



Llywodraeth Cymru  
Welsh Government

WELSH GOVERNMENT

# Budget Improvement Plan

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# Introduction

The Budget Improvement Plan sets out our vision to improve the Welsh Government’s budget process using the Well-being of Future Generations Act (WFG Act) and the five ways of working to drive continuous improvement. The Act is central to our budget processes, and the overall aim of the Budget Improvement Plan is to increase the transparency on how it has influenced budget decisions.

We have committed to updating the plan annually, to recognise the need for regular review to drive ongoing and sustainable change. This updated plan therefore demonstrates both the action we have taken during the current budget cycle and how we plan to build on this work in future years.

This year’s update has been completed following the first budget of the new UK Government which provided a single year settlement to the Welsh Government. We expect the UK Government will move to multi-year settlements in future which would provide more certainty on funding for Welsh Government and our delivery partners, and aid longer-term planning and decision making.

Whilst publishing a one-year Draft Budget, the Welsh Government is continuing to do all we can to maintain focus on the longer-term ambitions to reform budget and tax processes. Our Budget Improvement Plan sets out the progress we have made, along with our ambitions for reforms into the future.

To support us in the development of long-term ambitions we have drawn on the expertise of the Budget Improvement and Impact Advisory Group (BIAG) alongside a range of experts and other governments. The aim of this Group is to engage and stimulate improvements to our budget and tax processes and to support the delivery of the Budget Improvement Plan. Details of the Group’s work can be found on the [BIAG Webpage](#).

# Delivering the Budget Improvement Plan

The Budget Improvement Plan is designed around five key areas:

1. Spending Decisions
2. Fiscal and Economic Analyses, and Assessment of Impact
3. Infrastructure Planning
4. Welsh Taxes
5. Engagement

**1. Spending Decisions** – We are reviewing how we can improve our existing processes across Welsh Government to identify and develop better spending proposals, to improve capabilities and help us to prioritise decisions that more clearly align with the wellbeing goals and ways of working and explore opportunities to improve longer-term planning. Work has commenced on the Welsh Spending Review which will extend beyond the next budget period. This will provide an opportunity to look at all fiscal levers available and take a longer term, strategic view of key tax and spending challenges and opportunities for Wales.

**2. Fiscal and Economic Analyses, and Assessment of Impact** – We continue to evaluate how we can improve existing Fiscal and Economic Analyses across Welsh Government to better identify and assess the impact of our budget decisions.

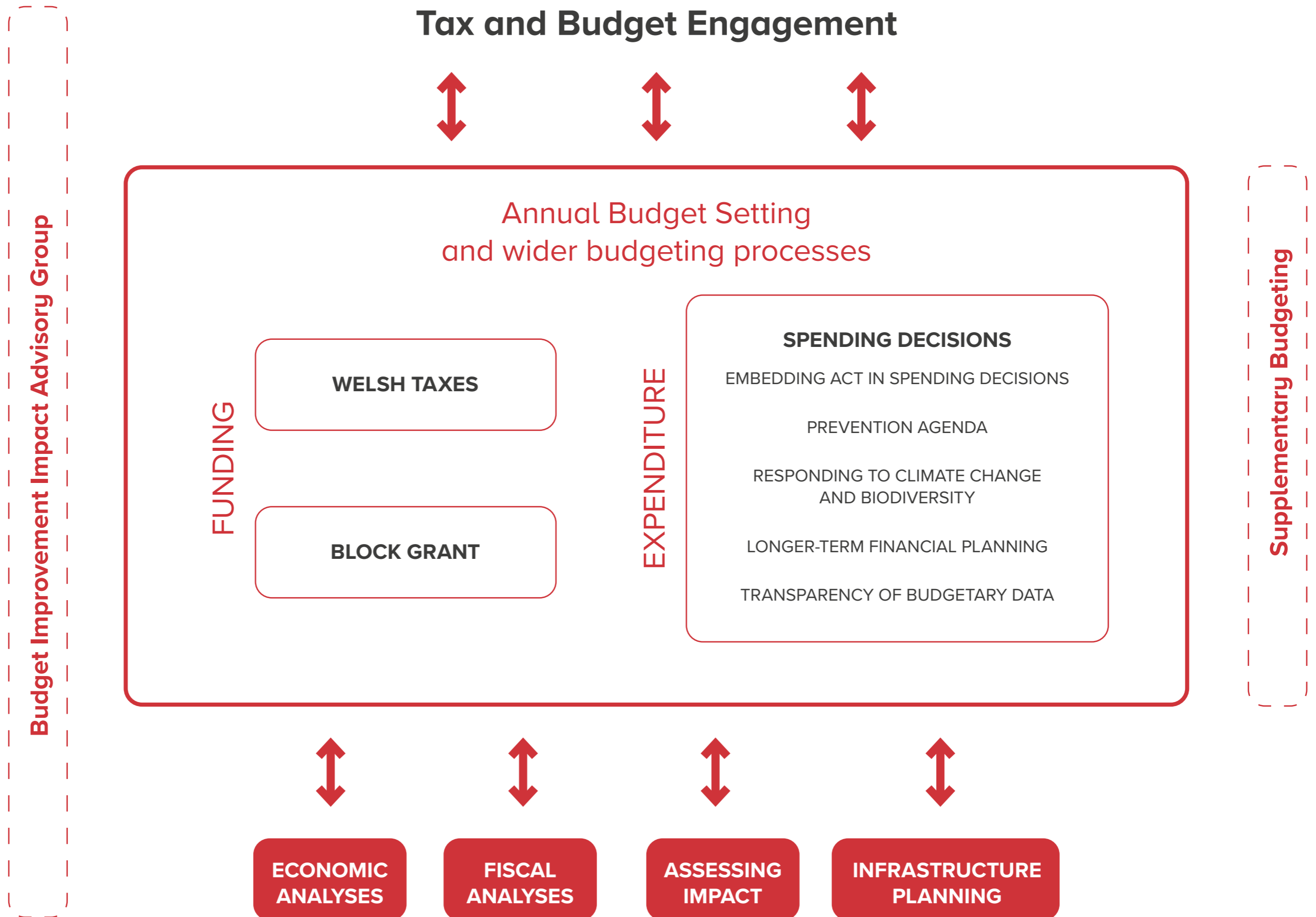
**3. Infrastructure Planning** – The Wales Infrastructure Investment Strategy (WIIS), is designed to set a framework for all our infrastructure investments. It is outcomes-focused, setting our priorities and ensuring our investments meet multiple objectives and deliver multiple benefits.

