

A new budget for Wales

This budget is a significant milestone in Wales' devolution journey as, from April 2018, Wales becomes responsible for raising a proportion of its own revenue – from Wales' 2 new taxes, land transaction tax and landfill disposals tax– to spend on public services.

The outline draft Budget 2018-19 is being laid against a continued background of financial uncertainty. It is set against one of the longest periods of sustained and unnecessary austerity in living memory and ongoing ambiguity about the future of important European funding streams.

The Welsh Government is publishing 2-year revenue plans for 2018-19 and 2019-20 in a bid to provide certainty and stability for local government and the health service as they plan for the future. 3-year capital plans, worth almost £5bn, have been published, boosting infrastructure investment across Wales.

The capital plans make use of £375m of borrowing over three years to deliver large-scale strategic investments. Borrowing requirements will be reviewed every year.

The draft Budget includes the recently announced agreement with Plaid Cymru which will bring stability to Welsh public services and allow the £15bn budget to proceed. The Welsh Government's revenue plans include:

- An additional £230m in 2018-19 and £220m in 2019-20 for NHS Wales
- Protection for social care and education
- No cuts to the Supporting People grant – an additional £10m will be allocated in each year to maintain 2017-18 levels
- Investing £70m over 2 years for the flagship childcare offer
- An extra £10m to tackle homelessness in each year.

Capital plans over the 3 years include:

- Releasing £340m, as part of our £1.4bn investment, towards the flagship commitment to build 20,000 affordable homes
- £50m to develop a new rail station and park and ride facility in Llanwern;
- An extra £40m to accelerate our 21st Century Schools programme;
- An extra £90m for the NHS Wales capital programme
- Capital funding will be ear-marked in reserves to buy new rolling stock for the new Wales and Borders franchise, subject to the outcome of the procurement process.

The Finance Secretary will today also announce new progressive rates and bands for land transaction tax (LTT) and landfill disposals tax (LDT), which will replace stamp duty land tax and landfill tax, respectively in Wales from April.

The new residential rates for LTT will see the average first-time buyer

paying no tax at all and all buyers of residential properties costing up to £400,000 paying the same or less tax than they currently do.

The standard and lower rate of LDT will remain consistent with the tax rates for landfill tax for the first 2 years but a new unauthorised disposals rate will be introduced, set at 150% of the standard rate.

Professor Drakeford said:

“This is a new budget for Wales and marks another important milestone in our devolution journey as we prepare to take on new tax and borrowing powers from April.

“Rather than just setting out our revenue and capital spending priorities, this draft Budget is the first to outline the decisions we have taken to raise a proportion of our own revenue to support public services.

“Using these new powers, we have been able to introduce progressive and innovative tax plans, which will make a real difference to people’s lives, change behaviours and deliver improvements to all our communities.

“Last year, in the toughest of times, we laid a budget to provide stability and ambition for Welsh businesses, public services and citizens. Today, the economic context has darkened further.

“The UK government’s decision to plough on with its flawed policy of austerity means we continue to face cuts to our budget. By the end of the decade, it will have been cut in real terms by 7% since 2010 – £1.2bn less to spend on vital public services.

“On top of this, the UK government’s £3.5bn of unallocated cuts to public spending for 2019-20 continue to cast a shadow over our plans for the future – this could mean a further cut of up to £175m to the Welsh budget depending on where the unallocated cuts fall.

“Despite this, we have published two-year revenue plans to provide stability for public services so they can plan for the future and ambitious three-year capital proposals to build a more secure and prosperous Wales.

“Today we are announcing the high-level portfolio allocations with detailed spending plans being published in 3 weeks’ time.

“We have worked hard to protect our valued public services from the worst effects of austerity, and this year is no exception. Our spending plans, together with our progressive tax plans, demonstrate our commitment to Taking Wales Forward and delivering prosperity for all during these difficult times.”

A shortlist of 4 new Welsh tax ideas will also be published alongside today's outline draft Budget. Each of these ideas will be developed further over the course of this year and one new tax idea will be proposed to the UK Government in 2018 to test the Wales Act powers.

The 4 shortlisted ideas are:

- A levy to support social care
- Vacant land tax
- A disposable plastic tax
- Tourism tax

Ahead of the publication of the Draft Budget, the Finance Secretary visited the Glan Llyn housing development in Llanwern, Newport to see how Welsh Government investment is making a difference to people's lives. The latest phase, which has received more than £850,000 through the Welsh Government's Social Housing Grant and is led by Pobl Group, consists of 27 units, providing affordable homes in the city.

Kathryn Edwards, Director of Homes and Communities at Pobl Group said:

"Welsh Government grant funding has enabled us to deliver 27 new homes for social rent at Glan Llyn in Newport. Welsh Government support is also helping Pobl Group deliver 3000 new affordable homes in Wales, for rent or purchase, over the next 5 years."