
Welsh Government Draft Budget 2025-26

Annex A: Strategic Integrated Impact Assessment

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Introduction

1. The Welsh Government undertakes a Strategic Integrated Impact Assessment (SIIA) of the Welsh Government Draft Budget as part of the annual budget cycle. The purpose of the SIIA is to identify key trends, strategic and cumulative impacts of decisions made in the Draft Budget. This ensures strategic budgetary decisions reduce disproportionate effects on any one specific group or geographic area and reduce inequalities across our society. It also helps to identify opportunities to maximise positive impacts from our investment decisions. A robust SIIA ensures every pound invested delivers the greatest positive impact.
2. The SIIA process gives due consideration to the following statutory requirements:
 - Equality Act 2010
 - Public Sector Equality Duty
 - Socio Economic Duty
 - UN Convention on the Rights of the Child
 - Well-being of Future Generations (Wales) Act 2015
3. The SIIA process also gives due consideration to the following non-statutory requirements:
 - Equality
 - Health
 - Justice
 - Environmental Assessment
 - Biodiversity
 - Rural Proofing
 - Welsh Language
4. The purpose of this document is to provide a summary of the findings from the SIIA process and show how the 2025-26 Draft Budget will address these areas. Undertaking the SIIA is an iterative process which draws on a range of information and expertise. Diagram 1 provides a simplified overview of the process that leads to the production of this document.

Strategic Integrated Impact Assessment: simplified overview

Step 1: Integrated Impact Assessments are undertaken as part of the policy cycle with these assessments informing budget decisions.

Step 2: Individual Ministerial consideration of impact across portfolios.

Step 2.1: Alongside the publication of the main SIIA, Cabinet Secretaries are also required to publish their written evidence to scrutiny committees.

Step 3: The Welsh Treasury draws information from IIAs, policy officials and wider evidence linked to individual Minister's decisions.

Step 4: Assessing Impacts to inform SIIA:

- Iterative analysis of a range of macro evidence sources to identify key trends, associated impacts and consider how to best align funding to outcomes to deliver value for money.
- Consider the First Minister's priorities and links to the Wellbeing of Wales 2024 report and national indicators.
- Iterative review of impacts identified from across the Welsh Government and identify any cumulative, intersecting, or unintended impacts. Consideration of possible opportunities for maximisation of positive impacts and mitigation of negative impacts.
- Step 4 may lead back to Steps 2 and 3 or on to Step 5.

Step 5: Cabinet consideration of potential Draft Budget allocations

- Step 5 may lead back to Step 4 or on to Step 6.

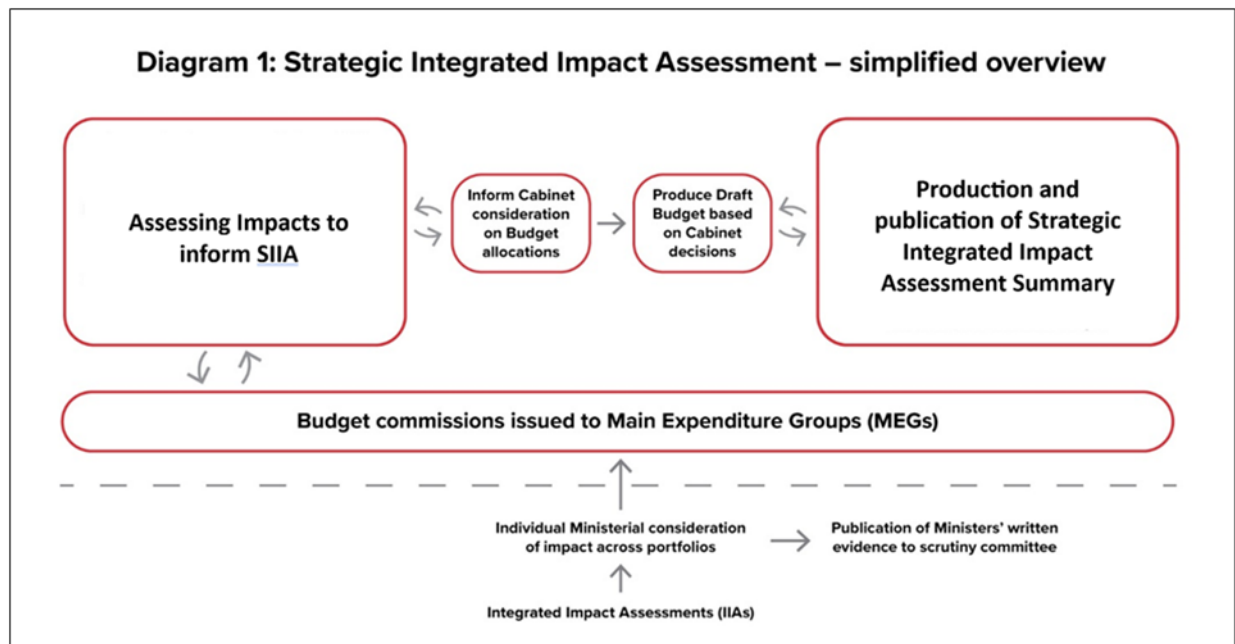
Step 6: Produce Draft Budget based on Cabinet decisions.