**4. Welsh Taxes** – We are continuing to progress our commitments and take opportunities to use our existing tax levers to benefit Welsh taxpayers and deliver wider Welsh Government policy objectives. We continue to build constructive working relationships, conducting earlier engagement to support better policy making. Our focus is to raise revenue to fund public services as fairly as possible, to consider how the existing tax levers at our disposal can be used to deliver Programme for Government commitments and to develop our future tax interests to deliver wider fiscal and policy objectives. In line with the tax policy principles set out in the Tax Policy Framework, we will aim to ensure we develop tax policy so that our taxes are simple, clear, progressive and stable, with legislative and administrative clarity and efficiency.

**5. Engagement** – We take a coordinated and strategic approach to communications and engagement, ensuring activity aligns with Ministerial objectives. Engagement and collaboration with our key partners and stakeholders continue to be a priority, particularly given the ongoing difficult financial situation.

The conceptual diagram on the next page sets out the relationship between the various aspects of the annual budget included in this plan and summarised above.

How does it all work together?



# Progress on delivering the Budget Improvement Plan during 2024

We have made significant progress in delivering the Budget Improvement Plan during 2024. In each of the five key areas we have taken action to ensure that the development of the Draft Budget focuses on longer-term ambitions and has increased transparency of how the five ways of working have informed our decision making.

## Spending Decisions

We have continued to explore how to improve our understanding of the integrated impacts of the spending decisions being taken across the Welsh Government. As part of this we have considered how we can better understand and mitigate the intersectional and unintended impacts of our spending decisions to enable us to maximise the positive impact of available funding. As a result, we have updated the Equalities and Human Rights Impact Assessment on individual policy and spending decisions.

We have begun work on a detailed review of our Strategic Integrated Impact Assessment (SIIA). We have undertaken early engagement with BIIAG members and sought evidence from internal policy and finance professionals. Through our engagement with other governments, including Canada, Iceland, Northern Ireland and Scotland, we are drawing on experience and best practice from around the world.

We have continued to engage with other governments to share budget improvement experiences, most recently with the Canadian, Icelandic and Scottish Governments. This is helping to shape our learning in areas such as gender budgeting.

The gender budgeting pilots which were conducted in 2022-23 have shaped our understanding of how this work can be further embedded and expanded across the Welsh Government. As part of this work An Introduction to Gender Budgeting guidance document was produced for Welsh Government staff to help increase their knowledge and understanding of how they should consider gender budgeting in their business areas and spending decisions. The key findings from the pilot schemes will be published in 2025.

We have continued delivery on prevention, utilising the remaining Invest to Save fund to concentrate on taking forward our Programme for Government commitments relating to improving outcomes for children who are looked after (CLA) across Wales. This fund has provided additional fostering, adoption and advocacy services.

To further develop our approach to prevention, the BIIAG established a bespoke workstream to consider how it might apply to biodiversity and to test new approaches. The conclusions of this work will inform future actions and consideration of how a whole budget approach to preventative activity can be effectively introduced. Further embedding of the preventative approach will be key to the Welsh Spending Review, an exercise that will consider the benefit of longer-term fiscal planning in addressing the spending challenges that Wales will face in the future.

## Fiscal and Economic Analyses, and Assessing Impact

Drawing on the available data and evidence, Welsh Government economists have continued to play a central role in producing economic analysis and briefing on the economy and the challenges facing Wales. This has included presentations to Cabinet and senior officials as well as the preparation of bespoke analysis and assessments.

This year we have published a new report, the Wales Economic and Fiscal Report, which replaces the Chief Economist's Report. It includes the main economic and fiscal issues, but also has a particular focus on productivity and is intended to complement the Wellbeing of Wales Report.

