

## Agenda – Finance Committee

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Meeting Venue: Hybrid – Committee room 4 Tŷ Hywel and video conference via Zoom	For further information contact: <b>Owain Roberts</b> Committee Clerk 0300 200 6388 <a href="mailto:SeneddFinance@senedd.wales">SeneddFinance@senedd.wales</a>
Meeting date: 12 February 2025	
Meeting time: 09.30	

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### Registration

(09.00 – 09.15)

### Private pre-meeting

(09.15 – 09.30)

#### 1 Introductions, apologies, substitutions and declarations of interest

(09.30)

#### 2 Paper(s) to note

(09.30)

##### 2.1 PTN 1 – Letter from the Expert Advisory Group on Childcare (EAGC) to the Minister for Children and Social Care – 27 January 2025

(Pages 1 – 3)

##### 2.2 PTN 2 – Letter from the Cabinet Secretary for Finance and Welsh Language: HS2 Funding – 4 February 2025

(Pages 4 – 6)

##### 2.3 PTN 3 – Letter from Audit Wales: National Insurance uplift 2025–26 – 4 February 2025

(Pages 7 – 8)

##### 2.4 PTN 4 – Letter from the Cabinet Secretary for Economy, Energy and Planning: Memorandum of understanding – The use of UK government funding for city and regional growth deals – 5 February 2025

(Page 9)

**2.5 PTN 5 – Response from the Welsh Local Government Association to a question that wasn't reached during an evidence session on the Visitor Accommodation (Register and Levy) Etc. (Wales) Bill – 6 February 2025**

(Page 10)

**3 Visitor Accommodation (Register and Levy) Etc. (Wales) Bill:**

**Evidence session 11**

(09.30 – 11.30)

(Pages 11 – 38)

Mark Drakeford MS, Cabinet Secretary for Finance and Welsh Language,  
Welsh Government

Anna Adams, Deputy Director, Tax Strategy and Intergovernmental Relations

Nicholas Lambert, Senior Lawyer, Treasury and Procurement Team, Legal  
Services Department

Emma Anderson, Solicitor, Education (Schools), Culture, Media, Sport &  
Tourism Team, Legal Services Department

David Greenhough, Head of Visitor Levy, Tax Strategy and Intergovernmental  
Relations

**4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting.**

(11.30)

**5 Visitor Accommodation (Register and Levy) Etc. (Wales) Bill:**

**Consideration of key issues**

(11.30 – 12.25)

**6 Membership of the Wales Audit Office Board: Changes to existing commitments**

(12.25 – 12.30)

(Pages 39 – 43)

# Agenda Item 2.1

Dawn Bowden MS  
Minister for Children and Social Care

By email

27 January 2025

Dear Minister,

We write on behalf of the Expert Advisory Group on Childcare (EAGC) to share our concerns regarding the childcare budget outlined in the Draft Budget and plans for Phase 3 of the Flying Start programme's childcare element.

First, we welcome the increase in the daily rate for childcare providers. This measure is vital for the sector's sustainability. The additional £20 million and the exemption of registered childcare providers from small business rates are much-needed steps to support the childcare sector.

However, we are deeply concerned about the limited additional funding allocated to childcare in this budget. As you have noted, the new funding primarily offsets the increase in daily provider rates, offering no substantial investment to address the systemic challenges facing childcare in Wales.

Moreover, the additional funding fails to recover the significant reductions the childcare budget has already endured. The £16.1 million redirection during the October 2023 in-year spending review and the subsequent £11.2 million cut in the 2024-25 budget represent a cumulative loss of [£27.3 million](#) over two years. This reduction stands in stark contrast to the [£128.4 million Barnett Consequentials](#) from increased childcare investment in England and the overall [£1.7 billion](#) uplift in the Welsh Government's budget.

We understand that the Welsh Government faces challenging decisions in allocating its budget and must carefully prioritise available resources. However, the additional funding allocated to childcare falls significantly short of addressing the substantial cuts the sector has endured and the critical need for investment to meet the growing demands of families and providers.

We had hoped that increased funding would reverse the previous cuts and signal renewed investment in childcare. However, the limited additional funding leaves uncertainty about the Welsh Government's commitment to tackling the childcare crisis in Wales.

Reports from various organisations consistently highlight how childcare in Wales remains unaffordable and inaccessible for many families.<sup>1</sup> Barriers to accessing childcare disproportionately impact low-income families and families with disabled children and children with additional needs, preventing parents from working and depriving children of critical early educational benefits, thereby perpetuating cycles of poverty.

