

## Agenda Supplement – Equality and Social Justice Committee

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Meeting Venue:

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Meeting date: 26 January 2026

Committee Clerk

Meeting time: 13.30

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### Supplementary pack

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Please note the documents below are in addition to those published in the main Agenda and Reports pack for this Meeting

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#### 3.4 Welsh Government response to the Equality and Social Justice Committee's report scrutinising the Welsh Government's Draft Budget 2026–27

(Pages 1 – 51)

Attached Documents:

Welsh Government response to the Equality and Social Justice Committee's report scrutinising the Welsh Government's Draft Budget 2026–27

The Equality and Social Justice Committee's report scrutinising the Welsh Government's Draft Budget 2026–27



**Senedd Cymru**  
**Welsh Parliament**



# Written response by the Welsh Government to the report of the Equality and Social Justice (ESJ) Committee on the 2026-27 Draft Budget

## Summary

This report sets out the Welsh Government response to the Equality and Social Justice (ESJ) Committee's Report on the Scrutiny of the Welsh Government Draft Budget 2026-27.

It provides responses to four recommendations and eight conclusions raised by the ESJ Committee.

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# 1. Introduction

The Welsh Government Draft Budget for 2026-27 was published on 3 November 2025. It set out revenue and capital spending plans for the period April 2026 to March 2027.

As part of the budgetary process written evidence was provided by the Cabinet Secretary for Social Justice, Trefnydd and Chief Whip to inform scrutiny of the Draft Budget 2026-27. This paper provided information to the Equalities and Social Justice (ESJ) Committee on budgets within the Social Justice MEG.

An oral evidence session was held on the 24 November where the ESJ Committee took evidence from the Cabinet Secretary for Social Justice, Trefnydd and Chief Whip.

The Committee published its report on **Scrutiny of the Welsh Government Draft Budget 2026-27** on 16 December. We thank the Committee for the report.

The Welsh Government has considered the Committee's report and responds to the four recommendations and eight conclusions. For each recommendation we have provided a written response and either decided to 'accept', 'accept in principle' or 'reject' each recommendation.

## 2. Recommendation 1

In response to the end of the two-child cap, we recommend that the Welsh Government considers its response to the end of the two-child cap and any implications this may have for its approach to tackling child poverty including the Strategy. This should include:

Assessing whether any changes are needed to current policy to ensure they dovetail with the benefits changes made by the UK Government; and

Prioritising available funding to increase investment in priority programmes where there is clear evidence that they are effective at reducing child poverty as set out in recommendation 3 of our report on child poverty.

Bringing forward detailed proposals of any further steps it will take to alleviate child poverty to build on the opportunity presented by the abolition of the two-child cap.

### **Response: Accept**

We regularly review our approach to tackling poverty across government through the policy development and scrutiny processes, maximising the impact of our levers for tackling poverty, set within the wider UK policy context. We will continue engaging with the UK Government in the implementation of their UK Child Poverty Strategy and its impacts here in Wales.

The Child Poverty Strategy for Wales 2024 sets out how WG will focus on areas to alleviate child poverty. Our recent Child Poverty Strategy Progress Report 2025 outlined how we have delivered to tackle poverty in the last 3 years, reinforcing and illustrating the delivery of the objectives within the overarching strategy. The report also highlighted the substantial cross government investment in policies and actions which support our overall ambition to eradicate child poverty.

The Strategy objectives were developed by engaging with more than 3000 people, who outlined what support and action was important to them. Utilising this feedback, the Strategy is designed to provide direction and focus for delivery over the next decade, supporting evolving Senedd and UK Government policy

### 3. Recommendation 2

We recommend that the Welsh Government increases the level of investment in the Warm Homes Programme and prioritises investment in measures to improve the fuel efficiency of homes and combat fuel poverty. This should also be a priority for the £120 million capital funding available for the next Welsh Government to allocate after the upcoming election.

#### Response: Accept in Principle

The Warm Homes Programme has been given a 2% allocation uplift in the Draft Budget 2026-27. Whilst there are some challenges around contractor resources we continue to explore the potential delivery of an area-based scheme. If this exploratory work shows area-based schemes are worth pursuing, additional funding would be required to launch a scheme.

The budget announcement in November 2025 to close the UK ECO scheme removes the availability of additional energy efficiency measures for Welsh householders. We welcome the publication of the UK Government's Warm Homes Plan and officials will work with the UK Government to fully consider the implications for Wales and to develop future interventions. Changes to funding in England on programmes which are devolved in Wales result in changes to our block grant via the Barnett formula. However, those changes do not determine what the block grant should be spent on. It is for Welsh Ministers, with the Senedd's approval, to decide how to allocate the Welsh Government's budget, which includes funding from the block grant, devolved taxes, and capital borrowing. Where there is a case for using the consequential funding for similar purposes, Welsh Ministers will deploy in line with its priorities as part of the appropriate budget process.