We have refined and updated our distributional impact model for analysing public spending in Wales. The analysis focuses on the largest areas of devolved spending, providing a high-level understanding of how progressive spending on these areas is. This year we have updated all analyses based on the most recent Family Resources Survey data. In addition, we have refined the methodology for analysing income quintiles. The distributional analysis update has been published as part of the 2025-26 Draft Budget package.

## Infrastructure Planning

We published our 10-year Wales Infrastructure Investment Strategy (WIIS) in December 2021. It is our second 10-year, cross-governmental infrastructure strategy, designed to set a framework for all our infrastructure investments. It draws on a robust evidence base integrating consideration of other essential benefits – including decarbonisation, climate resilience and biodiversity – so that our infrastructure investments will have the maximum positive impact on Wales's wellbeing.

The strategy is not a list of the specific infrastructure investments that will be delivered, rather it sets the outcomes which investment in infrastructure should enable. Being an outcomes-focused strategy, the framework for prioritising our infrastructure investments set out in the WIIS has been designed to ensure our investments meet multiple objectives and deliver multiple benefits.

The strategy also describes how we intend to work to achieve those outcomes, setting out important baseline requirements that all future infrastructure investment proposals must meet. These cross-cutting principles, such as ensuring investment delivers against our decarbonisation objectives, our place-making agenda, and demonstrating our commitment to social justice – for example, through adopting gender budgeting approaches – will be embedded by all Welsh Government departments when infrastructure investments are designed. These cross-cutting principles will be important considerations of the Welsh Spending Review's work.

The delivery chapter of the WIIS sets out a requirement for robust evaluation of infrastructure investments. Effective evaluation is essential to ensure that we are realising the benefits of our capital spending, and to assess the extent to which our capital budget allocations are contributing towards the outcomes of the strategy. We expect evaluation, alongside regular assurance activities, to play a central role in decisions about future capital budget allocations and will be exploring options in the next financial year.

## Welsh Taxes

We are continuing to progress our commitments and take opportunities to use our existing tax levers to benefit Welsh taxpayers and deliver wider Welsh Government policy objectives.

In November 2021, we published the Tax Policy Work Plan for 2021-2026 to coincide with publication of the updated Tax Policy Framework. The work plan sets out our tax policy priorities to deliver strong and stable tax devolution and support delivery of our Programme for Government commitments in relation to devolved and local taxes. Our Tax Policy Work Plan provides clear direction and certainty in respect of our tax policy priorities for the five-year period.

In 2023, the independent reviews of our two fully devolved taxes, the Land Transaction Tax (LTT) and the Landfill Disposals Tax (LDT), were completed and the reports have been published<sup>1</sup>. During 2024 we have begun work to take forward the recommendations from these reviews as appropriate.

Work to deliver the Programme for Government commitment to introduce legislation permitting local authorities to raise a Visitor Levy continues. Draft legislation was introduced into the Senedd in November 2024 and stakeholder engagement continues as we finalise our proposals.

The Welsh Tax Acts etc. (Power to Modify) Act 2022 provides Welsh Ministers with greater flexibility to respond when changes to the Welsh Tax Acts are needed quickly because of external events. Work has commenced to consider the longer-term architecture for the Welsh Government and the Senedd to make changes to the Welsh Tax Acts in accordance with the time frame provided by the Act.

We continue to work with HMRC and HM Treasury on reserved taxes. Through early and constructive engagement, we can ensure the issues relevant to Wales can be highlighted and addressed early, supporting better policy making.

We are continuing to raise awareness of tax related considerations with policy colleagues within Welsh Government so that taxation is, where appropriate, a part of policy development to ensure that there are no unintended tax related consequences. This will form a key component of our new approach to the Welsh Spending Review.

We report further detail in our annual Tax Policy Report issued alongside the Draft Budget.

## Engagement

We continue to engage with our stakeholders as a key part of developing the 2025-26 Draft Budget.

During the summer the First Minister undertook a programme of engagement across Wales, speaking with hundreds of people to shape the priorities of the Welsh Government. These were published in September and were shaped by what matters most to the people of Wales.

Further engagement has been undertaken by Ministers and officials during the development of the Draft Budget. For example, we have met with Local Authorities, Welsh Commissioners, Third Sector organisations, the Policing Partnership Board and the Social Partnership Council. This engagement has provided the opportunity to discuss the spending challenges and related funding considerations, as we work collectively to deliver a budget which addresses the economic context and paves the way to tackle longer-term challenges.

In July we held our annual tax conference. This is the Welsh Government's main vehicle for engaging with the wide range of stakeholders with an interest in tax policy in Wales. The event heard from a number of speakers on a varied range of topics relating to tax policy in Wales, for example, the fiscal outlook after the election, behavioural responses to tax, and local taxation reform.

Welsh Treasury utilised social media to engage with people about the Welsh Government budget. For example, through two X channels, @WelshTreasury and @TrysorlysCymru which share content about the Welsh Budget, Welsh taxes, and spending announcements. Followers have increased over the past year with @WelshTreasury having approximately 8,040 followers and @TrysorlysCymru approximately 1,750 followers.

