



Dadansoddi  
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Wales Fiscal  
Analysis

# 2026 Senedd Election Manifesto Analysis

## BRIEFING NOTE

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Canolfan Llywodraethiant Cymru  
Wales Governance Centre



# Preface

This report is published as part of **2026 Scotland and Wales Election Analysis**, a collaboration between the Wales Governance Centre at Cardiff University and Fraser of Allander at the University of Strathclyde, with support from the Nuffield Foundation.

The Nuffield Foundation is an independent charitable trust with a mission to advance social well-being. It funds and undertakes rigorous research, encourages innovation and supports the use of sound evidence to inform social and economic policy, and improve people's lives. The Nuffield Foundation is the founder and co-funder of the Nuffield Council on Bioethics, the Ada Lovelace Institute and the Nuffield Family Justice Observatory. Find out more at: [nuffieldfoundation.org](https://nuffieldfoundation.org). All views expressed in the following report are those of the authors and not necessarily the Foundation.

## About us

Wales Fiscal Analysis (WFA) is a research body within Cardiff University's Wales Governance Centre that undertakes authoritative and independent research into the public finances, taxation, and public expenditures of Wales.

The WFA programme adds public value by commenting on the implications of fiscal events such as UK and Welsh budgets, monitoring and reporting on government expenditure and tax revenues in Wales and publishing academic research and policy papers that investigate matters of importance to Welsh public finance, options for tax policy, and the economics and future sustainability of health and social care services in Wales.

Working with partners in Scotland, Northern Ireland, the UK, and other European countries, we also contribute to the wider UK and international debate on the fiscal dimension of devolution and decentralisation of government.

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## Summary

This report collates our analysis of party manifestos ahead of the 2026 Senedd Election. The series of blog posts were produced as part of the 2026 Scotland and Wales Elections Project, conducted in partnership with the Fraser of Allander Institute and funded by the Nuffield Foundation. The five parts, in turn, cover tax policies, day-to-day spending priorities, childcare, capital spending plans and the future of devolution and the fiscal framework.

### Tax policy

- Both **Reform UK** and the **Welsh Conservatives** propose reducing income tax. The **Welsh Conservatives** propose lowering the basic rate by 1p in the pound, while Reform UK propose a 1p in the pound reduction across all three income tax bands. Both policies would be regressive. Under **Reform UK** plans, 90% of the gains would go to households in the top half of the income distribution, with 60% of the gains going to households in the top two deciles of income.
- All parties propose reviews, reforms or specific reliefs for Non-Domestic Rates (NDR). NDR revenues have fallen by a fifth in real terms since 2019-20 and tax cuts would have an impact on resources available for public services.
- **Reform UK** and the **Welsh Conservatives** propose introducing a referendum requirement for Council Tax increases of 5% or more. Meanwhile, **Plaid Cymru** and **Welsh Labour** both promise to “make Council Tax fairer”. While carrying through the planned 2028 revaluation may fulfil this promise, the lack of further detail on what reforms both parties would implement is disappointing.
- We estimate total **Welsh Conservative** tax cuts could amount to approximately £705 million by 2030-31 (including the abolition of Land Transaction Tax on main residential properties), which would equate to 2.6% of day-to-day spending. On current spending projections, this would imply no real-terms growth in day-to-day spending over the next Senedd term. **Reform UK’s** explicit tax cuts could cost approximately £450 million by 2030-31. As we have [previously highlighted](#), the fiscal outlook is highly uncertain and the underlying UK government spending plans and the economic forecasts will likely change substantially. But tax cuts on this scale would make deep cuts to some public services likely.
- The other parties will also hope UK government spending plans change. If they do not, then achieving manifesto commitments and avoiding cuts to public services will be difficult without some tax increases, be it through Council Tax, Non-Domestic Rates or using income tax powers. In this context, the explicit promise from **Welsh Labour** not to increase income tax rates – the most progressive tax lever available – risks tying their hands, reminiscent of UK Labour’s tax pledges at the 2024 General Election.
- Overall, the tax pledges contained in the manifestos do present a meaningful choice for voters and do tell us what each party would prioritise in the balance between taxation and spending on public services.

## The spending priorities of the parties

- All parties are promising improvements in, or expansion of, health services, including prioritising cutting waiting lists and times, more care in the community, mental health funding and prevention and early intervention.
- All parties bar **Reform UK** are proposing an expansion of childcare provision and funding, with reported estimated costs ranging from £100 million a year under **Welsh Labour**'s proposals to £400 million a year under **Plaid Cymru**'s plans.
- The manifestos contain other commitments, such as fare caps or expanding free bus travel (**Green Party, Welsh Labour, Welsh Conservatives**), reforming or increasing farm support (**Welsh Conservatives, Welsh Liberal Democrats, Reform UK**) and expanding free school meals (**Plaid Cymru, Welsh Labour, Greens**).
- Given the current outlook for Welsh Government funding and the parties' proposals for the NHS, the scope for substantial additional spending commitments appears limited. If the UK government sticks to current spending plans, they would require significant – and thus far unspoken – cuts to some public services or tax increases.
- **Reform UK**'s manifesto promises to deliver tax cuts “without cuts to frontline services”, proposing to reduce spending on “green subsidies”, “quangos”, and civil service pay. The vast majority of spending on decarbonisation and energy projects is in the *capital* budget, not day-to-day spending which the tax cut would reduce. The functions of arms-length bodies would still need to be funded after their abolition. And plans to “bring in” these bodies into central government would have implications for the hugely ambitious plans to reduce central staff and running costs.
- With no party on course to secure a majority at the election, negotiations and agreements will be required to form the government and pass budgets. Alongside finding common ground on spending priorities, these negotiations will eventually have to turn to identifying areas to deprioritise too.

## Childcare policies

- There has been a growing divergence between the funded childcare offered to parents in Wales compared to other countries in the UK. At the Spring Budget 2023, the UK government announced new expanded entitlements which has increased funding for childcare in England by roughly £5.9 billion by 2028. This will have increased the block grant by approximately £330 million a year by 2028-29, but spending by the Welsh Government on childcare has not increased in line with this additional funding.
- There are key issues around affordability, accessibility and gaps in the provision in the Welsh system, and **all parties**, except for **Reform UK**, propose expansions on the current Childcare offer in Wales.
- **Welsh Labour** propose continuing to expand the 12.5 hours of funded childcare offered through the Flying Start programme (to children from 9 months old). **Plaid**

**Cymru**, the **Welsh Green Party**, the **Welsh Conservatives** and the **Welsh Liberal Democrats**, all promise further expansion, either in the number of hours, weeks or eligibility for funded childcare offered.

- Reported estimated costs of the parties' childcare policies range from £100 million a year for **Welsh Labour's** proposals to £400 million a year for **Plaid Cymru's** offer by 2030-31, representing 0.4% and 1.5% of projected day-to-day spending by 2030-31.
- These are not particularly huge spending commitments over a whole Senedd term, but they would need to be delivered in the context of a difficult – though highly uncertain – fiscal outlook, and alongside other manifesto commitments. Given the prominence across almost all manifestos, childcare is likely to feature in government formation and budget negotiations

### Capital spending and investment plans

- The “neutral” approach to the 2026-27 budget meant that there is £118 million in capital spending left to allocate for the next Welsh Government in 2026-27. However, the core capital budget could fall by 9% in real terms from 2026-27 over the course of the next Senedd term.
- On healthcare, **Plaid Cymru**, the **Welsh Conservatives** and **Reform UK** promise new surgical hubs to tackle waiting lists in the NHS, whilst the **Welsh Liberal Democrats** propose a capital investment programme to repair, replace and upgrade hospital buildings. The **Green Party** and **Plaid Cymru** make commitments on the number of beds, which will also require capital spending.
- **Welsh Labour's** manifesto contains a specific headline pledge of investing £4 billion through a Hospitals of the Future Fund, though no information has been publicly published on the estimated costs of the specified projects or the profile of spending across years. This would be partly funded through using private sector borrowing to fund the up-front costs of the investments, which would be more expensive in the long term and be paid for from day-to-day spending.
- **Welsh Labour**, the **Welsh Liberal Democrats**, the **Green Party** and **Plaid Cymru** all commit to expanding rail infrastructure, including building new stations and upgrading existing lines. Meanwhile, **Reform UK** and the **Welsh Conservatives** say they would increase rail capacity.
- **Reform UK** and the **Welsh Conservatives** promise to build the M4 relief road, alongside other road projects such as upgrading the A55. **Plaid Cymru** leader Rhun Iwan Iorwerth has also suggested he backed alternative routes to improve traffic on the M4. **Reform UK's** manifesto refers to funding the M4 relief road via a “Reform instituted British Sovereign Wealth Fund” – presumably requiring a Reform-led UK government – or seeking private funding, which would lead to higher costs in the long term.