## 4. Recommendation 3

We welcome the efforts to progress phase 1 of the work to streamline Welsh benefits, however we are concerned that some local authorities are not progressing as hoped. We recommend that the Welsh Government provides details of the progress made by each local authority in implementing phase 1 by February 2026 and outlines how it is working with local authorities struggling to deliver this by April 2026 to ensure that they do.

### Response: Accept

I welcome the Committee's recognition of the work undertaken by the Welsh Government, the Welsh Local Government Association (WLGA) and local authorities to progress Phase One of the project to improve the accessibility of Welsh benefits.

Working closely with the WLGA and the Local Authority Senior Responsible Officers Group (SRO), we are ensuring authorities have the support they need. This can be different for each local authority depending on how they deliver their benefits and the capacity to deliver change.

This support includes providing grant funding to local authorities and the WLGA to strengthen their capacity to undertake Phase One activities; funding the Centre for Digital Public Services to develop an integrated application for the Phase One benefits (currently undergoing concept testing with selected authorities); and collaboration with the SRO Group to identify and, where possible, address long standing data governance and data sharing issues that have hindered the seamless administration of the Phase One benefits.

The delivery of the Phase one actions within the streamlining Welsh Benefits Steering Group is showing clear progress across all Local Authorities. In developing the understanding of current processes and barriers to streamlining Welsh



benefits, we have shown that there is scope for further streamlining and that it can be achieved. In identifying, developing and sharing best practice, particularly on data capture and data sharing, we are showing how a more streamlined approach can be delivered.

We will continue to support local government to deliver on the work of the Steering group and make the changes needed to deliver on the commitments within the Welsh Benefits Charter and the Phase one route map.

## 5. Recommendation 4

We recommend that the Welsh Government provides us with details of specific funding allocated to support the delivery of equality-related action plans and details of any changes to those spending allocations before the debate on the Final Budget which is scheduled for 26 January 2026.

### Response: Accept in Principle

We are able to provide budgets against our equality-related action plans for the spending that falls under the Equalities and Human Rights BEL. In practice, these budgets reflect only a limited portion of the total investment in delivering the actions within these plans. This is because these actions are mainstreamed across the whole of Welsh Government and cannot be separated out.

In many cases, delivering the actions in the plans comes about because of changes to the process which determines exactly how services or facilities will be delivered, so the final additional cost of delivering the plan is not something that is set out in a distinct budget line or procured separately from broader improvements.

For example, under the Disabled People's Rights Plan, the Welsh Government is taking the following actions:

- Welsh Government policy area: **Transport Strategy and Planning** – to work across government and with transport operators to ensure digital and assistive technologies are available and accessible across transport modes to enable disabled people to confidently plan and undertake trips that meet their needs.

- Welsh Government policy area: **Social Services and Chief Social Care Office** - to collaborate with disabled people's organisations to design and deliver a new funding stream that addresses social care needs.
- Welsh Government policy area: **Education Support for Learners** – to work with local authorities to develop an education workforce plan through understanding workforce gaps and workforce planning, including the specialist workforce for disabled children and young people.
- Welsh Government policy area: **Digital Inclusion / Equality / Social Justice** – to work with stakeholders, to develop and evaluate a national digital inclusion grant scheme aligned with the ambition of the Minimum Digital Living Standard.

## 6. Conclusion 1

We note that when cuts to the baseline are taken into account, Social Justice is set to receive one of the least generous settlements of any spending area in the Draft Budget 2026-27. Prevention is always more cost effective than allowing problems to grow and many areas of Social Justice spending have a clear preventative impact or potential. We are concerned that budget allocations do not recognise this sufficiently

### Response:

We recognise the Committee's concern about the relative size of the Social Justice MEG allocation for 2026–27 once baseline adjustments are taken into account. As set out in our evidence, this Budget has been shaped in an exceptionally challenging fiscal context, requiring difficult choices across all portfolios. Despite this, we have acted to protect the preventative core of Social Justice spending wherever possible.

Our evidence highlights several areas where prevention has explicitly guided budget decisions. All BELs within the MEG have received the full 2% inflationary uplift, reflecting the essential preventative role these programmes play in tackling inequality, reducing poverty, supporting community cohesion, and safeguarding those at risk. In addition, a further £2.4m has been repurposed within the MEG to strengthen areas with a clear preventative impact — including digital inclusion, VAWDASV, child poverty and advice services.