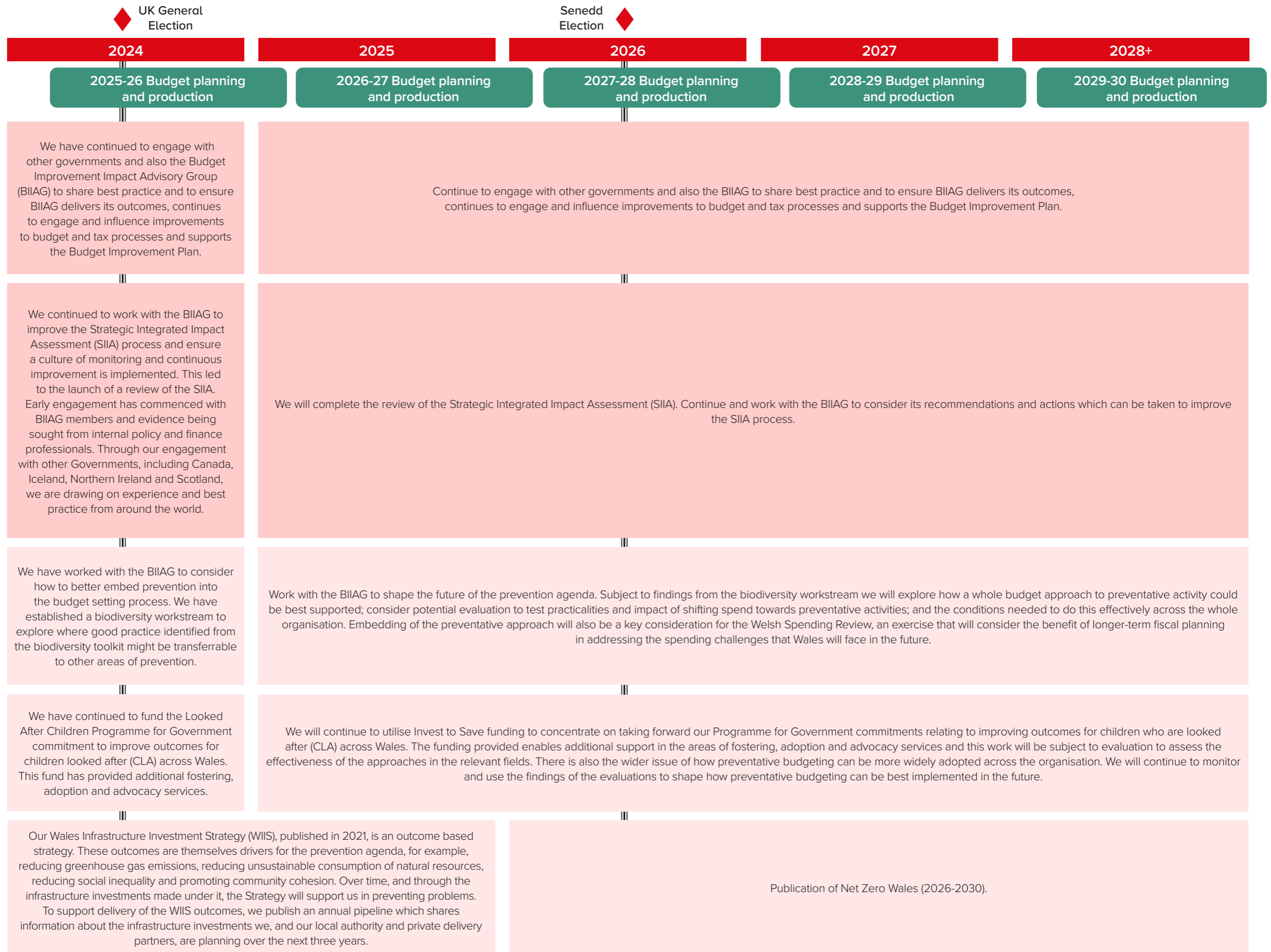
The Welsh Government is committed to improving its engagement with children and young people, to increase financial literacy and to help them to understand how the Welsh Government works, and the impact of decisions taken by their government. We have worked with Children in Wales and the Young Wales Project Board to co-produce a [Young Person's version](#) of the Budget Improvement Plan as well as an [animated version](#) which were launched in February. In April we began working in partnership with Discover Economics to host events with young people from under-represented groups, aged 15-17 years of age, to engage and encourage them to study economics.