- **Welsh Labour, Plaid Cymru, the Green Party, and the Welsh Liberal Democrats** make significant commitments to build social housing.

### Devolution and the fiscal framework

- **Plaid Cymru, Welsh Labour, Welsh Liberal Democrats** and the **Wales Green Party** all propose devolving the Crown Estate to Wales. Evidence from Scotland suggests this could deliver net benefits to the Welsh budget and could incentivise the Welsh Government to better harness Wales's natural resources.
- **Plaid Cymru, Welsh Liberal Democrats** and the **Wales Green Party** all call for the devolution of powers over Justice and Policing, whilst **Welsh Labour** call for the devolution of youth justice and probation as a first step. These calls have been explored and supported by the Silk Commission, the Thomas Commission and the Independent Commission on the Constitutional Future of Wales
- **Plaid Cymru** also want **Social Security** to be devolved, which would facilitate the full rollout of their proposed trial of a Welsh Child Payment. Although the entire devolution of social security would have to be accompanied by large scale changes to fiscal arrangements, powers like those of the Scottish Government over a select number of benefits would likely prove more manageable.
- **Plaid Cymru, Welsh Labour, the Wales Green Party and Welsh Liberal Democrats** all call for reforming or replacing the Barnett formula. While the formula is outdated, funding reform may not lead to more funding for the Welsh Government budget, given current levels relative spending and need.
- **Plaid Cymru** and the **Welsh Liberal Democrats** want the Welsh Government to have the ability to set income tax bands and thresholds – while **Welsh Labour** would “carefully explore the case for expanding Wales’ income tax powers”. Such powers would make the powers significantly more usable, especially for increasing tax revenue whilst protecting lower income households.
- **Welsh Labour** and **Plaid Cymru** call for increasing or removing the limit on annual drawdowns from the Wales Reserve, something which was temporarily allowed for 2025-26. The **Welsh Liberal Democrats** and the **Greens** make the call for greater borrowing powers, while **Plaid Cymru** make a specific call for the capital borrowing limit to be increased to £3 billion. Even if this limit was fully utilised, debt repayments would remain at a relatively low share of day-to-day spending.
- **Plaid Cymru** and the **Welsh Liberal Democrats** call for the full devolution of rail infrastructure to Wales, which would have resulted in significantly [greater levels of funding](#) for rail enhancement spending in Wales over recent decades.
- **Reform UK** manifesto makes no mention of the future of devolution, the fiscal framework or funding, while the **Welsh Conservatives** explicitly rule out extending the Senedd's powers.

## 1. Tax policy

One of the principal rationales for devolving tax powers to the Welsh Government was to enable parties to offer competing levels of taxation and public spending at elections. This Senedd election offers the clearest instance yet of a meaningful divergence in tax policy options for Welsh voters.

### Parties differ on using the largest devolved tax lever, the Welsh Rates of Income Tax

Since April 2019, the Welsh Government has had the power to vary rates of income tax through the WRIT. The UK government's basic, higher and additional rates were each reduced by 10p in the pound, with the Welsh Government able to set a Wales-specific rate to replace this portion.

In practice, this means that the Welsh Government can increase or decrease income tax rates in Wales relative the rest of the UK, but the power to alter the thresholds remains reserved to the UK government. To date, the power to change the rates has not been used.

Both **Reform UK** and the **Welsh Conservatives** propose reducing income tax.

The **Welsh Conservatives** propose lowering the basic rate by 1p in the pound. The latest estimates from the Welsh Government suggest this would cost £325 million in 2027-28. We project this cost would grow to £367 million by 2030-31.<sup>1</sup>

**Reform UK** propose a 1p in the pound reduction across all three income tax bands. The manifesto promises to enact this tax cut by the end of the Senedd term; we estimate that this would cost £444 million by 2030-31.

At lower income levels, a significant share of income is not taxed due to the personal allowance, so the rate cuts apply to a lower share of income than for higher earners. Under the **Conservatives'** proposals, the biggest beneficiaries relative to income would be those with a gross income of around £50,270, for whom the decrease in total tax liability as a share of income would be 0.75% (saving £377 annually).

For **Reform UK's** policy, the decrease in total tax liability a share of income would peak at 1% for those with incomes above £125,140 (who would save £1,251 a year).

Figure 1 shows the estimated percentage change in disposable household income by income decile. Reform UK's policy is regressive, with a typical household in the richest 10% of households' gaining three times as much as a typical household in the 5th decile as a share of

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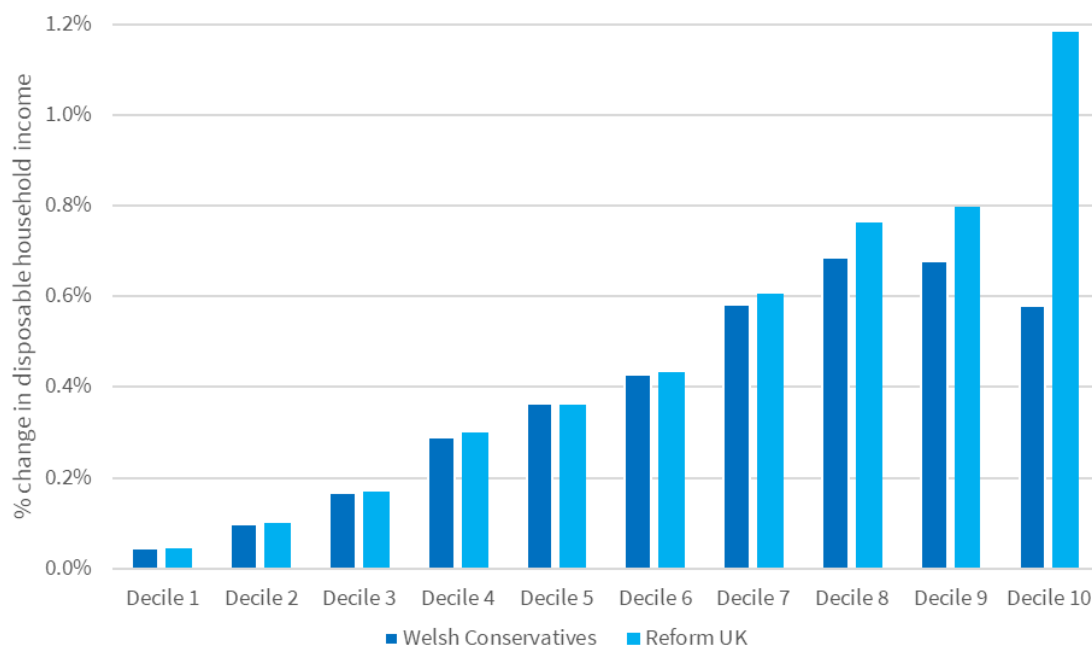
<sup>1</sup> This projection uses the latest forecast for devolved income tax revenues from the Office for Budget Responsibility and assumes a proportionally similar behavioural response to the Welsh Government's Income Tax Ready Reckoner.

their income. 90% of the gains would go to households in the top half of the income distribution, with 60% going to households in the top two deciles of income.

The **Welsh Conservatives'** policy is also broadly regressive, but to a lesser extent; the biggest relative gains would go to households in the 8th decile of income, with almost half of the gains going to households in the top two deciles of income.

**Figure 1**

% increase in Disposable Household Income, per decile



Source: Authors' calculations using UKMOD<sup>2</sup>

Meanwhile, the **Welsh Labour** manifesto promises not to raise the Welsh Rates of Income Tax during the next Senedd term. It should be noted that income tax bills will continue to increase for Welsh taxpayers over coming years, since the continued freeze in income tax thresholds – determined by the UK government – will lead to more income being taxed as wages and prices increase.

**Labour** also promise to “carefully explore” the case for expanding Wales’ income tax powers. Similarly, the **Liberal Democrats** call for full powers to change income tax rates and

<sup>2</sup> The results presented here are based on UKMOD Explore. UKMOD is maintained, developed and managed by the Centre for Microsimulation and Policy Analysis (CeMPA) at the University of Essex. The process of extending and updating UKMOD was financially supported by the Nuffield Foundation (2018-2021) and the abrdn Financial Fairness Trust (2023-2024). The results and their interpretation are the author’s sole responsibility.

thresholds in line with Scotland, while **Plaid Cymru** want the ability to set income tax bands, in order to “make income tax fairer and more progressive”.