With more than half of children living in poverty in Wales belonging to families with a child aged 0 to 4, affordable, accessible, and high-quality childcare is essential. It supports parents, particularly the second earner in couple households, to enter or remain in the workforce, thereby reducing poverty. Tackling child poverty is a stated priority of the Welsh Government, and childcare is a critical component of any effective child poverty strategy. Given that one of the key approaches of the child poverty strategy is to [“reduce costs and maximise the incomes of families”](#), childcare plays an even more critical role in effectively implementing the strategy, as it directly affects family finances while enabling parents to participate in the workforce.

Flying Start, as an anti-poverty strategy, has proven the Welsh Government’s commitment to addressing child poverty through early years investment. While the EAGC does not view Flying Start as a comprehensive solution for childcare, we support its expansion to all two-year-olds as a step in the right direction.

In your correspondence with the EAGC and in Senedd debates, you have reaffirmed the Welsh Government’s commitment to expanding Flying Start’s childcare element. Additionally, you noted that local authorities have been commissioned to prepare for this expansion. However, we remain unclear about the implementation of these plans, particularly in the absence of a dedicated budget. Your [statement](#) to the Children, Young People, and Education Committee highlighted the challenge of delivering without a confirmed budget, raising concerns that Phase 3 expansion of Flying Start may be delayed or suspended.

Therefore, we would like to ask you to provide clarity on the following:

1. How are local authorities expected to plan for the expansion of Flying Start without a clear budget allocation?
2. Does the absence of budgetary provision in the Draft Budget signal a suspension of Phase 3?

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<sup>1</sup> [Little steps, big struggles: Childcare in Wales](#) (November 2023), [Tackling disadvantage through childcare in Wales](#) (January 2024), [Family Childcare Promise: The effects of introducing a cap on childcare costs for families with 0-4 year-old children in Wales](#) (July 2024); [Ending Poverty in Early Years](#) (December 2024)

3. How will the Welsh Government address the systemic challenges in the childcare sector, including ensuring that Flying Start's expansion supports families with disabled children and those with additional needs?

Evidence shows that childcare is central to reducing child poverty. In [your oral statement](#) of October 1, 2024, you emphasised the importance of a child's first 1,000 days and reaffirmed child poverty as a priority for the Welsh Government. With childcare consuming nearly half the income of the lowest-income families, decisive action is needed to meet the commitments of the child poverty strategy.

The EAGC would welcome the opportunity to discuss our concerns and explore ways we can support the Welsh Government in achieving its goals for childcare and poverty reduction.

Thank you for your attention to this critical matter, and we look forward to your response.

In the interests of transparency, copies of this letter will also be sent to opposition party spokespeople, and we will be making it public in the next few days.

Kind regards,

Sarah Rees (Head of Oxfam Cymru) and Steffan Evans (Head of Policy (Poverty), Bevan Foundation) on behalf of the Expert Advisory Group on Childcare



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref: MD/PO/43/25

Finance Committee and Climate Change, Environment and Infrastructure Committee  
Senedd  
Cardiff Bay  
Cardiff  
CF99 1SN

4 February 2025

Dear Chair,

There is considerable interest in HS2 and how much additional funding would have been available to the Welsh Government if there had been comparability with HS2 in the Barnett formula. In line with our commitment to transparency on this issue, I attach a technical note setting out the underlying calculations behind the Welsh Government's estimates.

As set out in the note, it is estimated that the Welsh Government would have received an additional £431m between 2016-17 and 2025-26 if it had comparability with HS2 in the Barnett formula. This is higher than the previous estimate of £350m because it is now possible to include 2025-26 in the calculations, following the UK Government's October Budget. It is highly likely that the estimate will increase again once settlements are announced for the next few years in the UK Government's Spending review on 11 June this year.

We remain in discussions with the UK Government on the issue of fair rail funding and investment. This will form part of the UK Government's considerations as part of the Spending Review.

Yours sincerely,

**Mark Drakeford AS/MS**

Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg  
Cabinet Secretary for Finance and Welsh Language