<sup>1</sup> [Independent review: Land Disposals Tax \(Wales\) Act 2017 | GOV.WALES](#)  
[Independent review: Land Transaction Tax and Anti-avoidance of devolved taxes \(Wales\) Act 2017 | GOV.WALES](#)

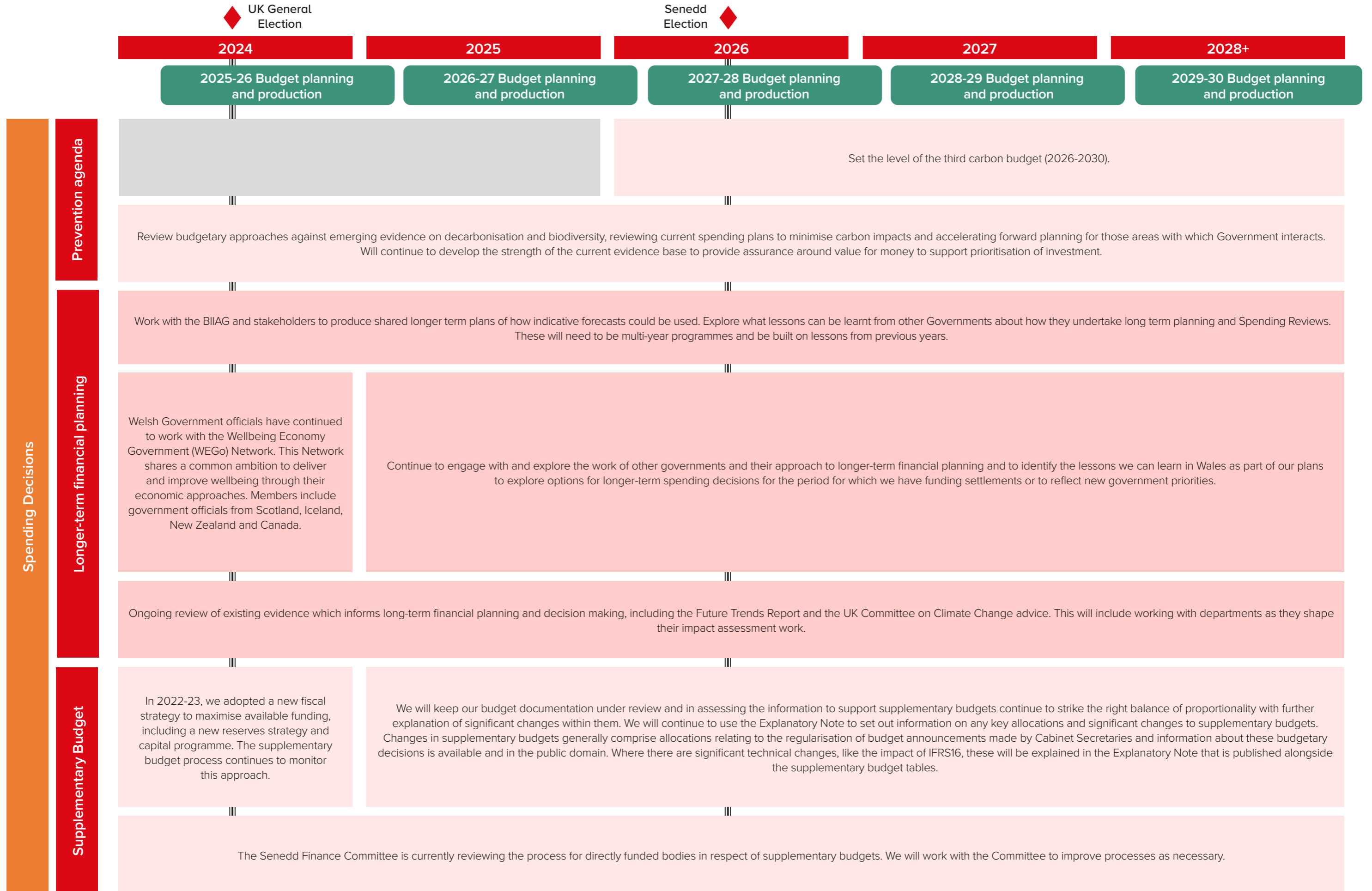
## **Future Delivery of the Budget Improvement Plan**