Such powers over income tax thresholds would make the devolved taxes significantly more usable for those wanting to increase taxes – for example, enabling the protection of lower income households from broad income tax rises, as seen in Scotland. However, it should be noted that the current powers over income tax rates do allow increasing the size of the Welsh budget in a very progressive way.

Only the **Liberal Democrats** explicitly mention the possibility of increasing income tax rates, proposing a 1p in the pound increase across all bands for an “emergency period” if “Westminster fails to reform Wales’ funding formula”. This pledge acknowledges both the current tight fiscal outlook and the uncertainty in funding the next Welsh Government will face.

However, depending on the methodology used, Wales is broadly funded in line with or above the estimate of relative need produced by the Holtham Commission back in 2010. As such, any reform of the Barnett formula would not necessarily lead to more resources for the Welsh Government.

### All parties promise some tax reforms and reliefs for Welsh businesses

Non-Domestic Rates (NDR), or business rates, are a key source of funding for local government budgets, worth over £1.1 billion in 2026-27. Businesses pay NDR based on the rateable value of the property and the relevant multiplier, which is set nationally. There are various relief applied to specific property types and sectors.

**Reform UK**, the **Welsh Conservatives**, **Plaid Cymru** and the **Liberal Democrats** all propose targeted support towards specific sectors/property types. **Reform UK** pledge to lower rates for pubs, hotels and hospitality venues to align with the rates in the rest of the UK. The **Conservatives** say they would completely scrap business rates for small firms, pubs, post offices, grassroots art and music venues, and small cinemas and theatres.

**Plaid Cymru** say that they would reform business rates to help high street businesses in hospitality, leisure and retail, though their manifesto does not give details on the exact changes they would enact.

The **Liberal Democrats** commit to “permanently extending business rates relief on the retail, leisure and hospitality sectors” though it is unclear what this means in practice. Smaller retail properties now already benefit from a lower multiplier. Therefore, the proposal could simply mean maintaining the existing structure for retail and extending it to the hospitality and leisure sectors. Alternatively, they may be referring to the temporary 40% relief provided in recent years. If so, it is unclear whether this would be applied as an additional discount on top of the current system, or whether they propose reverting to the previous system (a single multiplier rate applied to all businesses) under which the relief was delivered. The cost of a

40% relief was £78m in 2025-26, but if it were to be applied on top of the current structure, the cost would be considerably lower.<sup>3</sup>

Based on available data on the NDR tax base, we estimate the cost of **Reform UK**'s proposed policy would be approximately £10 million, whilst the **Conservatives** policy would cost roughly £53 million<sup>4</sup> – though it should be noted that these estimates come with a significant degree of uncertainty due to the nature of available Valuation Office Agency data.

These reliefs would be welcomed by the targeted businesses and sectors. However, permanent reliefs and support of this kind would increase demand for a relatively fixed supply of commercial properties, increasing rents paid by businesses. This implies that the benefits may eventually go to landlords rather than the businesses leasing their properties.

Both **Welsh Labour** and **Reform UK** promise a “root and branch review” of business rates. Labour want “to make it fairer for all”, while Reform UK would want to reduce “reliance” on the tax. The **Green Party** propose reforming business rates to create a “fairer and more progressive structure” in the short term, with a longer-term aspiration of replacing it with a Land Value Tax (discussed below).

On this point, it should be noted that NDR revenues have fallen significantly in real terms since before the pandemic, with revenues in 2026-27 falling by a fifth from 2019-20 levels in real terms. Although this reflects additional funding from UK government from its business rates policies in England, this real terms reduction has had a meaningful impact on the resources available for spending on public services in Wales.

### What to do about Council Tax?

One of the big divergences in fiscal policy between Wales and other countries of the UK has been the faster rise in Council Tax bills. Average annual increases have averaged 5% since 1999, compared to 4% in England and just 2% in Scotland. These increases offset austerity for local services, but did so in a fundamentally regressive way.

Both **Reform UK** and the **Welsh Conservatives** propose requiring referendums for Council Tax increases of 5% or more. In 2026-27, 16 out of 22 local authorities have increased Council Tax by more than this threshold, while all 22 local authorities did so in the two preceding years. Given the current fiscal outlook, a cap of 5% would likely represent a binding constraint for most local authorities over the course of the Senedd term (though bill increases have tended to be lower when local elections are held). In the absence of successful referendums, a cap may require more funding from the Welsh Government or cuts to local services. Since this is a

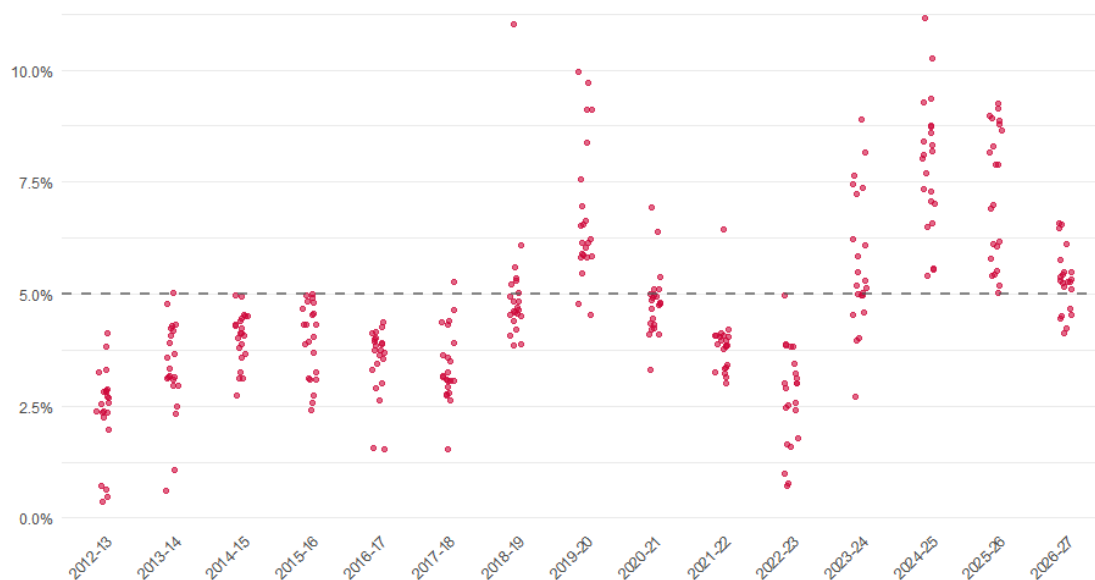
<sup>3</sup> <https://www.gov.wales/written-statement-non-domestic-rates-support-2025-26>

<sup>4</sup> Crucially, we have taken the Conservatives policy to scrap business rates for small firms as meaning all businesses with properties with a rateable value of under the current £12,000 threshold for Small Business Rates Relief would not pay any business rates. This would, however, create a notable cliff-edge at the £12,000 threshold. If reliefs were tapered for businesses over this threshold, then the cost of the policy would increase.

nominal terms cap, the real terms effect of the policy will also depend on how inflation changes over coming years.

**Figure 2**

Annual Band D Council Tax (nominal terms) changes by local authority



Source: Author's calculations based on Council tax levels by billing authority, StatsWales

Both **Plaid Cymru** and **Welsh Labour** manifestos pledge to “make council tax fairer”. A long-overdue revaluation is set to take place in 2028. A simple revaluation without further reforms, however – while hugely welcome – would not represent a much more progressive system. Further rapid increases in Council Tax levels would still take disproportionately more from lower income households.

The lack of further detail on what reforms both parties would implement at the revaluation is therefore disappointing. **Plaid Cymru**'s 2021 manifesto, for example, promised to increase the number of bands at the higher end of house valuations and ensuring the tax was more proportional to the value of properties.

