £40m to the NHS for essential maintenance and includes £10m targeted at preventative spending and measures to support the NHS to become more sustainable into the future.
- 2.17 We are allocating £18.5m of capital to create our Future Proofing Non-Domestic Rates Fund to support businesses to be more sustainable into the future, as agreed as part of the Draft Budget package. The fund will aim to support around 2,500 eligible small to medium sized businesses in the retail, leisure, tourism, and hospitality sectors, to invest in measures to futureproof their business.
- 2.18 Recognising the importance of housing to help protect those who are most vulnerable in society, we are allocating £5m for the Social Housing Grant to support delivery of our key commitment to build 20,000 low carbon social homes for rent.
- 2.19 In line with our Programme for Government commitment to sustain our Sea Ports in Wales, we are allocating £10m, together with £20m of FT capital, to support the refurbishment of Holyhead Breakwater. This will help safeguard the future of the second busiest roll on roll off facility for accompanied freight in the UK.

Financial Transactions (FT) Capital

- 2.20 Financial Transactions (FT) capital is a specific form of capital provided by the UK Government with conditions on its use. A proportion of this funding needs to be repaid to the UK Government.
- 2.21 As outlined in the Draft Budget, we continue to maximise our existing portfolio of FT capital investment, investing more than £2.2bn in a wide variety of projects supporting businesses and the housing sector, benefiting many parts of our society and economy.
- 2.22 In addition to the £31.8m we allocated in the Draft Budget we are allocating a further £66.5m to further support delivery of our priorities detailed in the 10-year [Wales Infrastructure Investment Strategy](#), which was published alongside the Draft Budget in December 2021.
- 2.23 Details of the allocations are outlined below:
- £7.7m for Transport for Wales (TfW) Fibre Limited to support commercialising excess capacity of the rail fibre network.
 - £10m to invest in our semiconductor sector.
 - £4m for the Development Bank of Wales to help support homeowners to retrofit and decarbonise their homes by funding heat pumps and solar panels.
 - £4.8m for Menter Môn Morlais to support tidal stream devices.
 - £20m to support refurbishment of Holyhead Breakwater.
 - £20m earmarked for Co-operation Agreement activity related to Housing.

Administrative Changes

2.24 We are making a number of administrative changes between Main Expenditure Groups (MEGs), responding to a range of matters which have arisen since publication of the Draft Budget.

2.25 There are several technical changes of fiscal resource between Ministerial portfolios in this Final Budget. Examples of those included are provided below, whilst the full details can be found in the accompanying tables:

- A transfer of £7.603m (resource) from the Health and Social Services MEG to the Social Justice MEG to fund the Ministerial sponsorship transfer of Llais – the citizen's voice body for health and social care in Wales.
- A transfer of £9.767m (resource) from the Climate Change MEG into the Finance and Local Government MEG regarding the Coastal Risk Management Programme.

2.26 In addition to the transfers between Ministerial portfolios, there are a number of transfers between BELs within the same portfolios, which are included within the published BEL tables. These are generally administrative in nature and have no net effect on the individual MEG totals. These include:

- A transfer out of £20.737m (resource) from Central EU Transition Costs (BEL 7070) to Staff Costs (BEL 6720) to ensure that costs and budget are aligned within the Central Services and Administration MEG.
- A transfer of £9.547m (resource) from the 020 BEL in the HSS MEG to the 035 BEL in the same MEG for agreed recurrent baseline changes for Digital Health & Care Wales (DHCW) for Energy, Covid-19 and core uplift for 2024-25
- A transfer of £4.248m (resource) from the 020 BEL in the HSS MEG to the 030 BEL in the same MEG for agreed recurrent baseline changes for NHS Wales Shared Services Partnership (NWSSP) for Energy and Covid-19 for 2024-25.
- A transfer of £4.013m (resource) from the 020 BEL in the HSS MEG to the 250 BEL in the same MEG for agreed recurrent baseline changes for Public Health Wales NHS Trust (PHW) for Energy and Covid-19 for 2024-25.