- Step 6 may lead back to Step 5 or on to Step 7.

Step 7: Production and publication of Strategic Integrated Impact Assessment

- Provides summary of strategic impacts across a range of areas of impact and statutory requirements.
- Links the identified areas to strategic Budget decisions.
- Step 7 may lead back to Step 6.

Step 8: Document is published at the Draft Budget.



5. The SIIA is distinct from, but linked with, the Welsh Government’s Integrated Impact Assessments (IIAs). These assess the impacts of decisions at an individual project or policy level. The Welsh Government maintains that an integrated approach to impact assessments enables us to better understand the impact of spending decisions, seeking to better understand the intersectional and unintended impacts of spending to maximise the impact of available funding.
6. A range of macro evidence sources are considered as part of the SIIA process, including the Wellbeing of Wales Report, the five-year Future Trends report and the annual report on the Socio-Economic Duty (this is not an exhaustive list). We also work with the Welsh Government’s Equality, Race and Disability evidence units to ensure we are using the latest research and evidence. Both formal and non-formal evidence is considered appropriately as part of this process, including the engagement undertaken by the Cabinet Secretary for Finance and Welsh Language with stakeholders from across the public and third sectors as well as the Children’s Commissioner, Older People’s Commissioner, Welsh Language Commissioner and the Future Generations Commissioner. We have also been consulting with social partners as per the requirements of the Social Partnership Duty (part of the Social Partnership and Public Procurement Act 2023 which came into force on 1 April 2024).
7. This document will not:
 - Provide individual integrated impact assessments (IIAs) for specific projects, policies and decisions.
 - Detail every individual decision process and/or piece of evidence reviewed as part of this process.
 - Provide a list of each individual characteristic or area of impact considered.

8. The SIIA should be read in conjunction with the Draft Budget Narrative and its supporting documents, such as the Wales Economic and Fiscal report and Distributional Impact Analysis.
9. Following the publication of the Draft Budget, we will also publish the summary of all Ministerial evidence to Senedd scrutiny committees. This will provide detail from each Ministerial portfolio on the specific allocations made, including information around the impact of decisions, and will be available on the Draft Budget 2025-26 section of the Welsh Government website from mid-January 2025.

Evolving our approach to assessing impact

10. In 2022, we established the [Budget Improvement and Impact Advisory Group \(BIIAG\)](#). The group advises the Welsh Government from an equalities and inclusion perspective to ensure that budget and tax processes better align funding to outcomes. The group supports us in the delivery of the [Budget Improvement Plan](#), a detailed roadmap of planned improvements. This can be found on the Welsh Government 2025-26 [Draft Budget](#) webpage.
11. We continue to engage with other governments regarded as world leaders in impact assessment processes, through the Wellbeing Governments Network (WeGo). The learning from this network continues to support us in evolving and improving our approach to impact assessment.
12. Both the process of undertaking a SIIA and the communication of that process to a wider audience will be one of continued improvement and will evolve over the coming years. We are undertaking a review of the SIIA, which is due to conclude in 2025, and we will consider any recommendations with the BIIAG.
13. We would like to, once again, thank the members of the BIIAG for continuing to support us on this journey.
- 14.. The following is a summary of some of the key trends and areas of impact identified across the priorities of Welsh Government. A more detailed assessment of economic and fiscal trends is set out in the [Wales Economic and Fiscal Report \(WEFR\)](#).
15. Throughout the SIIA we have sought to identify where the 2025-26 Draft Budget supports the First Minister's priorities, the relevant Well-being Goals and the Wellbeing of Wales National Indicators.
16. While we have limited devolved tax raising powers, most of our funding continues to come directly from the UK Government as a block grant. This means Wales is directly exposed to UK Government fiscal policy..
17. For the first time in 14 years, we are working with a UK Government which shares our values. This year's Draft Budget is the first step towards rebuilding our public services and boosting economic growth. It provides the funding to deliver our priorities of A Healthier Wales, Jobs and green growth, Opportunity for Every Family and Connecting Communities. These priorities were, in turn,

shaped by the feedback the First Minister received from the public during her summer listening tour in 2024.

18. This year's Draft Budget represents a shift in our fiscal position, with increased funding across all departments. This is a budget for a brighter future and will deliver more than £1bn for Wales to help invest in and rebuild our public services, which is a stark difference to last year where we had to make some very difficult choices.
19. We are providing increased funding for all departments compared to 2024-25 which will benefit key areas such as health, local government, education, transport, and addressing climate change.
20. We are supporting public services and investing in a brighter future. Capital spending plans will exceed £3 billion for the first time at Draft Budget stage, enabling substantial investments in schools, NHS infrastructure, and public transport improvements.