As with Non-Domestic Rates, the **Green Party** propose replacing council tax with a Land Value Tax, claiming this would mean “the average household pays less while owners of the most valuable properties contribute more”, suggesting a more progressive structure than Council Tax. There are numerous theoretical advantages to taxation based on land values, in terms of efficiency and equity. There are, however, key administrative, institutional and data hurdles which means implementation would likely take some time.<sup>5</sup>

<sup>5</sup> <https://www.gov.wales/local-land-value-tax-technical-assessment>

## What about other taxes?

The **Welsh Conservatives** promise to abolish the Land Transaction Tax paid on main residential properties. We estimate the ‘static’ cost of this policy would amount to approximately £213 million in 2027-28, growing to £277 million by 2030-31, though underlying forecasts are likely to change significantly given the likely impact of recent events on the housing market.<sup>6</sup>

Given the existing tax discourages mutually beneficial transactions and household mobility, such a policy would improve the efficiency of the housing market. Increased demand from first time buyers and those moving homes would push up demand and property prices. In the absence of reforming annual property taxes (such as introducing a more progressive Council Tax system), existing owners of properties worth over £225,000 would arguably be the main beneficiaries of the policy.

**Plaid Cymru, Welsh Labour** and the **Green Party** all commit to introducing a Vacant Land Tax. The aim of such a tax would be to prevent land-banking and encourage development of residential and business properties. The 2014 Wales Act created the framework for the Welsh Government to introduce new taxes, but only with the consent of the UK government. After years of attempts to gain that consent, an agreement was reached in February to a joint consultation (though with HM Treasury controlling the timing and process).

The **Welsh Conservatives** and **Reform UK** both pledge to remove the powers for local authorities to apply a Visitor Levy in their areas – a £1.30 per person, per night charge for overnight stays in tourist accommodation (currently set to be in place by 2027 if local authorities wish to introduce it).

## A meaningful choice for Welsh voters?

What about the overall fiscal implications of the parties’ proposed tax policies?

The explicit tax cuts proposed by the **Conservatives** and **Reform UK** would have a significant impact on day-to-day spending, in the context of an already tight budget outlook.

We estimate that together, the Conservative tax cuts could amount to approximately £705 million by 2030-31, or 2.6% of day-to-day spending.

On current spending projections, this would imply no real-terms growth in day-to-day spending from 2026-27 to 2030-31. The manifesto also promises to “increase spending on health and social care in real terms in each and every year of the next Senedd term” – this would therefore need to be matched by equivalent real terms cuts to other spending areas. As

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<sup>6</sup> The Office for Budget Responsibility publishes forecasts for residential LTT excluding additional properties, but this also includes ‘main rate’ taxes paid on purchases of second homes and rental properties. We assume this proportion of the forecasted revenues remains constant from recent outturn data. We also do not account for any positive effect on revenues from likely increases in property prices.

we'll explore in the following section, the manifesto also contains significant non-NHS spending commitments too.

**Reform UK's** explicit tax cuts are on a smaller scale but could still cost approximately £450 million by 2030-31, or 1.7% of day-to-day spending. Real terms growth in day-to-day spending would average just 0.2% per year from 2026-27 to 2030-31. If NHS spending continues to grow in real terms – as is implied by manifesto commitments – the tax cuts would equate to cutting 4% of non-NHS spending.

As we have [previously highlighted](#), the fiscal outlook is highly uncertain and the underlying UK government spending plans and the economic forecasts will likely change substantially. But tax cuts on this scale would make deep cuts to some public services likely.

As for the other parties, they will also hope that UK government spending plans change, and that the likely increase in inflation this year is offset by more funding. If they do not, then achieving manifesto commitments and avoiding cuts to public services will be difficult without tax increases – be it through local authorities increasing Council Tax, allowing Non-Domestic Rates to rise or through using income tax powers. In this context, the explicit promise from Welsh Labour not to increase income tax rates – the most progressive tax lever available – risks tying their hands, in a way reminiscent of UK Labour's tax pledges at the 2024 General Election.

Overall, the tax pledges contained in the manifestos do present a meaningful choice for voters. Amidst valid questions on the feasibility of delivering manifesto plans and the huge uncertainty in the fiscal outlook, these tax promises do tell us what each party would prioritise in the balance between taxation and spending on public services.

## 2. The spending priorities of the parties

This section outlines what the manifestos tell us about the spending priorities of the parties ahead of the Senedd election. It focuses on day-to-day spending commitments on health, other large spending pledges, and considers the overall feasibility of the proposed policies.

### What are the parties proposing on NHS spending?

Unsurprisingly, the NHS features centrally in all party manifestos. Accounting for more than half of the Welsh Government's budget for day-to-day spending, trends in health spending will be crucial in improving performance and delivering manifesto commitments – as well as determining how much funding will be left for all other areas within the budget.

Some key health and social care priorities of the parties (with their likely implications for spending) are outlined in the table below. All parties are promising some forms of improvement and expansion of services. There are some common themes across all or most of the manifestos, including prioritising cutting waiting lists and times, providing more care in the community, mental health funding and prevention and early intervention.

Generally little detail is given on how various improvements, guarantees and targets would be met and it is difficult to quantify the additional spending these policies would require, over and above 'stand still' spending pressures facing the NHS.

These underlying cost and demand pressures are likely to be significant. The Welsh NHS will face higher demand from demographic change – the population aged 75 and over is set to increase by a further 7% by 2030 and medical advances mean many people are fortunately able to live for longer with complicated illnesses. Additionally, there are costs associated with adoption of new technologies; new drugs and other treatments which tend to increase costs over time. Pay deals will also likely continue to grow in real terms.

Last year, the Health Foundation [estimated](#) that improving NHS performance in England would require annual real terms spending increases averaging 3.4% per year in the decade to 2034-35. Many of the underlying assumptions are also applicable to Wales, yet total funding for Welsh Government day-to-day spending is set to [increase by only 0.7% per year](#) in real terms for the next Senedd term.

**Table 1**

Summary of healthcare manifesto commitments by party

<b>Party</b>	<b>Healthcare priorities</b>
<b>Green Party</b>	Increased funding for GP and dental services; local health and wellbeing hubs; restoring district nursing and community care capacity; a workforce plan; improving pay and working conditions; a ‘properly funded’ public health system; faster access to mental health support; pause hospital bed reductions; investment in social care (remaining locally-delivered); a dedicated Youth Gender Service.
<b>Plaid Cymru</b>	Immediate focus on cutting waiting lists; 100 new GPs to provide more out-of-hours care; 10 new surgical hubs; investing more in digitisation and telemedicine; a long-term, comprehensive plan to support and grow NHS workforce; protect the mental health ringfence in the Welsh Budget.
<b>Reform UK</b>	Reduce waiting lists and times (‘scaling planned care capacity’) and improve quality of care; rapid diagnostic centres; expanding surgical hubs; estates modernisation and renewal; workforce sustainability and increased training places; recruit more health visitors; expand pharmacy clinical services; a cancer action plan, investing in modern diagnostic technologies and treatments; expand early intervention mental health services.
<b>Welsh Labour</b>	Headline promise to spend £4 billion over 10 years on a ‘Hospitals of the Future Fund’; expand mental health support (same-day access); 48-hour GP access guarantee; new community diagnostic services and extended pharmacy-based care; a long-term workforce plan; improved access to NHS dentistry; improved cancer diagnosis and treatment.
<b>Welsh Conservatives</b>	Pledge to increase health spending in real terms every year; increase funding for primary care in each and every year and boost proportion of NHS funding allocated to primary care; increase spending on mental health and wellbeing services in real terms in each and every year; retain, recruit and train more staff; a NHS Wales Reserves Service; refund tuition fees for doctors, dentists and nurses who work for the Welsh NHS for 5 years post qualification; 21 <sup>st</sup> Century Hospitals Fund for new hospitals and modernisation; a network of surgical hubs and diagnostic centres; Cancer Treatments Fund and Rare Disease Fund; dedicated mother and baby unit in North Wales; ensure everyone in Wales can access an annual check-up with an NHS dentist.
<b>Liberal Democrats</b>	5,000 new or refurbished nursing-care placements; training more GPs and Allied Health Professionals; National Cancer Plan and 62 day guarantee; NHS dentists for everyone needing urgent and emergency care; address “chronic underfunding” of mental health services; preventative mid-life health programme for over 40s; NHS and social care workforce strategy; capital investment programme to repair, replace and upgrade hospitals.

*Source: Authors’ analysis of manifesto documents*

Given this constrained outlook for total public spending, delivering improved outcomes – alongside a plethora of commitments from the party manifestos – would require substantial productivity growth in the NHS each year, reversing the trends seen since the pandemic.