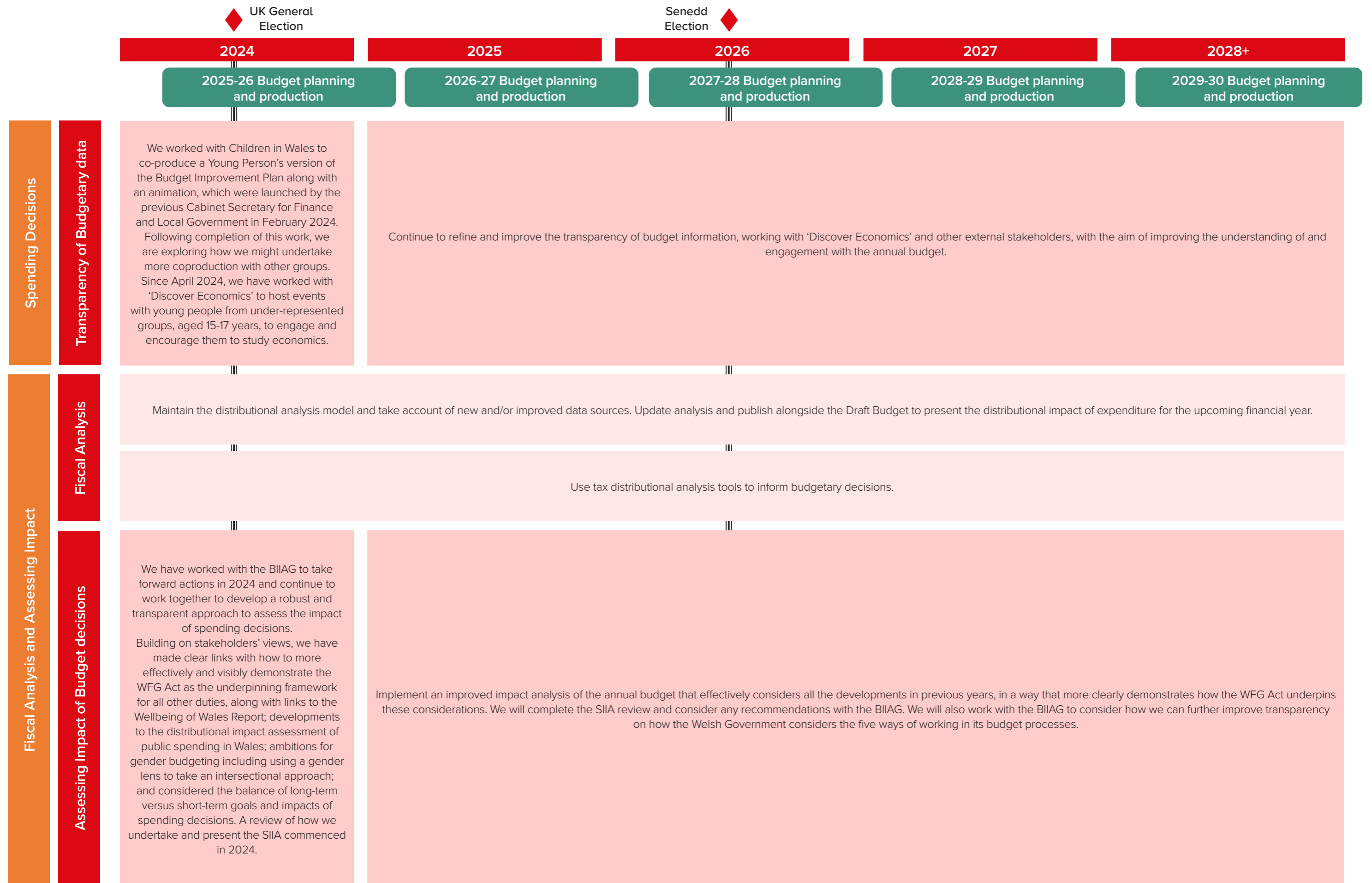
The Welsh Government will continue to build on the progress made during 2024 in order to achieve our ambitions for reform into the future. This year's plan reflects the actions that will be taken over the next five years, and we will continue to take a continuous improvement approach working closely with key stakeholders such as the BIAG.

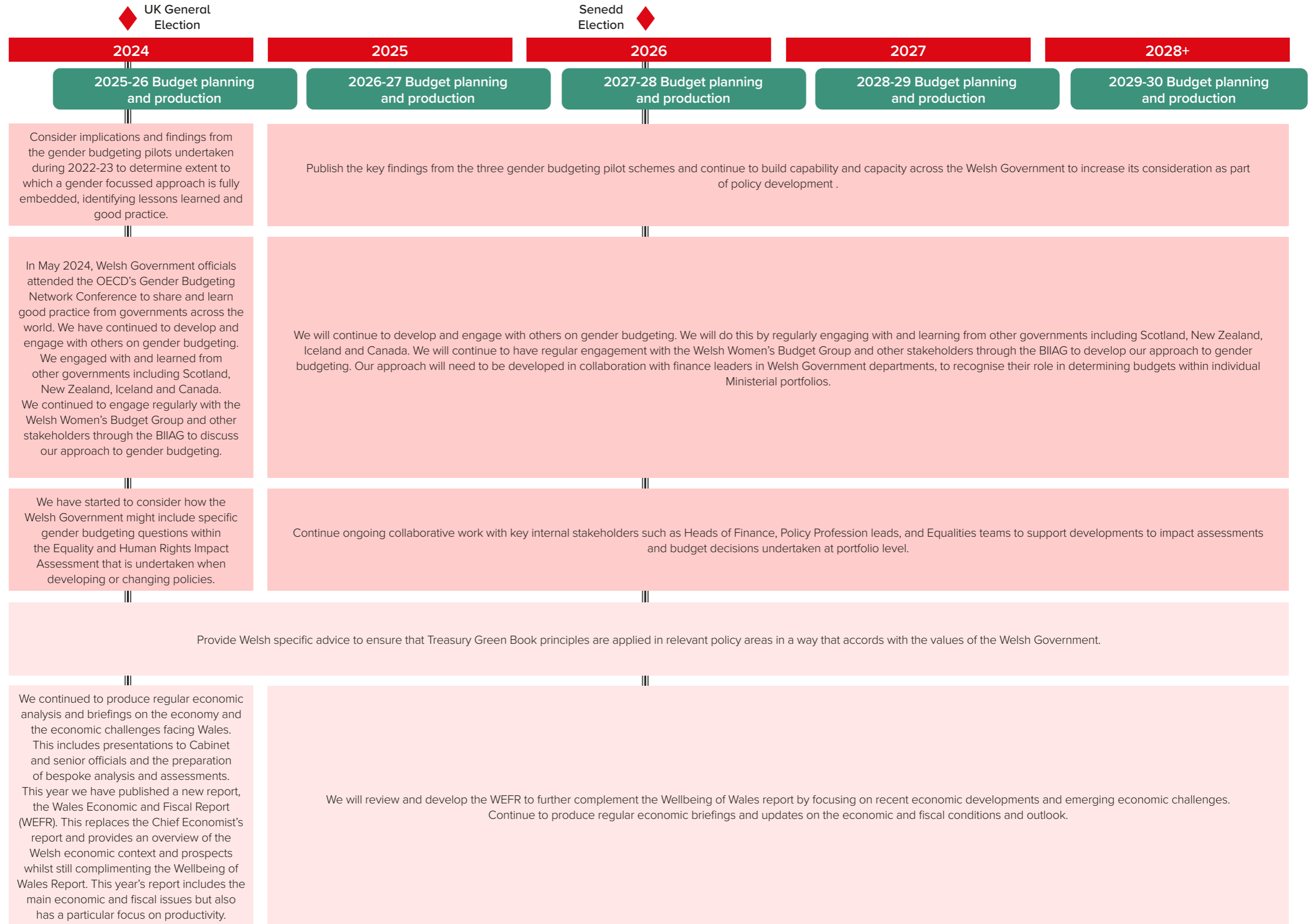
If you require any additional information on the Budget Improvement Plan, please contact [bgb.policyanddelivery@gov.wales](mailto:bgb.policyanddelivery@gov.wales).