New First Minister, Cabinet and Priorities

21. In August 2024, Eluned Morgan MS became the First Minister of Wales. After undertaking a listening tour throughout Wales, she set out four priorities for her new government:
 - 'Iechyd da' - **A Healthier Wales** – cutting NHS waiting times, including for mental health; improving access to social care and services for women's health.
 - **Jobs and green growth** – creating green jobs that tackle the climate crisis and restore nature, while making families better off; accelerating planning decisions to grow the Welsh economy.
 - **Opportunity for every family** – boosting standards in schools and colleges and providing more homes for social rent, ensuring every family has the chance to succeed.
 - **Connecting communities** – transforming our railways and delivering a better bus network; fixing our roads and empowering local communities to make choices on 20mph.
22. The First Minister's priorities have clear links to the well-being goals, including:
 - A prosperous Wales
 - A resilient Wales
 - A healthier Wales
 - A more equal Wales
 - A Wales of more cohesive communities

Context of impacts identified

23. The ongoing effects of previous high inflation and the cost-of-living crisis, including energy, food and higher interest rates, continue to have a greater effect on those from the lowest incomes who are at greater risk of reducing spending on essentials such as food and heating. Despite the rate of price increases falling, people on low incomes are still affected by food prices, with the [Trussell Trust](#) delivering more food parcels in the last year than previous years in Wales. More than half of the people referred for emergency financial payments to cover essentials in mid-2022 were women, with almost one in five of these women having experienced domestic violence in the last 12 months. Disabled people, single adults living alone and families with children are also at the greatest risk of food insecurity, with a greater need of using food banks.
24. The impacts of climate change disproportionately affect disadvantaged groups. These include those people from low-income households, who are more likely to live in areas with high air pollution and have fewer resources to prepare for and recover from the effects of climate change. Older people and those with long-term health conditions may also be more susceptible to poor air quality and heat-related illness and be more affected by disruption to health and support services resulting from extreme weather.
25. People that are from poorer households, disabled, LGBTQ+ or from ethnic minority communities are at greater risk of poor mental health and loneliness. Mental health care demand also remains substantially high among children and young people. While women continue to have a longer life expectancy than men, the proportion of life spent in good health is lower than for men. Reports highlight that men are more likely than women to feel satisfied with healthcare services, with reported feelings of reluctance from women of contacting healthcare professionals. Digital exclusion can act as a significant barrier for older people trying to access GP practices as more services move online. Black, Asian and Minority Ethnic older people face significant barriers in terms of language, often do not feel listened to and in some cases face discrimination not only due to race but also age.
26. Maternal and infant mortality remains higher among women from Black and Asian ethnic backgrounds compared to White women for 2020-22 in the UK. Mental health conditions are also rising year-on-year for pregnant women, with younger women more likely to report a mental health condition. An [Age Cymru](#) report highlights that alongside social care service delays and caring responsibilities, older people cite the ongoing impact of the cost of living crisis as the biggest challenge they face, worsening for older disabled people.
27. Visible in both PISA and GCSE results, the gap between the level of performance for the least disadvantaged pupils and the most disadvantaged pupils across Wales remains stark. A report by [the Institute for Fiscal Studies](#) (IFS) further highlights the most disadvantaged children across Wales have the lowest educational scores in both reading and science, and second lowest for maths, in comparison to other UK nations. Disabled people are more likely

to have no qualifications than non-disabled people, with recent reports of disabled children and young people facing significant barriers to equal childcare and education access.

28. Disabled people and ethnic minority people are more likely to be unemployed, experience pay inequalities or be in insecure work. The latest employment rate figures show that 82.8% of non-disabled people were employed compared to 52.7% of disabled people in Wales. Census 2021 data examining the intersection of ethnicity and disability shows that disabled adults identifying as 'White' were less likely to be unemployed than non-disabled adults from an ethnic minority background.
29. Women have lower employment rates compared to men and are more likely to occupy part-time and lower-paid occupations. The gender gap continues, yet women from ethnic minority backgrounds are especially affected. Women are also more likely to be unpaid carers, increasing their chance of developing poor health and wellbeing. Caring responsibilities are reported to be the biggest barrier to gender equality.
30. Those from poorer backgrounds as well as people who are disabled, LGBTQ+ or from ethnic minority backgrounds are more likely to face housing inequalities or be at risk of homelessness, highlighting the need for more social housing. The [Bevan Foundation](#) reports on the current housing crisis with a record number of households currently being placed in temporary accommodation of poor quality, half of which have children.
31. Households with children, a single-person, disabled people or whose main income earner is from an ethnic minority community are disproportionately affected by poverty. Poverty is associated with increased risk of domestic violence, poorer general health and reduced ability to engage in healthy lifestyle behaviours. Rates of material deprivation have overall increased among working-age adults, with children and those in social housing at greatest risk. Children are the population group most likely to be in relative income poverty, and rates continue to remain substantially high. Those from poorer households are at the greatest risk of being looked after and developing mental health conditions increasing their chances of facing hardship during adulthood.
32. Decisions made to bus services disproportionately affect women, Black, Asian or Minority Ethnic people, disabled people, older and younger people and those in low paid or insecure work. Those from rural areas also heavily rely on private car transport due to reduced public transport services, with a greater need of connecting these potentially isolated communities.
33. The [Wellbeing of Wales](#) report 2024 explains that the national indicator on arts, culture and heritage has been collected three times, starting in 2017-18. While the percentage of adults regularly attending and participating in arts, culture and heritage is not significantly different this year, there continues to be wide differences depending on age, health, deprivation and qualifications, but not for sex or ethnic group. Evidence demonstrates that there are multiple