Moreover, on current projections of the overall size of the Welsh budget, the increases in health spending that are likely needed would leave the next government having to find cuts to other areas of public services.

### Other big spending commitments

A common theme across most manifestos is the expansion of childcare, which we will be explored in more detail in the following section. The **Green Party**, **Plaid Cymru** and the **Welsh Liberal Democrats** all propose 20 hours or more of free childcare for every child from nine months to four years old, for 48 weeks of the year. The **Welsh Conservatives** make a similar pledge for working families, as well as proposing a Grandparent Childcare Payment of up to £4,800 per year for grandparents who provide childcare to their grandchildren.

**Welsh Labour** want to expand the current ‘Flying Start’ programme of 12.5 hours of funded childcare for 39 weeks of the year to younger aged children (from 9 months).

This would represent a big expansion of service provision and spending in an area that Wales has notably fallen behind the rest of the UK; some of the most expansive proposals would go beyond what is currently offered in England. Reported estimated costs range from £100 million a year under **Welsh Labour’s** [proposals](#) to £400 million a year under **Plaid Cymru’s** [plans](#).

This represents the largest explicit spending commitment in **Plaid Cymru’s** manifesto. It also proposes trialling a Welsh child payment of £10 per child per week for children in families receiving Universal Credit (initially to 15,000 children). They would also expand free school meals to more secondary school pupils, starting with all students (Years 7-11) from families receiving Universal Credit. There are also other commitments which may have spending implications, including establishing a National Development Agency, progress towards a National Care Service free at the point of use, as well as increasing funding for culture and sport.

Other spending proposals in the **Welsh Labour** manifesto include expanding eligibility for ‘baby bundles’ to all families receiving Universal Credit, rather than to just those living in the most deprived areas. Free school meals in secondary schools would also be extended to all households receiving Universal Credit. Bus fares would also be capped at £2 for all adults, along with an expansion of bus routes. There are also other commitments on improving pay and conditions for social care workers and school support staff, expanding apprenticeships, grants for young entrepreneurs and support for unpaid carers.

The **Green Party** would also expand bus routes, while proposing a £1 cap on bus fares for adults and free travel for those under 22. They would also want to go further on free school meals, with universal provision in secondary schools. Other commitments include more

spending on active travel, train services, culture and arts, local journalism and Natural Resources Wales, as well as investment in social housing and energy efficiency.

Alongside the most expansionist childcare proposals, the **Welsh Liberal Democrats** promise to increase school and college funding per pupil in real terms every year and to provide free school meals during holidays. Their proposal to increase income tax – conditional on the UK government not reforming Welsh funding – would go towards boosting social care spending. They also propose more funding to Natural Resources Wales and £50 million a year to support sustainable farming, alongside other commitments on sports, arts, culture, transport and social housing.

Alongside substantial tax cuts, the **Welsh Conservative** manifesto also contain a number of policies which would have spending implications, alongside their health and childcare proposals. They propose increasing school funding each year, while university tuition fees would be refunded for teaching graduates who go on to work in Welsh schools (alongside nursing, teaching and dentistry graduates). On social care, they would increase the capital limit from £50,000 to £75,000 for those accessing residential care; individuals with capital above this limit must self-fund their care in full. They would also extend free bus travel and provide free rail cards to all 16-24 year olds. They pledge to increase farm funding by £100 million over the next Senedd term, alongside a £20 million Wildlife Wales Fund.

**Reform UK's** manifesto contains notably fewer specific additional spending commitments, though they do promise reviews and reforms which may eventually have funding implications. They also propose reforming farm funding, but without specific commitments. They propose expanding technical education and apprenticeships, as well as reviewing ALN systems and support. They want to 'top up' coal-tip remediation funding, as well as establishing a ring-fenced local fund to repair public spaces. The manifesto also promises investment in sport and school activities.

It should also be noted here that some parties propose using private finance to fund capital investment (which will be explored in the fourth section) – for example, **Reform UK's** proposal for the M4 relief road and **Welsh Labour's** £4 billion "Hospitals of the Future Fund". Using such 'off-the-books' financing arrangements would allow more investment beyond a core capital budget set to fall in real terms. However, this would lead to substantial costs – potentially in the hundreds of millions – for day-to-day budgets by the end of the Senedd term and beyond.

### Tax cuts without cuts to "frontline services"?

The **Conservatives** and **Reform UK**, as discussed in the first section, propose explicit tax cuts worth £705 million and £450 million a year, respectively, by 2030-31. **Reform UK** manifesto says that the Income Tax cut can be funded through "reductions in expenditure elsewhere, without cuts to frontline services".

In recent [interviews](#) and [debates](#), leader Dan Thomas noted the tax cut would be funded by cutting: £145 million on "green subsidies and levies"; £135 million on "quangos"; and £95 million in "civil service pay restraint and estate management".

Such a level of savings could not be found from current Welsh Government spending on decarbonisation and green energy projects. Income tax cuts would reduce the Welsh Government's budget for *day-to-day spending*, but the vast majority of spending on decarbonisation and green energy projects comes from the Welsh Government's *capital* budget, which cannot be used for day-to-day spending. Day-to-day spending budget lines for 'Residential Decarbonisation & Quality', the 'Warm Homes Programme', the 'Welsh Government Energy Service', 'Climate Change Action', 'Green Energy' and 'Ynni Cymru' come to just £25 million for 2026-27. Some of this spending **Reform UK** also want to repurpose for "those on the lowest incomes who need help".<sup>7</sup>

The only arms-length body explicitly mentioned for abolition in the **Reform UK** manifesto is Natural Resources Wales. The resource budget line for the body in 2026-27 amounts to £112 million, with additional funding from other budget lines. However, the manifesto also states that flood defence, forestry, marine licensing, and environmental protection would continue without interruption – functions which would still need to be funded.

Plans to "bring in" bodies into central government would also have implications for the Welsh Government's central costs. In this context, a £95 million saving from the Welsh Government's own running costs looks particularly ambitious, implying a 28% reduction in the current allocations for central staff and running costs (of £341 million in 2026-27). **Reform UK's** manifesto calls for a 10% headcount reduction and a pay freeze for the civil service – all while bringing 'in house' functions such as flood defence, forestry, marine licensing and environmental protection.

Both the **Welsh Conservatives** and **Reform UK** manifestos specify other smaller potential savings and cuts. Both call for the ending of international aid; this amounts to just over £1 million for 2026-27.

The **Welsh Conservatives** would privatise Cardiff International Airport, while **Reform UK** would review it. Most of the subsidies being provided to the airport comes from capital spending. But Cardiff Airport's resource budget allocation for 2026-27 is actually *negative* reflecting the income received from its operations.<sup>8</sup>

The **Welsh Conservatives** want to reverse the number of Senedd members back to 60, which could save £20 million a year, but this could by its very nature only commence after the next Senedd election in 2030.

**Reform UK** want to abolish 'diversity, equality and inclusion' (DEI) officer roles in the public sector. This is unlikely to lead to big savings; for example, in a [response](#) to a Freedom of Information Request last year, the Welsh Government identified around 6.2 Full-Time

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<sup>7</sup> For example, "energy efficiency Nest will be focused on those on the lowest incomes who need help."

<sup>8</sup> For further details of the Airport subsidy package, see written evidence from December 2025: <https://www.gov.wales/sites/default/files/publications/2025-12/written-evidence-cabinet-secretary-for-energy-economy-and-planning-december-2025.pdf>.

Equivalent staff in DEI-specific roles. The manifesto also promises to end public funding for “politically biased” NGOs and charities, with no further details.

Taken together, the identified savings and cuts mentioned in both manifestos do not offset the cost of the proposed tax cuts. As in the case of substantial spending commitments offered by other parties, they would likely need to be matched by offsetting cuts to other public services.

### Unspoken trade-offs

Given the outlook for Welsh Government funding and the parties’ proposals for the NHS, the scope for significant additional spending commitments or tax cuts appears limited.

As we’ve [previously noted](#), however, the outlook is highly uncertain and is likely to change. Funding from the UK government may grow faster than current plans imply. Meanwhile, the economic outlook is perhaps more uncertain than at any time since the start of the pandemic, and a large spike in inflation this year would likely blow even the best-laid plans off course.

If the UK government sticks to its current spending plans – or lets the real terms value of the block grant settlement to erode in real terms – growing NHS spending alongside the various manifesto commitments on childcare, education, transport, social care and taxation will require significant cuts to some public services or tax increases. The manifestos are largely silent on how these trade-offs would be managed.

