



Ruth Jones MP
Chair
Welsh Affairs Committee

11 June 2025

Dear Ruth,

I am writing in response to your letter of 25 February. Thank you for the opportunity to give evidence to your committee and to set out my priorities for delivering for the people of Wales. You have asked further questions on three areas which I have answered below.

The Barnettisation of funding for farms in Wales,

The Deputy First Minister discussed the Barnettisation of funding for farms in Wales with his counterparts in UK Government, Scottish Government and Northern Ireland Executive at the Environment, Food and Rural Affairs Inter-Ministerial Group. He raised concerns about this change and the need to achieve an equitable allocation of funding around the UK. He emphasised the potential impact of such a diminishing pot of money on managing the future of farming and addressing the climate and nature emergencies.

The Drug Tariff for the reimbursement of pharmacies for dispensing prescriptions

The longstanding arrangement is that pharmacies in Wales are reimbursed for medicines dispensed on NHS prescriptions in accordance with the prices determined by the Department for Health and Social Care in for England. There are no differences between the reimbursement arrangements for pharmacies in Wales and England.

In England and Wales, the prices set for individual medicines contribute to the delivery of an agreed level of retained purchase profit (medicines' margin) for pharmacy contractors. The retained purchase profit is set at £900m per annum in England with a commensurate value for Wales of approximately £61m per annum. These arrangements operate at the system level and not the level of individual products, meaning that whilst the level of margin available to pharmacies maybe different for different medicines, the overall level of profit is guaranteed when the broad mix of medicines dispensed by a pharmacy is taken into account.

A margin survey is used to measure the overall retained purchase profit available to pharmacies and medicine prices are collectively adjusted to ensure the agreed level is delivered each year. For these reasons it would not be appropriate for the Welsh

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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.

Government to consider changes to the prices of individual medicines because doing so would undermine the arrangements for delivering guaranteed profit on medicines purchasing overall. However, arrangements are in place to adjust prices temporarily (referred to as “price concessions”) in response to significant increases in the prices charged by manufacturers and wholesalers. In all cases, generic medicine prices are determined using data wholesalers and manufacturers are required to provide to the Department for Health and Social Care and reflect the weighted average price at which pharmacies are able to purchase those medicines.

General practitioners and other prescribers in Wales are expected to practice evidence based medicine and take account of national clinical guidelines such as those developed by the National Institute for Health and Care Excellence (NICE), when prescribing medicines. This means prescribing practice in Wales is broadly similar to practice in England, and pharmacies in both nations dispense a similar mix of prescriptions. Many pharmacies in Wales are operated by bodies corporate with premises in both Wales and England, and pharmacies in Wales and England obtain their medicines from the same manufacturers and wholesalers, at the same prices. We are therefore content the existing arrangements provide adequately for pharmacies in Wales, delivering significant levels of overall purchase profit for the community pharmacy sector whilst offering good value for money for the NHS in Wales.

The financial options open to the Welsh Government

The UK Labour Manifesto recognised that the Welsh Fiscal Framework is out of date. Inflation has eroded our budget and budgetary flexibilities; in 2025-26 our borrowing and reserve limits would be nearly 30% higher if they had grown with inflation since they were introduced in 2018-19. Securing enhanced budget flexibilities would enable us to manage our resources more effectively to support the delivery of high-quality public services and boost economic growth.

Following productive discussions with the Chancellor, we have been granted full access to the Wales Reserve in the 2025-26 financial year, removing the usual annual limits that restrict our financial flexibility. While this arrangement currently applies to the 2025-26 financial year only, we continue to press for permanent increases in flexibility. As a first step we are seeking an uplift to our borrowing and reserve limits in line with inflation, as well as the abolition of our annual reserve limit.

Ultimately, we believe Welsh Government should have the discretion to borrow to cover unforeseen in-year pressures, freedom to build-up and draw-down reserves across financial years and capital borrowing arrangements that are on the same lines as the prudential borrowing regime for local authorities. This would provide an appropriate degree of fiscal flexibility for a Government which is accountable to the Senedd and manages a complex, £26bn budget with a range of uncertainties, and funding pressures.

Yours sincerely,



Eluned Morgan