2.27 Within portfolios, there have been several BEL lines within the Climate Change and Rural Affairs portfolios which have been renamed to accurately reflect the respective activity and wider remit. Details of these changes are provided in the BEL Tables.

Grant Consolidation (Reducing Administrative Burdens)

2.28 Further consolidation of Local Authority Grants will take place as part of the Programme for Government commitment to reducing administrative burdens on local authorities, in addition to the merging of grants highlighted at Draft Budget.

2.29 There will be three transfers into the Local Government settlement via the Revenue Support Grant (RSG):

- A transfer of £4.950m (resource) from CC MEG into Finance and Local Government MEG reflecting the transfer of the flood and coastal risk management administration grant
- A transfer of £0.880m (resource) from HSS MEG to the Finance and Local Government MEG to fund the one-year transfer of the performance and improvement framework grant.
- A within MEG transfer (resource) in the Finance and Local Government MEG of the £0.2m relating to the transfer of the child burial fund to the settlement.

Chapter 3: Welsh Government Final Budget allocations for 2024-25

- 3.01 The changes described in Chapter 2 are reflected in the revised spending plans set out in the Tables Supporting Spending Plans (.ods workbook) published on the Welsh Government's Final Budget 2024-25 [web page](#).
- 3.02 The detailed changes to our Budget proposals between publication of the Draft and Final Budgets in 2024-25 are set out in the Final Budget 2024-25 [BEL tables](#), which are published together with this Explanatory Note.
- 3.03 The tables included in the [.ods workbook](#) comprise:
- Sources of Finance for the Welsh Government (Tab 1)
 - Allocation of the Wales Budget (Tab 2)
 - Summary of the Welsh Government MEG Total Allocations (Tab 3)
 - Changes to the Welsh Government MEG Resource Allocations (Tab 4)
 - Changes to the Welsh Government MEG Capital Allocations (Tab 5)
 - Changes to the Welsh Government MEG AME Allocations (Tab 6)
 - Mapping of Capital Budget Allocations to Investment Areas and Sectors (Tab 7)
 - Reconciliation Between Administrative Budget and Resource Allocations in the Annual Budget Motion (Tab 8)
 - A series of tables showing year on year changes (Tabs 9 and 9a):
 - Total – Year-on-Year Percentage Change
 - Total – Year-on-Year Percentage Change – Real Terms
 - Fiscal Resource – Year-on-Year Percentage Change
 - Fiscal Resource – Year-on-Year Percentage Change – Real Terms
 - Non-fiscal Resource – Year-on-Year Percentage Change
 - Non-fiscal Resource – Year-on-Year Percentage Change – Real Terms
 - General Capital – Year-on-Year Percentage Change
 - General Capital – Year-on-Year Percentage Change – Real Terms
 - FT Capital – Year-on-Year Percentage Change
 - FT Capital – Year-on-Year Percentage Change – Real Terms
 - AME Resource – Year-on-Year Percentage Change
 - AME Resource – Year-on-Year Percentage Change – Real Terms
 - AME Capital – Year-on-Year Percentage Change
 - AME Capital – Year-on-Year Percentage Change – Real Terms

Annex A: Glossary of financial terms

Action

Within each Spending Programme Area (SPA), budgets are allocated to a number of sub-programmes known as Actions.

Ambits

Descriptions of the specific purposes for which the Welsh Ministers are authorised by the Senedd to spend resources. Ambit descriptions and resource limits are contained within the annual Budget motion. Ambits correspond to MEGs.

Annually Managed Expenditure (AME)

Expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL and is therefore reviewed twice a year as part of the HM Treasury's Budget and pre-Budget report processes. AME typically consists of programmes which are large, volatile, or demand-led; for example, the issue of student loans. Local authority expenditure financed by Non-Domestic Rates is also reflected in AME budgets.

Budget Expenditure Line (BEL)

Within each Action, budgets are allocated to a number of sub-expenditure groups known as BELs. Tables showing budgets at BEL level are available in [Welsh Government budgets](#).

Barnett formula

The formula used by the UK Government to calculate changes to the block grant allocated to the Welsh Government (and other Devolved Governments). The Welsh Government receives the same changes in funding per head of the population as announced in England for services which are devolved to Wales. As part of the fiscal framework agreed between the Welsh Government and UK Government in 2016, there is also a needs-based factor applied to the Barnett formula allocations to Wales. This is currently set at an additional 5%.