With no party on course to secure a majority at the election, negotiations and agreements will be required to form the government and pass budgets. Alongside finding common ground on the manifesto commitments, these negotiations will eventually have to turn to some more difficult choices.

### 3. Childcare policies

Childcare has emerged as a common theme across most manifestos, in this section we outline the current state of play in relation to funded childcare in Wales, explore why the issue has recently become so politically salient, and analyse what has been proposed on childcare by each party in their manifesto for the May 2026 elections.

#### What is the current picture for childcare in Wales?

Childcare support for parents in Wales is scattered across several schemes offered by either the Welsh or UK governments, and with support dependent on the child's age, place of residence, and their parents' status in or out of work.

From the term after a child turns 3, all children receive 10 hours per week of early years education during term time (i.e. 39 weeks a year).

In more deprived areas (covered by the *Flying Start* programme), two and three-year-olds can receive 12.5 hours of funded childcare per week (for 39 weeks a year). This provision is currently being expanded towards universal coverage, as part of measures first announced as part of the Co-operation Agreement between the Welsh Government and Plaid Cymru back in 2021. This council-wide rollout has been achieved in Merthyr Tydfil, Swansea and Newport.

The Childcare Offer for Wales provides working parents with children aged 3-4 with 20 hours of funded childcare per week for 48 weeks.

#### Why has Childcare policy become politically salient?

A key context in this policy area is that there has been a significant and growing divergence between Wales and England. Across the border, there has been a significant expansion of entitlements and in the childcare offer to parents.

At the Spring Budget 2023, the UK government announced new expanded entitlements; since September 2025, working families are offered up to 30 hours a week (for 38 weeks a year) for children aged 9 months to 2 years. This expansion has increased funding for childcare in England by roughly £5.9 billion by 2028.

This has led to more funding for the Welsh Government budget. Although we can't directly track funding consequentials directly triggered by the policy, this will have increased the block grant by approximately £330 million a year by 2028-29.

The Welsh Government doesn't have to follow England – the block grant is non-hypothecated, and the Welsh Government might have argued that other spending pressures or services haven't been funded in England that it would rather prioritise.

In terms of the Welsh Government spending on childcare, it is not possible to accurately track it in budget documents – it's split between two so-called 'Budget Expenditure Lines', which also include non-childcare spending.

Budget allocations to these two lines have increased by approximately £60 million from 2023-24 to 2026-27; some distance short of the consequential funding that the Welsh Government will have received.<sup>9</sup> This likely leaves per person spending substantially below English levels.

### Why expand childcare?

The [Bevan Foundation](#) has highlighted key issues around affordability, accessibility and gaps in the provision in the Welsh system. Average childcare costs for parents of children aged 2 and under are now significantly higher in Wales than in England and Scotland.

In an extraordinary example, the foundation calculates that a female in full-time work with a child aged under 2, and whose earnings is at the 25<sup>th</sup> percentile, would have to spend almost 60% of their weekly earnings on childcare costs.

There are a number of reasons why policymakers may wish to expand funded childcare. It can be a crucial form of cost-of-living support for families already using, and paying for, childcare. Others will use formal childcare for the first time; this may allow parents to return to work earlier. It can boost incomes, move families out of poverty, and improve outcomes for children.

These aims may dictate what policymakers prioritise – in terms of eligibility, the number of hours offered, and across how many weeks – when designing their policy response.

### What are the parties proposing?

**Welsh Labour** have proposed continuing to expand access to funded childcare to families with children under 3, with entitlements to be 'phased in' for children aged 9 months or older. This extends the *Flying Start* model of funding 12.5 hours of childcare per week for 39 weeks of the year.

**Plaid Cymru** plan on offering 20 hours a week of free childcare for all children aged 9 months to 4 years, for up to 48 weeks a year. This childcare offer would be in addition to the existing 30-hour offer for those children aged 3 and 4 whose parents are in work, education or training.

The **Welsh Green Party** also propose 20 hours a week of funded childcare (for 48 weeks a year) for all children aged 9 months to 4 years, and with a sliding scale of fees based on income for additional funded hours.

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<sup>9</sup> It should be noted that, relative to the overall size of the population, there are approximately 10% fewer children under the age of 4 in Wales compared to England.

The **Welsh Liberal Democrats'** manifesto proposes the most expansionist policy, guaranteeing free childcare for every child from 9 months to 4 years old for 30 hours a week (for 48 weeks a year).

The **Welsh Conservatives** propose extending 30 hours of free childcare to children aged 9 months to 4 years old, but only for parents who are in work, education and training (seemingly for 48 weeks a year). They also propose a Grandparent Childcare Payment of up to £4,800 per year for grandparents who provide childcare for their grandchildren.

Relative to current policies in England, **Plaid Cymru, Welsh Green Party, Welsh Conservatives** and **Welsh Liberal Democrats** would go further on the number of hours, weeks or eligibility of the funded childcare offered. **Welsh Labour** plans would leave parents with fewer funded hours for younger children, though available regardless of parents' work status.

**Reform UK's** manifesto contains no specified pledge on childcare. Even if the current expansion of Flying Start provision is completed, Wales would remain with the least generous childcare offer in the UK.

### Are the plans affordable and deliverable?

Although no party has published full costings of their manifestos, reported estimated costs of the parties' childcare policies range from £100 million a year for **Welsh Labour's proposals** to £400 million a year for **Plaid Cymru's offer** by 2030-31. Eventual costs would naturally depend on take-up, and ensuring capacity within the sector will be a challenge – although given experience in England, not an undeliverable one.

At between 0.4% and 1.5% of projected day-to-day spending by 2030-31, this is an enhanced but not a particularly huge spending commitment over a whole Senedd term.

However, this would need to be delivered in the context of a difficult – though highly uncertain – **fiscal outlook**, and alongside other tax and spending manifesto commitments. Underlying spending pressures and commitments to improve NHS performance will require significant uplifts in health spending, which will likely squeeze the other half of the budget in real terms.

Given the prominence across almost all manifestos, childcare is likely to feature in government formation and budget negotiations. These negotiations will also require some prioritisation and compromise – either in terms of other manifesto commitments, unmentioned spending or tax trade-offs, or in the design of the expanded childcare to be delivered.

## 4. Capital spending and investment

This section looks at some of the key manifesto plans for capital spending and infrastructure projects, in the context of a difficult outlook for the capital budget.

### Capital spending is set to fall in real terms over the next Senedd term

Finance Secretary Mark Drakeford's "neutral" approach to the 2026-27 Draft Budget – where each spending area was only updated to reflect forecast inflation – means there is £118 million in capital spending (i.e. not day-to-day spending) left to allocate for the next Welsh Government in 2026-27. However, this immediate headroom masks some difficult choices and trade-offs for the next government to make over the course of the seventh Senedd term.

The core capital block grant is set to remain at around £3.3 billion in cash terms to 2029-30, and given indicative plans for 2030-31, this will likely fall slightly in the final year of the forecast. This stagnation partly reflects UK government spending more on defence, which as a reserved area, does not draw consequential for the Welsh Government.

If it chooses to, the Welsh Government can borrow £165 million for capital spending in 2026-27 and this will now increase in line with inflation. Some capital funding from the UK government – £152 million in 2026-27 – sits outside the core block grant and is set to fall to £44 million by 2029-30.<sup>10</sup>

Overall, this means that the Welsh Government's core capital budget (excluding Financial Transactions funding) could fall by 9% in real terms from 2026-27 over the course of the next Senedd term.

### Capital spending for healthcare

As in the case of day-to-day spending, all parties make significant pledges on NHS capital spending.

Most immediately, **Plaid Cymru**, the **Welsh Conservatives** and **Reform UK** promise new surgical hubs to tackle waiting lists.

**Plaid Cymru** propose creating a new Sustainable Health and Care Facilities investment programme to address the current maintenance backlog. **Welsh Liberal Democrats** propose a capital investment programme to repair, replace and upgrade hospital buildings. **Reform UK** promise estates modernisation and renewal with a multi-year capital programme.

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<sup>10</sup> This funding relates to border facilities, the Holyhead Breakwater, City and Growth Deals, Coal Tips, and the Core Valley Lines enhancements settlement. We assume this funding is maintained at £44 million in 2030-31 but may well be topped up at future Spending Reviews.

Other specific commitments on the number of beds (**Plaid Cymru, Green Party**) will also require capital spending.