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

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

## **Funding implications for the Welsh Government if HS2 was classified as comparable in the Barnett formula**

1. It is possible to calculate the additional funding Welsh Government would have received since 2015 if it had comparability with HS2 in the Barnett formula. (HS2 was not separately identified at the time of the 2010 spending review or 2013 spending round, so there were no Barnett formula comparability issues.)
2. In aggregate the additional funding would have totalled £431m for years up to 2025-26, including changes up to and including the October 2024 Budget. The calculations are shown in the table below. The inclusion of 2025-26 explains the increase from the previous figure of £350m. It is not possible to say with any precision what the figure would be for years beyond 2025-26 but is very likely to increase over time.
3. The additions arise because the Welsh Government would have had a higher comparability factor with the Department for Transport (DfT) at spending reviews, and DfT has generally seen increases to its budget over the period. (The Welsh Government would also have received consequentials from changes outside spending reviews, including individual HS2-related allocations.)
4. The Welsh Government receives additional funding from increases to UK Government spending within Departmental Expenditure Limits (DEL) on programmes that are devolved to Wales. It receives the same change per head of the population, with an additional 5% needs factor.
5. At the time of a UK spending review there is some approximation in this process. The percentage split between devolved and non-devolved spending from a base year is applied. It is calculated by assessing whether each departmental spending programme is devolved or not. The spending in a base year on those programmes which are deemed to be devolved is added up and divided by the department's overall budget.
6. The table shows how different the comparability factor with DfT would have been at each spending review and the impact this would have had on the Welsh Government's Barnett formula consequentials. The difference in the final year of each spending review period is carried forward to future years.
7. The table also includes additional funding the Welsh Government would have received in relation to in-year changes to HS programmes.

## Funding implications if HS2 was classified as comparable in the Barnett formula (£ million)

	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	2025-26	Cumulative total
<b>Capital</b>											
1 DfT baseline	6,050	6,050	6,050	6,050	6,050	18,068	18,764	18,764	18,764	19,949	
2 DfT settlement	6,256	7,639	8,941	11,419	12,406	18,764	20,522	20,943	21,522	21,784	
3 Changes to baseline (2-1)	206	1,589	2,891	5,369	6,356	696	1,758	2,179	2,758	1,835	
4 Population % (including 5% needs factor where relevant)	5.69%	5.69%	5.69%	5.69%	5.69%	5.88%	5.89%	5.89%	5.89%	5.76%	
5 Department for Transport comparability factor	80.9%	80.9%	80.9%	80.9%	80.9%	36.6%	36.6%	36.6%	36.6%	33.5%	
6 Department for Transport comparability factor if HS2 100% comparable	88.7%	88.7%	88.7%	88.7%	88.7%	53.7%	53.7%	53.7%	53.7%	52.3%	
7 Difference in comparability if HS2 100% comparable (6-5)	7.80%	7.80%	7.80%	7.80%	7.80%	17.13%	17.13%	17.13%	17.13%	18.80%	
<b>Difference to funding if HS2 comparable (3*4*7)</b>											
Spending Review 2015	1	7	13	24	28	28	28	28	28	28	
Spending Review 2020						7	7	7	7	7	
Spending Review 2021							18	22	28	28	
Spending Review 2024 phase 1										20	
<b>Capital Total</b>	<b>1</b>	<b>7</b>	<b>13</b>	<b>24</b>	<b>28</b>	<b>35</b>	<b>53</b>	<b>57</b>	<b>63</b>	<b>83</b>	<b>364</b>
<b>Resource</b>											
1 DfT baseline	2,608	2,608	2,608	2,608	2,602	4,155	4,418	4,418	4,418	8,286	
2 DfT settlement	2,022	2,064	2,161	1,765	3,145	4,719	4,739	4,703	3,936	8,194	
3 Changes to baseline (2-1)	-586	-544	-447	-843	543	564	321	285	-482	-92	
4 Population % (including 5% needs factor where relevant)	5.69%	5.69%	5.69%	5.69%	5.89%	5.88%	5.89%	5.89%	5.89%	5.76%	
5 Department for Transport comparability factor	80.9%	80.9%	80.9%	80.9%	80.9%	36.6%	36.6%	36.6%	36.6%	33.5%	
6 Department for Transport comparability factor if HS2 100% comparable	88.7%	88.7%	88.7%	88.7%	88.7%	53.7%	53.7%	53.7%	53.7%	52.3%	
7 Difference in comparability if HS2 100% comparable (6-5)	7.80%	7.80%	7.80%	7.80%	7.80%	17.13%	17.13%	17.13%	17.13%	18.80%	
<b>Difference to funding if HS2 comparable (3*4*7)</b>											
Spending Review 2015	-3	-2	-2	-4	-4	-4	-4	-4	-4	-4	
Spending Review 2019					2	2	2	2	2	2	
Spending Review 2020						6	6	6	6	6	
Spending Review 2021							3	3	-5	-5	
Spending Review 2024 phase 1										-1	
<b>Resource Total</b>	<b>-3</b>	<b>-2</b>	<b>-2</b>	<b>-4</b>	<b>-1</b>	<b>4</b>	<b>8</b>	<b>7</b>	<b>0</b>	<b>-1</b>	<b>6</b>
<b>Consequentials from in-year changes if HS2 comparable</b>											
				15	-5			52			61
<b>Grand total</b>	<b>-2</b>	<b>5</b>	<b>11</b>	<b>35</b>	<b>22</b>	<b>40</b>	<b>61</b>	<b>116</b>	<b>63</b>	<b>81</b>	<b>431</b>

Peredur Owen Griffiths MS  
Chair of the Finance Committee  
Senedd Cymru

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**Reference:** IR25002/AC480/caf

**Date issued:** 4 February 2025

Dear Peredur

## National Insurance uplift 2025-26

Further to our letter dated 23 January 2025, where we set out our approach to funding national insurance increases in response to recommendation 13 of the Finance Committee's report - the *Annual scrutiny of the Wales Audit Office and the Auditor General for Wales* – we are writing to provide you with an update on the estimated cost of the national insurance increase for 2025-26.