Budget Motion

The means by which the Senedd authorises the Welsh Ministers to spend resources up to a specific level for specified purposes and to draw cash up to a specific limit from the Welsh Consolidated Fund.

Capital

Expenditure that in the main results in a physical asset, for example a new building. A proportion of the Capital DEL includes Financial Transactions Capital.

Departmental Expenditure Limit (DEL)

The multi-year budget limit for the Welsh Government set by HM Treasury. DEL is planned and controlled on a multi-year basis in Spending Reviews. The Welsh Government DEL and AME budgets have separate capital and resource limits.

Depreciation

The drop in value of an asset due to wear and tear, age, and obsolescence. Under resource budgeting, depreciation is part of the Welsh Government's DEL but is a

non-fiscal resource DEL item.

Direct Charges on the Welsh Consolidated Fund

Expenditure which is legally required to be charged directly to the Welsh Consolidated Fund and therefore does not score against the budgets of the Welsh Government or any other body. Direct charges include the remuneration of the Presiding Officer and Auditor General.

Financial Transactions Capital

Financial Transactions Capital is part of the capital DEL settlement that can only be used for loans and equity investments to third parties. In the main, the funding must be repaid to HM Treasury.

Fiscal Resource DEL (previously known as near-cash)

The Fiscal Resource DEL budget scores most of the department's current expenditure. Expenditure is recorded on an accruals basis. It includes expenditure on pay, current procurement, resource grants, and subsidies.

Main Expenditure Group (MEG)

The Welsh Government DEL is divided into a number of Main Expenditure Groups. There are currently eight MEGs: Health and Social Services; Finance and Local Government; Education and the Welsh Language; Climate Change; Economy; Rural Affairs; Social Justice; and Central Services and Administration.

Non-Fiscal Resource DEL (previously known as non-cash)

The Non-Fiscal Resource DEL budget scores the department's current expenditure in respect of impairment of student loans and depreciation. Non-Fiscal Resource DEL is ring-fenced and cannot be used to fund fiscal resource DEL spending.

Receipts

Some areas of Welsh Government activity generate income, for example, through the sale or rental of assets. These are represented in the budget as negative figures.

Resource budgeting

The Welsh Government's Budget is set on a resource basis derived from accruals information. Accruals information measures resources as they are consumed rather than when the cash is paid. So, for example, resource budgeting includes a charge for depreciation, a measure of the consumption or wearing out of capital assets.

Resource (previously known as revenue)

Current expenditure, for example funding for the pay of public sector workers and to purchase consumable goods and services.

Spending Review

Every two or three years, HM Treasury reviews expenditure for each UK Government department and sets budgets for the forthcoming years. Budgets for the Devolved Governments are derived from these budgets via the Barnett formula, which is the mechanism used by HM Treasury to calculate public expenditure allocated to Wales to reflect changes in spending levels allocated to public services

in England.

Spending Round

The Spending Round is a UK Treasury-led process to allocate resources across all government departments, according to the Government's priorities. It does not include a revision to tax forecasts.

Total Managed Expenditure (TME)

This is an HM Treasury control total which is comprised of the total Departmental Expenditure Limit plus Annually Managed Expenditure.

Wales Reserve

The Wales Reserve has been in operation since April 2018 as a tool to enable the Welsh Government to manage its budget across years. The Welsh Government will be able to save surplus revenues from the devolved taxes and underspends on the Departmental Expenditure Limit in the Reserve for use in future years. The Reserve will be able to hold up to £350m, with an annual drawdown limit of £125m for resource and £50m for capital. There will be no annual limit for payments into the Reserve.

Welsh Consolidated Fund

The account into which the money voted by the UK Parliament for use by the Welsh Government, the Senedd Commission, the Auditor General, and the Public Services Ombudsman for Wales is paid.

WGSB

Welsh Government Sponsored Body. Examples include the Higher Education Funding Council for Wales and the Arts Council of Wales.