barriers for people accessing culture and heritage who share protected characteristics. These need to be addressed to tackle inequalities, these include physical, perceived, and financial barriers. People who are economically disadvantaged, people from ethnically diverse communities, people living in rural locations and vulnerable groups may find it more difficult to access cultural sites and cultural experiences and to participate fully in cultural activity in Wales.

Analysis of impacts of Draft Budget 2025-26

34. This section has been framed to reflect the four domains of sustainable development in the Well-being of Future Generations (Wales) Act 2015 setting out the areas of well-being that are considered as part of our approach: social, economic, environmental and culture.

Social

35. A significant part of the Welsh Government's resource budget is spent either directly on public sector pay across the various devolved sectors or through settlements provided to delivery partners, supporting more than 200,000 workers from the NHS to teachers and local government workers, as well as civil servants and arm's length bodies' employees. In 2024-25, additional consequential funding was provided by the UK Government, which, alongside our own fiscal planning, meant above-inflation awards recommended by the independent pay review bodies were funded - these have been baselined in the 2025-26 Draft Budget. Additional support was also provided to local government in recognition of the pressures it is facing. In the UK Budget on 30 October, the UK Government made clear that departmental settlements will need to fund the next round of pay awards in 2025-26. These above-inflation pay awards will support public sector workers in lower-paid jobs and are both an investment in our public services our wider economy.

36. Rising inflation, the cost-of-living crisis and higher interest rates have all had an adverse impact on inequality within Wales. Our health and social care services and wider public services continue to experience extreme pressures. With a larger proportion of women than men being employed in this sector, any increased pressure on these services will have a disproportionate impact on women. This requires a focus on supporting communities and addressing the pressures being faced while rebuilding public services to ensure they remain sustainable and accessible to all.

37. Impacts on health and social care services will be felt by all service users but the negative impacts are likely to hit the most vulnerable harder, particularly those with complex health conditions, the elderly and children.

38. Pressures resulting from an increasing ageing population with complex health conditions are likely to be exacerbated by the cost-of-living crisis and higher numbers of people living in poverty. The [Wellbeing of Wales](#) report 2024 indicates that between 2020-21 and 2022-23, 21% of all people in Wales were

living in relative income poverty (after housing costs were paid). However, the percentage of people living in relative income poverty has been relatively stable in Wales for over 18 years, with children more likely to be in relative income poverty than the population overall.

39. Previous Well-being of Wales reports found that inequalities are widening, the cost-of-living crisis has hit people's incomes, and children and young people are faring worse since the pandemic. With a pause in the National Survey for Wales in 2024, some data is not available but looking across the indicators that have been updated this year and at data from previous years, there is little evidence yet that these wider trends are changing.
40. While few people are unaffected by the cost-of-living crisis, the impacts do not fall equally on all people and households. Disabled people, those living in deprived areas and from lower incomes, along with those in rented housing are more likely to have reduced their spending on food and essentials.
41. The [Is Wales Fairer](#) 2023 report, highlights that disabled people are less likely to be homeowners than non-disabled people and are more likely to be living in poverty and severe material deprivation. However, there has been a significant decrease in the proportion of disabled people living in severe material deprivation, from 40.5% in 2015-16 to 24.3% in 2019-20. It also reports that ethnic minorities in Wales are more likely to be living in poverty, as 40% of ethnic minority-headed households (excluding white minorities) were living in poverty, compared to 22% of white-headed households. Some ethnic minority groups are also more likely to experience homelessness and overcrowding and are less likely to be homeowners.
42. In March 2024, the Bevan Foundation's [snapshot of poverty](#) highlighted that across Wales 13% of people often or always struggle to afford essentials, including 31% of people going without heating in their homes and 24% eating smaller meals or skipping meals entirely. People's health is being negatively affected by their financial position with 44% seeing a deterioration to their mental health and 30% to their physical health. The [Is Wales Fairer](#) report states Wales has the highest demand for community mental health teams for children and young people in the UK.
43. Health inequality in Wales is a result of many and varied factors. The [Wellbeing of Wales](#) report 2024 highlights that inequalities in life expectancy and mortality remain wide. Analysis based on 2018-20 data shows that the overall gap in healthy life expectancy between the most and least deprived areas has remained relatively stable between 2011-13 and 2018-20. However, in the most recent time period, this gap seems to have reduced slightly for males (13.3 years) and increased slightly for females (16.9 years). The national milestone on healthy life expectancy is to increase the healthy life expectancy of adults and narrow the gap in healthy life expectancy between the least and the most deprived by at least 15% by 2050.
44. The [Wellbeing of Wales](#) 2024 report highlights the percentage of households successfully prevented and relieved from homelessness has fallen, whilst the

number of individuals in temporary accommodation has increased. Despite falling in the past year, the estimated number of individuals sleeping rough as at June 2024 is over 30% higher compared to 2022 estimates.