In our evidence session on 7 November 2024, Adrian indicated that our initial estimate of the cost of the national insurance uplift was in the order of £200k. Since then, we have received details of the changes to national insurance bandings and have been able to calculate the cost more accurately, at some £400k. As we explained at that evidence session, and in the Estimate itself, we had not budgeted for the uplift, as the announcement was only confirmed the day before we laid our estimate. We explained therefore that it was our intention to submit a supplementary estimate to fund the additional cost, in line with the planned approach of the other directly funded bodies.

We have carefully considered whether we could fund the extra cost by identifying savings and efficiencies, but with an already challenging WCF savings target of £200k needed to balance our finances in 2025-26, we are unable to do so. As such, it is still our intention to submit a supplementary estimate for £400k in April for consideration by the Committee at its meeting on 7 May.

We would be very happy to discuss this with you, and to provide any additional information you need.

Yours sincerely



**DR IAN REES**  
**Cadeirydd, Swyddfa Archwilio**  
**Cymru**



**ADRIAN CROMPTON**  
**Archwilydd Cyffredinol Cymru**

**Rebecca Evans AS/MS**  
**Cabinet Secretary for Economy, Energy and Planning**  
**Ysgrifennydd y Cabinet dros yr Economi, Ynni a Chynllunio**

**Agenda Item 2.4**



Eich cyf/Your ref  
 Ein cyf/Our ref: C&GDMOU25

**Llywodraeth Cymru**  
**Welsh Government**

**Mike Hedges MS**  
 Legislation, Justice and Constitution Committee  
 Senedd Cymru

05 February 2025

Dear Mike,

In accordance with the inter-institutional relations agreement, I am writing to notify you that a Memorandum of Understanding between the UK Government and Welsh Government was published on 28 January 2025. It can be found [here](#).

This Memorandum of Understanding summarises and formalises the overarching principles and approach to the use of UK Government funding for city and regional growth deals agreed between the UK Government and the Welsh Government and local authority regional partnerships.

I have also copied this letter to the Economy, Trade, and Rural Affairs Committee; Local Government and Housing Committee and the Finance Committee.

Yours sincerely,



**Rebecca Evans AS/MS**  
**Cabinet Secretary for Economy, Energy and Planning**  
**Ysgrifennydd y Cabinet dros yr Economi, Ynni a Chynllunio**

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

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# Agenda Item 2.5

FIN(6)-06-25 PTN 5

## **Finance Committee evidence session with the Welsh Local Government Association (WLGA) on the Visitor Accommodation (Register and Levy) Etc. (Wales) Bill – 30 January 2025**

Following the attendance of WLGA representatives at the Finance Committee's evidence session on the Visitor Accommodation (Register and Levy) Etc. (Wales) Bill, the WLGA provided the response below, in relation to a question that was not reached during the evidence session.

**Question:** In your written evidence, you noted that the Welsh Government's estimated costs to an individual council wishing to introduce the levy "seem too low and require further thought and refinement". Could you elaborate on this and how significant could the additional costs be?

**Response:** It does not seem that the costs for a council to prepare, introduce and enforce the levy have been wholly factored in by the Welsh Government. Those councils that decide to introduce the levy will need additional resources to be able to undertake the following activities:

- Local consultation and engagement with businesses and communities.
- Communications and marketing costs of the work to demonstrate the benefits of introducing the levy to local communities, people and businesses.
- Administering the revenue that comes back to the council from the levy.
- Establishing the required governance, audit and reporting processes and systems to manage how the revenue from the levy will be spent, including producing an annual report.
- Administering a Partnership responsible for recommending priorities to fund projects to support the visitor economy locally.
- Enforcement costs – councils will need additional resources to fund the necessary capacity to monitor and enforce the levy locally.

It's not possible to quantify the actual costs for a council to undertake these activities at this stage.

Consideration of the costs for councils to prepare, introduce and enforce the levy will need to form part of the on-going discussions between those councils who wish to introduce the levy and the Welsh Revenue Authority.

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