In terms of building new hospitals, the **Welsh Conservatives** call for a ‘21<sup>st</sup> Century Hospitals Fund’ to modernise and build new hospitals, including four new Community Hospitals with Minor Injuries Units, though without specific cost estimates.

**Welsh Labour’s** manifesto contains a specific headline pledge of investing £4 billion through a Hospitals of the Future Fund, including replacing Wrexham Maelor Hospital and University Hospital Wales, and a major hospital development in West Wales. Previous announcements suggested this spending would be over 10 years, though no information has been publicly published on the estimated costs of the specified projects, how it would be funded or the profile of spending across years.

Capital spending on health is set to be around £566 million in 2026-27.<sup>11</sup> Removing funding for maintenance backlogs, digital transformation, diagnostic equipment, vehicles, health and social care community hubs, and smaller programmes and policy schemes, this leaves £250 million to be spent this year on approved and non-approved capital projects and the Targeted Estates Fund.<sup>12</sup> This means that £4 billion on new hospitals over 10 years – or £400 million a year on average – would be sizeable increase in capital spending levels.

**Welsh Labour’s** plans will **reportedly** be funded through the existing block grant funding, capital borrowing and the ‘Mutual Investment Model’ (MIM). In the context of a capital budget set to fall in real terms, this last option gets around some immediate trade-offs with other areas of capital spending, through using private sector borrowing to fund the up-front costs of the investment.

However, this option is ultimately more expensive, with the Welsh Government eventually repaying costs from its day-to-day spending. These costs could become significant by the end of the Senedd term and beyond, in the context of a tight budgetary outlook for day-to-day spending. As an example, the New Velindre Cancer Centre currently being built using the MIM has a capital value of £312 million; on completion of the project, the Welsh Government will make annual service payments of £34 million (with a portion indexed to inflation) over the next 25 years.

## Transport spending

**Welsh Labour**, the **Welsh Liberal Democrats**, the **Green Party** and **Plaid Cymru** all commit to expanding rail infrastructure, including building new stations and upgrading existing lines. Meanwhile, **Reform UK** and the **Welsh Conservatives** say they would increase rail capacity.

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<sup>11</sup> This excludes IFRS16 spending, reflecting recent accounting changes.

<sup>12</sup> See written evidence provided to the Health and Social Care Committee in November 2025:

<https://www.gov.wales/sites/default/files/publications/2025-11/health-and-social-care-committee-cabinet-secretary-for-health-and-social-care-november-2025.pdf>

**Reform UK** and the **Welsh Conservatives** promise to build the M4 relief road – a proposal for a six-lane road south of Newport, previously scrapped by the Welsh Government – alongside other road projects such as upgrading the A55. **Plaid Cymru** leader Rhun ap Iorwerth has also suggested he backed alternative routes to improve traffic on the M4, referencing the ‘Blue Route’ (i.e. upgrades to the A48 Newport Southern Distributor Road) in leader debates.

When the decision was made to cancel the M4 relief road in 2019, the [reported cost](#) of the scheme was £1.6 billion. Since then, estimates of construction costs for new infrastructure projects have increased by approximately 29%.

**Reform UK’s** manifesto refers to funding the M4 relief road via a “Reform instituted British Sovereign Wealth Fund” – presumably requiring a Reform-led UK government – or seeking private funding. As in the case of using private finance for hospital building, this would have significant implications for the Welsh Government’s day-to-day spending at a later stage.

For example, private funding was used to complete the dualling of the A465, with an estimated capital value of £590 million. This is now reflected in an annual service payment of £38 million in the Welsh Government’s Transport day-to-day spending budget for the next 30 years.

In [interviews](#), **Reform UK** leader Dan Thomas has also talked about “revisiting” the £14 billion announced for investment in Wales’ railways and devoting £2.5 billion to roads instead. This relates to the [rail investment prospectus](#) published by Transport for Wales back in February, which contained a list of rail projects which could amount to £14 billion by the 2040s.

Unfortunately, however, this £14 billion announcement was not accompanied by actual spending commitments, beyond the inadequate amounts - just £350 million over four years – confirmed at the [2025 Spending Review](#). Since it did not trigger any additional funding, the rail announcement should instead be best viewed as a political signal that Welsh rail projects might *potentially* be awarded more funding at future spending rounds over the next two decades. But not only is rail infrastructure a reserved area of spending – in other words, it would be the Westminster government and not the Cardiff government who would determine how it is spent – but since there are no additional funds it cannot be reallocated for devolved roads spending in the 2026-2030 Senedd term.

## Social housing and decarbonisation

Building social housing represents a significant share of the Welsh Government’s capital budget, with the budget for Social Housing Grants reaching £446 million in 2026-27.

Some manifestos make significant commitments in this area: **Welsh Labour** commit to building at least 40,000 social homes over the next decade; **Plaid Cymru** promise 20,000 new social homes by 2030; the **Green Party** promise 60,000 over ten years; while the **Welsh Liberal Democrats** promise to build 30,000 (presumably over the next Senedd term).

In scale and timing, the **Welsh Labour** and **Plaid Cymru** commitments are broadly similar to the previous Welsh Government target of delivering 20,000 additional social homes over the last Senedd term. The latest data suggested the target will be [narrowly missed](#) despite an

uptick in delivery, though [these figures](#) include non-social housing and some existing social homes.

**Welsh Labour, Plaid Cymru** and the **Green Party** also make commitments on expanding energy efficiency upgrades and retrofitting, alongside commitments to decarbonise the public sector.

In contrast, the **Reform UK** manifesto says they would “scrap net zero in devolved policy” and “remove ideology from Welsh Government energy subsidies”. In [interviews](#) and debates, leader Dan Thomas has claimed they would cut £145 million in “green subsidies and levies”. This would free up capital spending for other areas, but as we’ve [previously outlined](#), will not help fund the promised tax cuts as claimed.

## Conclusion

Taken together, as in the case of tax and day-to-day spending, there are significant differences in promises and emphasis between party manifestos, particularly on transport, housing and decarbonisation. The manifesto commitments across all parties paint an ambitious picture for capital investment in Wales — from new hospitals and social housing to new trunk roads and railway stations. Yet ambition and affordability are difficult to reconcile against a capital budget that could shrink by around 9% in real terms over the next Senedd term. Whichever party or coalition forms the next Welsh Government will face hard choices about prioritisation, and the scale of pledges made — particularly on hospitals and housing — will inevitably test the limits of what the block grant, borrowing powers, and private finance mechanisms can collectively deliver.

The reliance on instruments like the Mutual Investment Model, or private funding for road building, may ease immediate pressures on the capital budget, but they do not make spending disappear — they defer it, at greater long-run cost, into future day-to-day budgets that are themselves under strain. Voters and policymakers alike would benefit from greater transparency about how parties intend to fund their commitments over the full Senedd term, not just in year one. As this analysis has shown, headline figures can mask significant uncertainty about timing, funding sources, and trade-offs — and it is precisely that detail which will determine whether these ambitions translate into bricks, mortar, and meaningful public services.

## 5. Devolution and the fiscal framework

This section outlines what the party manifestos say on the future of devolution and how it should be funded. Although any changes to the devolution settlement and fiscal framework will need to be agreed by the UK government, the manifestos contain several proposed reforms which the parties would pursue if they formed the next Welsh Government.

### The Crown Estate

Four of the main parties (**Plaid Cymru, Welsh Labour, Welsh Liberal Democrats** and the **Wales Green Party**) propose the devolution of the **Crown Estate** to Wales.

To understand why the Crown Estate is a key issue for these parties, we need a quick explanation by looking to the situation in Scotland, where the Crown Estate has been devolved since the post-indyref Scotland Act 2016.

Crown Estate revenues relate mostly to activities on the marine seabed out to 12 miles from the shoreline, such as offshore windfarm leases via the Scottish Government's ScotWind programme. In 2024-25, Crown Estate Scotland generated £130.8 million for the Scottish public purse, up from £113.2 million in 2023-24.<sup>13</sup>

The UK government makes annual deductions from the Scottish block grant to offset for the devolution of the Crown Estate, and these amounts are agreed in Scotland's Fiscal Framework Agreement. In 2024-25 the deduction was £10 million.<sup>14</sup> In Scotland, therefore, Crown Estate net profits are far outpacing block grant deductions – with a net benefit to the Scottish purse.

Of course, these circumstances may not be the same if the Crown Estate were devolved to Wales. Lease revenues would likely be smaller than in Scotland because Wales is geographically smaller and has a less extensive coastline.