45. The Women's Equality Network Wales [State of the Nation 2024](#) report highlights that single parents, the vast majority of whom are women, continued to face the highest risk of all household types, with almost one in three experiencing relative income poverty. With the cost-of-living crisis to contend with, women are feeling the squeeze acutely more than men and, women continue to make up most Universal Credit claimants (58%) and remain more likely than men to rely on Universal Credit despite working, as the gender gap for in-work claimants slightly increased. Women are 3.5 times more likely to be economically inactive due to caring or domestic responsibilities (25.2% women vs 7% men), and almost three times more likely than men to be working part-time (37% women vs 14% men). More than a quarter of women (25.2%) cited looking after the family or home as the reason for this economic inactivity.
46. These key strategic impacts, alongside wider consideration of impacts, have underpinned the Draft Budget allocations for 2025-26, with an emphasis on the commitment to achieving the First Minister's four priorities:
- We are investing a further £435m resource funding in Health and Social Care in 2025-26. This brings the total annual resource funding for Health and Social Care to £11.915bn. Over £400m of this new funding will support a range of additional allocations to the NHS, including activity to cut NHS waiting times, women's health, workforce training, digital investments and staff pay - building on the additional funding provided in 2024-25. We are providing an additional capital funding to Health & Social Care, bringing our total capital investment in this draft Budget to £614m. This investment will maintain and improve the NHS estate infrastructure, further invest in the latest digital technologies, as well as the availability of fit for purpose, modern, reliable equipment to support the prevention of productivity loss within the NHS and help reduce waiting times through addressing infrastructure fragility and sustainability.
 - £3m resource funding will go towards services for Women's health.
 - In 2025-26 there is an increase of £253m to the local government settlement. This is a like for like basis uplift of 4.3% (to the local government settlement).
 - Additional £2.5m capital funding for the Warm Homes programme has been provided to help address fuel poverty and low income families.
 - An additional £5m resource funding to Supporting Communities budgets is a significant boost to tackling food poverty and funding local food partnerships, tackling child poverty and support the implementation of the Child Poverty Strategy as well as an expansion of support for Warm Hubs to continue the provision of safe and warm places within local communities.
 - £1.2m of additional resource funding is being invested to support the delivery of the Violence against Women and Domestic Abuse & Sexual

Violence Strategy to provide victims with support and advice across all areas of Wales through Regional Grand Funding

- Funding of £443.9m total capital to meet housing pressures and £219.6m resource for homelessness support and prevention is being provided.
- We are allocating £57m Financial Transactions Capital to retain the current Help to Buy Wales scheme for a further 18 months. The funding will provide a boost to the housebuilding industry and development supply chain. With many new developments incorporating additional green features such as renewable energy sources for tackling climate crisis.
- Additional funding of £73m resource and £28m capital for Education is being allocated to support key areas such as Additional Learning Needs, Literacy and Numeracy as well as increasing Education Maintenance Allowance to align household income threshold with the real living wage.
- This includes £7m of resource funding which will go towards supporting school attendance as we know that there are too many children and young people not attending school regularly and this impacts on their education, widening the gap in attainment levels.
- £182m capital funding will be invested in our railways and an additional £9m resource will be provided to meet the additional costs of services and the demand-led concessionary fares scheme.
- £1m resource funding support for Civil Contingencies and National Resilience will be provided to help keep the people of Wales safe, including restrengthening our approach to emergency preparedness.

Economic

47. Detailed information about the economic outlook is provided in the [Wales Economic and Fiscal Report \(WEFR\)](#). While many factors lie outside the Welsh Government's control, they are expected to have a negative impact on Wales' economy and people's living standards.
48. The Welsh Government is primarily funded via a block grant from the UK Government. The devolution of tax powers – Welsh Rates of Income Tax (WRIT), Land Transaction Tax (LTT), Landfill Disposals Tax (LDT), and Non-Domestic Rates (NDR) – means in 2025-26 around 20% of Welsh Government spending will be funded from revenues from devolved taxation.
49. The [Welsh Economy in Numbers](#) dashboard provides an overview of how the Welsh economy is performing in relation to English regions and UK countries against eight key indicators. The latest figures (November 2024) show the employment rate to June 2024 is 73.2%, having fallen by 0.4% points over the last year. Gross Disposable Household Income (GDHI) per head in 2022 increased by 3.5% over the last year, but Wales ranks 11 out of 12 UK countries and English regions. We have seen a decrease in economic inactivity rates in the year to June 2024, which is now 20.6% (down 0.2% points from last year) but rates of economic inactivity are higher for women (17% male, 24.2% female).