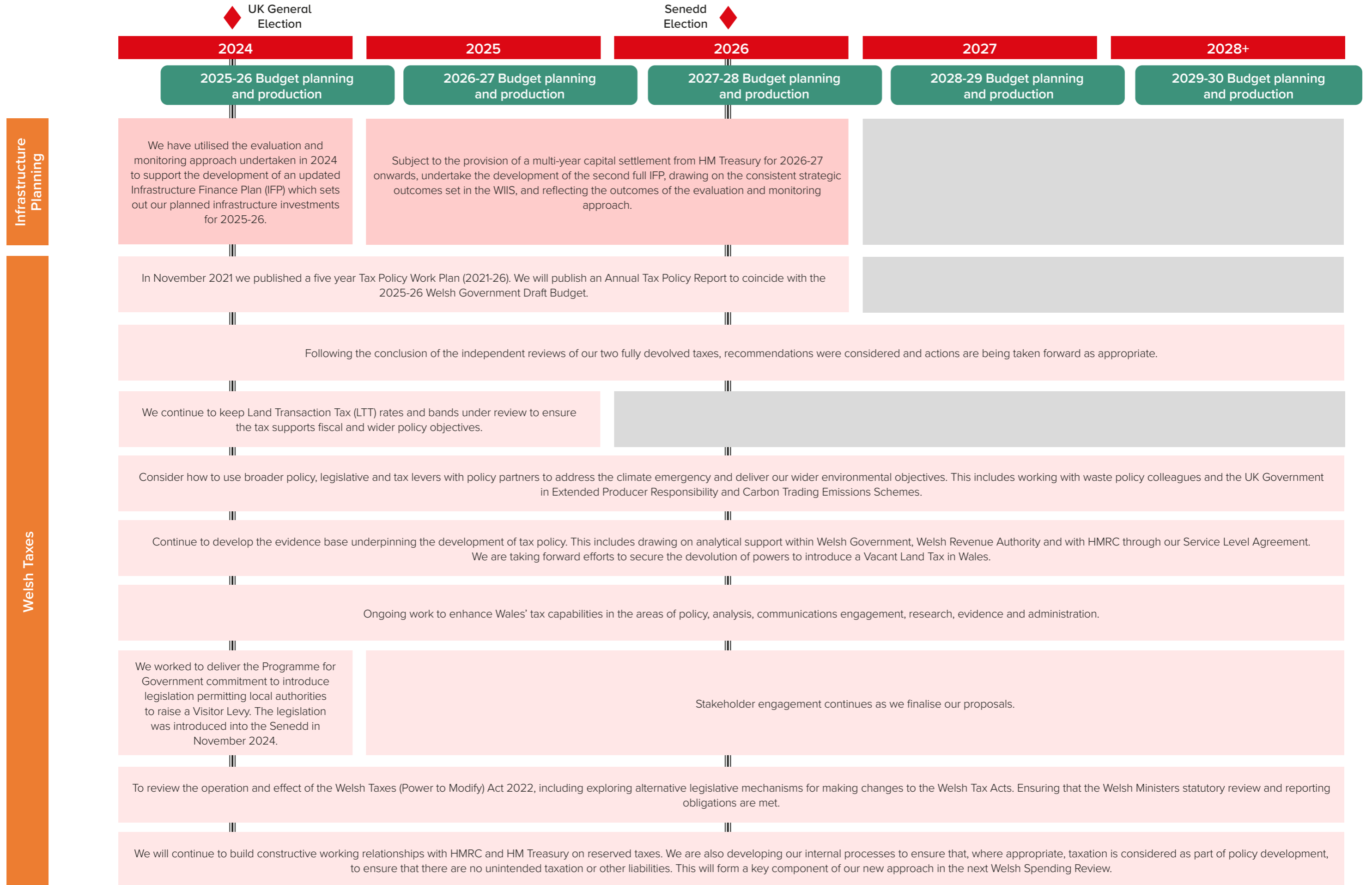


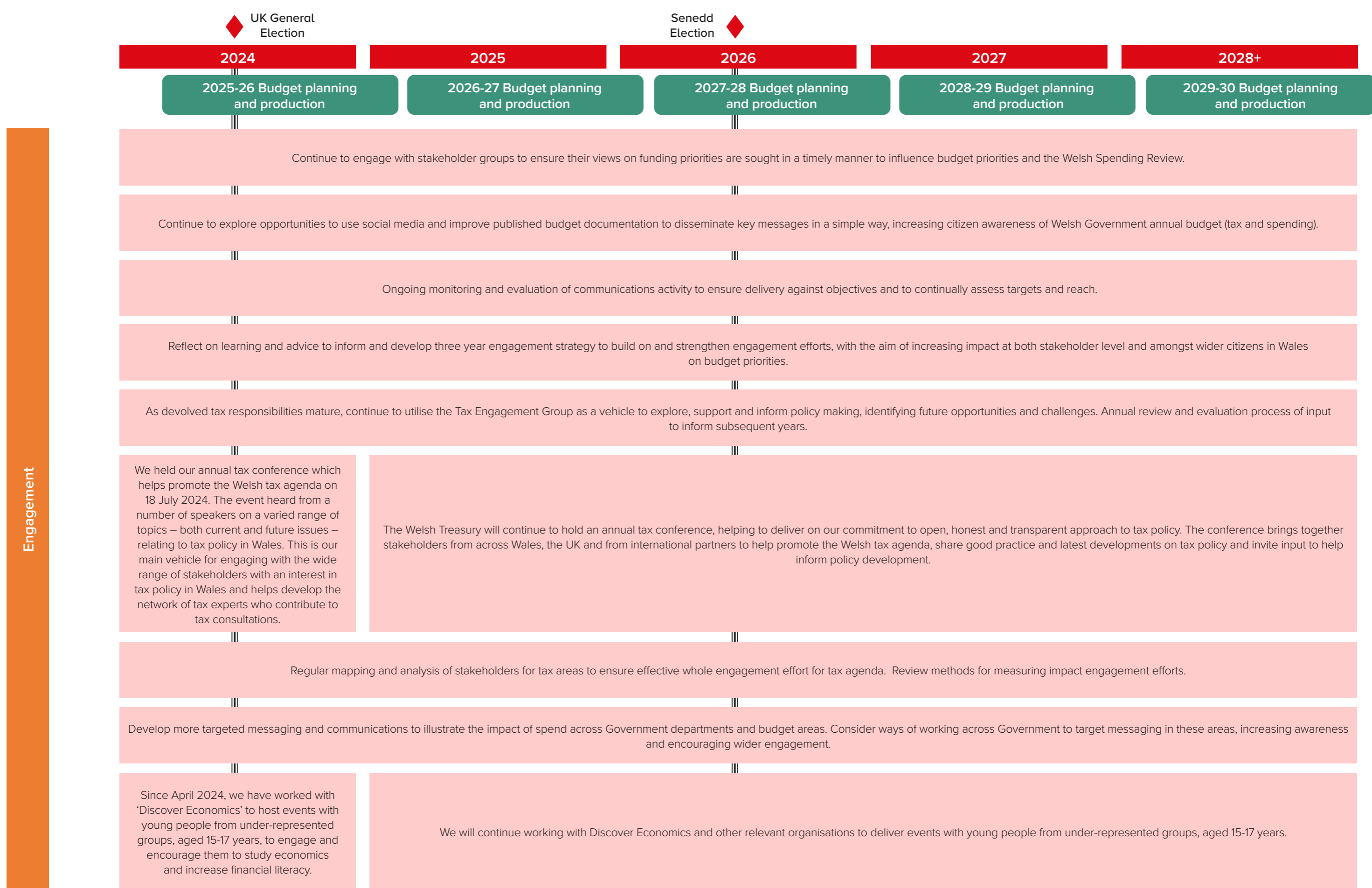












**Key**  
**WFG Act** – Well-being of Future Generations (Wales) Act      **LTT** – Land Transaction Tax      **CLA** – Children Looked After      **WEFR** – Wales Economic and Fiscal Report  
**SIIA** – Strategic Integrated Impact Assessment of the budget      **LDT** – Land Disposal Tax      **HMRC** – His Majesty's Revenue and Customs  
**WIIS** – Wales Infrastructure Investment Strategy      **BIAG** – Budget Improvement and Impact Advisory Group      **OECD** – Organisation for Economic Co-operation and Development