But while the total amount of annual revenue is small, the growth in receipts from Crown Estate leases all across the UK have grown very significantly over the past decade. The Scottish Government gets to keep the benefit of any growth in the value of the activities on the land and seabed that it leases such as offshore renewable energy, farming, tourism and aquaculture. Devolution therefore gives an incentive to draw advantages from Scotland's natural environment in a way that helps generate resources for the Scottish budget. If devolved to Wales, the direct budgetary incentive might give the Welsh Government a useful lever to develop these types of economic activities further in Wales.

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<sup>13</sup> p36 in the Crown Estate Scotland Annual Report 2024-25

<https://www.crownestatescotland.com/sites/default/files/2025-12/Annual%20Report%20and%20Accounts%20to%2031%20March%202025%20-%20Web.pdf>

<sup>14</sup> These deductions are set out in the Scottish Fiscal Framework agreement, paragraph 80 >

<https://www.gov.scot/publications/fiscal-framework-agreement-between-scottish-uk-governments/>

## Justice and Policing Powers

**Plaid Cymru**, **Welsh Liberal Democrats** and the **Wales Green Party** all call for the devolution of powers over **Justice and Policing**. **Welsh Labour** call for the devolution of **youth justice** and **probation** as a first step towards devolution of justice and policing. These calls have been explored and supported by the Silk Commission, the Thomas Commission and the Independent Commission on the Constitutional Future of Wales. Meanwhile, the **Welsh Conservatives** would reject efforts to devolve policing and justice.

Persuading the UK government on justice devolution will be a challenge, given the lack of serious movement on devolution since being elected in 2024. The 2024 General Election Manifesto promised to “explore the devolution” of probation services, as part of a “strategic review into probation”, and that it would “work with the Welsh Labour Government to consider devolution of youth justice”. Progress on this has so far been limited. In March 2026 the UK Government and Welsh Government agreed to work together to find agreement with respect to Youth Justice and Probation,<sup>15</sup> but the joint document gave few specifics on how this would be achieved in either area.

## Social Security Devolution

**Plaid Cymru** also want **Social Security** to be devolved – which the **Welsh Conservatives** also explicitly reject. The wholesale devolution of such a large, demand-led area of spending would have to be accompanied by large scale changes to fiscal arrangements. However, powers similar to those of the Scottish Government over a select number of benefits would likely prove more manageable; the fiscal impact of such devolution could also be favourable given underlying trends.

**Plaid Cymru** propose trialling a Welsh Child Payment, providing £10 a week for children aged 0-6 in households claiming Universal Credit, and have cited previous Welsh Government initiatives such as the UBI for care leavers pilot undertaken under current powers. The full roll-out of their Welsh Child Payment would likely require Scottish-style powers over social security.

## Reforming the Barnett Formula

The manifestos also contain substantial calls for reforming the way the Welsh Government is funded. The UK Labour manifesto for the 2024 General Election did acknowledge that “the Welsh Fiscal Framework is out of date”, so there may be more scope here for intergovernmental discussions.

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<sup>15</sup> Agreement between UK government and Welsh Government on Youth Justice and Probation, 25 March 2026: <https://www.gov.wales/agreement-between-uk-government-and-welsh-government-on-youth-justice-and-probation-html>

**Plaid Cymru, Welsh Labour, the Wales Green Party and Welsh Liberal Democrats** all call for reforming or replacing the Barnett formula, which determines annual changes in the Welsh Government budget.

As we explored in [our report](#) on Wales' fiscal framework last year, the Barnett formula is indeed "outdated" and moving towards a more rational system based on agreed principles would be a good thing. This would involve a UK-wide exercise of determining relative spending levels and relative needs for public spending in each country. The last comprehensive estimate of relative need was produced by the Holtham Commission back in 2010, based on even older data.

However, Wales is currently funded at around or above the estimate of relative need from 2010 (of 115% of England's level per person), regardless of the [methodology](#) used for calculating current levels of relative spending. The 'underfunding' issue identified by the Holtham Commission was largely 'solved' through the unintended effect of austerity and Wales' slower-growing population on relative spending levels, and the inclusion of a 105% Needs-Based Factor in the Barnett formula from 2018-19.

Replacing or reforming the Barnett formula on its own therefore will not necessarily lead to more funding for the Welsh Government budget and will not solve the fiscal [trade-offs and difficult decisions](#) the next Welsh Government will face. Given the trends in spending on public services since 2010 – with non-NHS spending still below pre-austerity levels – and the planned slow growth in spending over future years, it is the *absolute* level of public spending which is the biggest problem for devolved public services, rather than its *relative* level compared with England.

Parties that believe devolved spending on public services should be higher than what is provided through the block grant should therefore look to the devolved tax levers available to them.

### Reforming Devolved Tax Powers

On this note, **Plaid Cymru** and the **Welsh Liberal Democrats** want the Welsh Government to have the ability to set income tax bands and thresholds – while **Welsh Labour** would "carefully explore the case for expanding Wales' income tax powers". Such powers would make the powers significantly more usable for those wanting to change tax policy – for example, enabling the protection of lower income households from broad income tax rises, as has been seen in Scotland.

The manifestos also make other calls for reforming Wales' fiscal framework, particularly the Welsh Government's budget management tools and borrowing powers. Some minor amendments were made to the fiscal framework at the [2025 Autumn Budget](#), with capital borrowing powers and limits on the Wales Reserve increased by 10% and indexed to inflation for future years.

## Reforming Wales' Borrowing Powers

**Welsh Labour** and **Plaid Cymru** call for increasing or removing the limit on annual drawdowns from the Wales Reserve, something which was temporarily allowed for 2025-26.

The **Welsh Liberal Democrats** and the **Greens** make the call for greater borrowing powers, while **Plaid Cymru** make a specific call for the capital borrowing limit to be increased to £3 billion (up from the current total of £1.1 billion). We previously [calculated](#) that if such a limit was fully utilised, debt repayments would remain at a relatively low share of day-to-day spending (below 1%) and would be cheaper than using private borrowing to fund capital projects, such as through the Mutual Investment Model.

On intergovernmental relations, **Welsh Labour** call for a “new independent adjudicator to ensure financial fairness across the four UK nations”, which would reduce HM Treasury’s ultimate authority on funding disputes that arise.

## Wales' share of reserved spending

The parties have a stronger case for arguing Wales is underfunded when it comes to *reserved* areas of spending. Wales tends to receive lower levels of spending per person on areas controlled by the UK government and not subject to the Barnett formula, such as rail infrastructure enhancements and R&D spending.

**Plaid Cymru**, the **Greens** and the **Welsh Conservatives** call for Wales to receive funding from rail projects such as HS2, which, since it was classified as an England and Wales project, does not trigger consequential through the Barnett formula. **Plaid Cymru** and the **Welsh Liberal Democrats** also call for the full devolution of rail infrastructure to Wales, which through the application of the Barnett formula, would have resulted in significantly [greater levels of funding](#) for rail enhancement spending in Wales.

The **Welsh Labour** manifesto refers to the recent commitment of £14 billion of investment into rail infrastructure in Wales over coming decades. However, this announcement was not accompanied by actual additional spending commitments beyond the £350 million confirmed at the 2025 Spending Review, which [fell significantly short](#) of “making up” for HS2 as was originally claimed.

The **Welsh Labour** manifesto does acknowledge Wales’ relatively weak position when it comes to reserved spending, as it calls for a new ‘fair share formula’, which would see Wales automatically receive its “rightful share of UK resources in critical areas”. It is unclear how such a formula would work for spending in reserved areas, or how Wales’ “rightful share” would be calculated.

## Another dividing lines between the parties

Reforming the devolution settlement and the fiscal framework will take persuasion and intergovernmental negotiations with the UK Labour Government. So far, it has shown relatively limited appetite for further devolution and reforms, beyond the fiscal framework changes and

plans to devolve non-Jobcentre employment support funding. While there is significant common ground on the proposals discussed in this section, the parties will argue over who would be in the best position to succeed in those intergovernmental negotiations.

Overall, as in the case of tax and spending priorities, this represents another area of significant divergence between parties. The **Reform UK** manifesto makes no mention of the future of devolution, the fiscal framework or funding, while the **Welsh Conservatives** rule out extending the Senedd's powers. This a further dividing line between the two blocks of parties that would most likely have to work together to govern Wales over the next Senedd term.



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