50. Pay gaps in the workforce are persistent. The [Annual Survey of hours and earnings 2024](#), shows the gender pay gap on a median hourly full-time basis (excluding overtime) in April 2024 was 1.9% in Wales and 7.0% in the UK. In Wales the gap narrowed by 3.0 percentage points and in the UK, it has narrowed by 0.5 percentage points compared to the previous year.
51. The [Wellbeing of Wales 2024](#) report highlights that the qualification profile of the Welsh working age population has been improving over time. In 2023, the proportion of the population with level 3 (equivalent to A-levels) and level 4 qualifications (equivalent to degree level) increased, while the proportion with no qualifications decreased slightly. The proportion of disabled adults of working age with no qualifications decreased by 2.4 percentage points between 2022 and 2023. Although disabled people remained more likely to have no qualifications (13.9%) than non-disabled people (5.6%).
52. Education and skills remain one of the most important tools to tackle poverty. The latest figures for the attendance of pupils in maintained schools in Wales ([September to November 2024](#)) indicates that the average attendance for this academic year to date is 91.8%, up from 91.3% over the same period in the 2023-24 academic year. The average attendance for this academic year to date for pupils eligible for free school meals (FSM) is 86.8%, up from 86.3% over the same period in the 2023-24 academic year, and for pupils not eligible for FSM the average attendance is 93.5%, up from 93.0%.
53. However, average attendance falls as pupils get older. The average attendance for this academic year to date is lowest amongst pupils in year 11 (88.2%) and highest amongst pupils in year 7 (93.9%). Attendance amongst year 11 pupils is 1.1 percentage points higher than it was in the same period in the 2023-24 academic year.
54. Transport plays an important role in the lives of people in Wales and has a significant impact on the viability of local, regional and national places. Transport, or the lack of it, has huge impact on people's physical and mental health and has particular geographical challenges linked to provision in rural areas. Transport has a vital role to play in growing the economy by helping people trapped in poverty, supporting people's ability to access employment, education, health care and other local services such as libraries. Bus travel is more likely to be used by people on low incomes or those impacted by the cost of living crisis.
55. The [Wellbeing of Wales 2024](#) report highlights that, in 2023 road traffic volume in Wales increased by 2% compared to 2022, Compared to 2021-22, local bus journeys increased by 16% in 2022-23, however, this represents a 33% decrease in passenger journeys compared to 2019-20.
56. We recognise businesses and other ratepayers are continuing to experience pressures in the current economic climate relating to rising energy costs, fuel costs, inflation and higher interest rates. Those pressures are also being felt by the public services we all rely on, and which are themselves reliant on the

revenue raised through local taxes. We will cap the increase to the NDR multiplier for 2025-26 to 1%.

57. These key strategic impacts, alongside wider consideration of impacts, have underpinned a range of the Draft Budget allocations for 2025-26, with an emphasis on the commitment to achieving the First Minister's four priorities:

- We are providing an additional £85m resource funding for NDR on top of our permanent reliefs, which are worth £250m a year. This builds on the £1bn of support provided through retail, leisure and hospitality rates relief schemes since 2020-21.
- The Welsh Government's general capital budget in 2025-26 is up 7% in real terms compared to the outturn for 2023-24.
- £182m capital funding will be invested in our railways and an additional £9m resource will be provided to meet the additional costs of services and the demand-led concessionary fares scheme £4.5m Financial Transactions (FT) Capital funding will be invested in Green Business Loans to support small and medium-sized businesses, to encourage investment in energy efficiency enhancements and decarbonisation projects.
- Investing in our ambition to tackle the climate crisis, we are allocating £3m FT Capital funding to supporting homeowners to retrofit and decarbonise their homes by funding heat pumps and solar panels.
- To support micro businesses, SMEs, and social enterprises we are allocating a further £2m FT Capital funding to Wales Micro Loan Fund. As well as a further £3m FT Capital funding for Angel Investment to encourage new business creation and economic growth in Wales.
- £7m of resource funding will go towards supporting school attendance, as irregular attendance impacts on their educational attainment levels which in turn can affect their career opportunities in the future..

Environmental

58. We have provided the foundations to ensure we strengthen the link between infrastructure and tackling the climate and nature crisis by undertaking a zero-based review in 2021. However, the impact of the prolonged period of persistently high inflation continues to affect these plans.

59. The [Wellbeing of Wales](#) 2024 report highlights that the volume of road traffic in Wales, in 2023, increased by 2% compared to 2022. Compared to 2021-22, local bus journeys increased by 16% in 2022-23, however, this represents a 33% decrease in passenger journeys. A national indicator on the percentage of journeys by walking, cycling or public transport was added to the national indicator set in December 2021. This data will be sourced from a National Travel Survey for Wales which is currently under development.

60. Climate change is an ongoing and current issue, not something for the distant future. We continue to experience heatwaves, drought and increasing instances of flooding across Wales, all of which have direct impacts on

people's lives, their mental and physical health as well as the negative impacts to businesses affected by flooding. In July 2023, Public Health Wales issued a [report](#) which shows that annual temperatures in Wales are projected to rise by 1.2°C by 2050; summer rainfall is expected to decrease by around 15%; winter rainfall is projected to rise by 6%; and sea levels are projected to rise by 22cm. The impacts of these changes will affect some of the most vulnerable in our communities with the impacts of flooding falling disproportionately on Ethnic Minority communities for example.

61. The mental, social and physical benefits to our wellbeing as a result of time spent in nature, are well documented. The [Wellbeing of Wales](#) 2024 report states the national indicator on the status of biological diversity in Wales, published in 2021, showed that the distribution of species has decreased over the long term, mirroring the global picture of declining biological diversity. The [State of Nature Wales](#) 2023 report states that one in six of our species are at risk of extinction in Wales, including plants and animals. The quality of our water whether in seas, rivers, streams or the ground has generally improved in recent decades. But, whilst some progress has been made in protecting and enhancing our waters, there is still a long way to go. Air quality has improved greatly since the 1970s but remains a risk to human health and nature.
62. Biodiversity has an intrinsic value and provides benefits to humans through ecosystem services such as flood prevention and food production. The [State of Nature Wales](#) report 2023 explains that nature plays a critical role in all aspects of our lives, and there is substantial evidence for the negative consequences of living in a nature-depleted country. These include indirect costs such as impacts on human health and wellbeing, and direct costs associated with adaptation to lost and degraded ecosystem services.
63. The national milestone on biodiversity is to reverse the decline in biodiversity with an improvement in the status of species and ecosystems by 2030 and their clear recovery by 2050. The [Wellbeing of Wales](#) 2024 report mentions that an experimental indicator on the status of biological diversity in Wales published in 2021, showed that the distribution of species in Wales has declined over the long term but has been stable more recently. Although there have been improvements in the status of populations of some species in Wales, [SoNaRR 2020](#) shows that, overall, biodiversity is declining.
64. The higher residential rates of LTT are increasing by 1% point across all bands, resulting in the higher residential rates of LTT being set at, broadly, 5% points above those paying the main residential rates. This increase is estimated to raise an additional £7 million in 2025-26. These additional resources will increase the funding available to invest in public services in Wales, while ensuring the increase in tax burden is restricted to those with the resources to purchase additional residential properties. There are no changes to any of the other rates or bands of LTT. The current starting threshold for the main residential rates of LTT remains at £225,000 still ensuring that around 60% of residential transactions are below the threshold for paying LTT.

65. From 1 April 2025, the standard rate of LDT is due to increase by 22%. This is in line with the increase to UK Government's equivalent Landfill Tax. Setting the standard rate for 2025-26 will mean it remains consistent with UK Landfill Tax. As a result, public services in Wales will continue to benefit from the tax revenues, while ensuring the risk of the movement of waste across borders is minimised. The increase reflects changes in actual Retail Price Index (RPI) in the period 2022 to 2024 after several years of being set on the basis of forecast RPI. This aims to incentivise alternative waste management methods and investment in circular economy infrastructure.
66. The lower rate of Landfill Disposals Tax is set to be increased to £6.30. This will set the lower rate at 5% of the standard rate, just under double the existing rate. Increases to the lower rate have previously mirrored changes to the standard rate, so this increase is larger than in recent years and responds to the need to provide further incentives to divert lower rated waste materials currently going to landfill, while also recognising the need to limit the risks to waste being moved across borders or disposed of illegally. The Unauthorised Disposal rate will continue to be set to equal 150% of the LDT standard rate.
67. These key strategic impacts, alongside wider consideration of impacts, have underpinned a range of the Draft Budget allocations for 2025-26, with an emphasis on the commitment to achieving the First Minister's four priorities:
- An additional £23m capital and £2m resource funding to support our ongoing investment to make coal tips and communities safe. This is a significant investment, part of the wider package the Welsh Government is seeking from the UK Government.
 - An additional £5.15m resource funding to support Green Energy - Trydan Gwyrdd and Local Energy plans.
 - An additional £5.6m resource and £14m capital funding for wider rural investment schemes underpinning the sector's transition to the Sustainable Farming Scheme. This will promote green growth by encouraging sustainable land management practices and create jobs in the agricultural and environmental sectors.
 - An additional £3m capital funding for Flood Risk management and water policy delivery.
 - An additional £24m capital funding to develop and Implement Climate Change Policy, Energy Efficiency, Green Growth and Environmental Protection (Air quality).

Cultural

68. Wales is a country with a rich and diverse heritage. Welsh culture, art, museums, tourism and sport all have a proven positive impact on our mental health and wellbeing and provide opportunities to help tackle social isolation.
69. There is a national milestone for one million Welsh speakers by 2050. The number and percentage of people able to speak Welsh fell according to Census 2021, with the percentage now the lowest ever recorded in a census.

538,000 people were able to speak Welsh in 2021, down from close to one million in 1911. Data on the national indicators related to the number of Welsh speakers and Welsh language use has not been updated this year, however, new analysis on Welsh language use shows that over half of Welsh speakers aged 16+ speak Welsh with their colleagues at least some of the time, and just under 1 in 5 always speak Welsh with colleagues. The [National Survey for Wales](#) data suggests an increase in non-fluent Welsh speakers over the long term with the percentage of Welsh speakers that use the language every day being fairly stable. The [Is Wales Fairer](#) 2023 report indicates that people who regularly speak Welsh are more likely to feel they belong in their local area (in 2021-22, 86% of regular Welsh speakers agreed they belonged, compared with 77% of non-regular Welsh speakers).

70. Across various indicators related to community cohesion, there was generally no significant difference between ethnic groups in the most recent National Survey data. This included satisfaction with the local area, agreeing with all three measures of community cohesion (belonging, people of different backgrounds get on, treated with respect), participating in arts or culture, and volunteering.
71. The [Wellbeing of Wales](#) 2024 report mentions that the national indicator on arts, culture and heritage has been collected three times, starting in 2017-18. The percentage of adults regularly attending and participating in arts, culture and heritage is not significantly different this year from when it was previously measured in 2019-20 and 2017-18. There continues to be wide differences depending on age, health, deprivation and qualifications, but not for sex or ethnic group.
72. The [National Survey for Wales](#) reports that the number of people who say they participate in sporting activities three or more times per week increased from 34% in 2021-22. The survey asked people which activities they take part in. 56% of people say they participate in fitness activities (such as fitness classes, running/jogging, cycling, or swimming) and 16% participate in sports or games (such as football, rugby, table tennis or golf). 6% participate in outdoor pursuits like rambling, kayaking, or sailing. People were also asked whether there were any sports or activities they would like to do, or to do more of. 27% say they want to do more sport or physical activity in general, a decrease from 31% in 2021-22. In 2022-23, 16% say they want to do more fitness activities and 10% want to do more sports or games and 5% would like to do more outdoor pursuits.
73. The [Sport Wales activity tracker](#) survey (April 2024) reports that the cost of living continues to negatively impact two in five (39%) adults' ability to be active, with just under a third (30%) saying they have been doing less sport and physical activity as a result – representing a slight decrease from January 2024 (33%). Respondents living in the least deprived and mid-deprivation areas are significantly more likely to say the changes in the cost of living have not impacted their participation in sport and physical activity, compared to those from the most deprived area (56% vs 55% vs 46%). The most common activity done by adults in Wales remains walking for leisure (62%), albeit with

this activity being a larger proportion compared to April 2023 (58%). The proportion who do no exercise (16%) is lower than January 2024 (19%) and April 2023 (18%). It is the lowest figure seen since August 2021 (16%). This decrease was aided by the number of respondents living in the most deprived areas who do no exercise decreasing significantly compared to January 2024 (14% vs 22%). Groups including older respondents (55+, 22%) and respondents with a disability (22%) continue to be more likely to say they are inactive. The proportion of adults in Wales saying they exercise to manage their mental health (55%) has increased slightly compared to January 2024 (54%), albeit remaining lower relative to April 2023 (58%). The proportion of respondents saying they exercise to manage their physical health (56%) has also increased relative to January 2024 (53%) and represents a slight increase relative to April 2023 (55%).

74. These key strategic impacts, alongside wider consideration of impacts, have underpinned a range of the Draft Budget allocations for 2025-26, with an emphasis on the commitment to achieving the First Minister's four priorities:

- Cymraeg 2050 resource budgets will be uplifted by £4.6m in 2025-26, providing a total resource budget of £38.7m for 2025-26. This will provide much needed support to increase language use.
- Culture budgets will see an uplift of £5m in resource funding and £8.1m in capital funding as well as a further £2m capital funding for sports facilities and £6.3m for Cadw. £1.5m of additional resource funding and £3m of capital funding is being invested in our events and tourism industries. Together, this investment helps to increase access and participation opportunities for communities across Wales which contributes to better physical and mental health as well as growing the job opportunities in these sectors.
- CADW has been allocated an additional £6.3m capital funding to strengthen and improve our heritage sites across Wales, protecting our language and culture.
- We will provide £8.1m capital funding for the Cultural Capital Programme which addresses geographic inequalities by enabling access to our National Collection closer to where people live, work and visit.

Five Ways of Working

75. As we have developed our spending plans for 2025-26, we have also been guided by the five ways of working principles embedded in the Wellbeing of Future Generations Act. In this context:

- **Long term:** We have invested in the core services on which people rely to ensure they are sustainable into the future.
- **Prevention:** Within this Draft Budget we have acted to support and protect public services. While it has not been possible to avoid all negative impacts, the increased funding across all departments in this year's Draft Budget will help us to mitigate direct impacts to people and places as far as possible.

- **Integration:** We have maintained our approach of understanding the integrated impacts of the choices we are taking. In deploying our funding, we have considered the funding allocated achieves the best possible impact within the funding available
- **Collaboration:** As we move beyond this Draft Budget we will work with our wider partners to deliver on our plans and support them in meeting the challenges we collectively face.
- **Involvement:** Throughout the development of this Draft Budget, we have engaged with social partners as well as the third sector, local authorities and the four Statutory Commissioners to understand the impacts of the current context to shape our spending plans.