The Budget also continues to fund significant cross-government preventative action that sits outside the Social Justice MEG but delivers directly against its aims — such as Free School Meals, the School Essentials Grant, the Warm Homes Nest Scheme and family support programmes like Families First and Flying Start. These are essential components of a whole system approach to prevention that addresses the root causes of hardship and inequality. Most of our policies which

aim to support people with protected characteristics are also cross-cutting, meaning that spend delivering the policy is not limited to that captured in the Equalities and Human Rights BEL but is built in across all MEGs in Welsh Government.

Furthermore, the Strategic Integrated Impact Assessment (SIIA) process ensures that preventative impact, including long-term harm reduction and alignment with the Wellbeing of Future Generations Act, is fully considered across all portfolios. This whole government framing ensures that investment in prevention is not limited to a single MEG but embedded in wider fiscal decision-making.

While the fiscal outlook remains constrained, our approach reflects a clear commitment to sustaining and strengthening preventative services where they make the greatest difference. We will continue to prioritise prevention as budgets evolve, recognising—as the Committee does—that preventing harm remains the most effective and least costly way to support communities and improve long-term outcomes across Wales.

## 7. Conclusion 2

We recognise the significant pressures that public bodies are facing but we are disappointed by the lack of progress being made in the shift to prevention envisaged by the Well-being of Future Generations Act.

### Response:

As a key component of the sustainable development principle under the Well-being of Future Generations Act, prevention is crucial to the delivery and achievement of our well-being goals across Wales. That is why the Welsh Government and the Future Generations Commissioner have worked together to develop a definition of prevention, which can be used to map preventative spend and invest progressively more upstream towards primary prevention. Following a recommendation on this definition in the Future Generations Report 2025, the Welsh Government are working with the Commissioner to determine how this definition can be established in the spend of public bodies under the Act.

Regarding preventative spending in budgets, there is a longstanding principle that the Welsh Government tries to avoid hypothecating funding as this can reduce the ability of institutions to manage their own budgets in line with their responsibilities. For example, local government partners have repeatedly made the case for funding to be moved towards the revenue support grant specifically so that funding is not ring-fenced and enables them to make the best decisions for their specific locality.

Moreover, it is very challenging to effectively and equitably isolate funding for prevention and early intervention without undermining the broader approach to prevention. There needs to be a balance between the immediate provision of services and being able to plan long term to prevent the need for those services to be accessed.

Other forms of preventative spending are being considered, and the Welsh Spending Review is exploring how preventative approaches can reduce long-term demand on public services and deliver better outcome for people in Wales. Cross-government collaboration is central to this work, with clear opportunities for more joined-up planning, decision-making and resource alignment to tackle root causes rather than symptoms. This approach supports a shift away from reactive spending, promoting sustainability and resilience across public spending.

## 8. Conclusion 3

We welcome any efforts to apply the learning from the three pilots but are disappointed at the scale and pace of progress made so far. We urge the Welsh Government to provide us with concrete evidence of how they intend to mainstream and embed gender budgeting in a systematic and long-term way.

### Response:

We are proud of the progress made on gender budgeting during this Senedd term. Through the three pilots, we have developed valuable insights and practical learning that have informed our approach to embedding equality considerations within budgetary processes. These pilots represent an important step forward in understanding how gender budgeting can be applied in the Welsh context.

We recognise the Committee's ambition for systematic and long-term mainstreaming of gender budgeting. While significant groundwork has been laid, any further development and expansion of this work will be a matter for the next Government to take forward as part of its future priorities.



## 9. Conclusion 4

We wrote to the Cabinet Secretary to express our disappointment at this decision and to ask for more information on the exact nature of the barriers to implementation and for clarification on the role of Clearsprings in this affair. We reiterate our calls for the Welsh Government to publish this information and to set out how the £0.7m allocated to this project will be re-allocated and what practical alternatives it will take to support sanctuary seekers, particularly with travel to essential appointments

### Response:

I wrote to the Committee Chair on 5 January providing further clarity on the challenges encountered in developing the Welcome Ticket element of the Welcome Connectivity Project. That letter, together with earlier correspondence, sets out that despite extensive exploration and engagement with delivery partners, it was not possible to progress the Welcome Ticket in a way that met the policy objectives, delivery timescales and value-for-money requirements.

I offered clarity that Clearsprings Ready Homes were not able, under Home Office contract terms and data protection requirements, to share or verify service-user information with third parties, including Welsh Government or Transport for Wales. Alternative verification models were explored, including through local authorities, but these were not feasible within the required timeframe and would have placed additional unfunded responsibilities on Local Authorities.

Further work also identified that projected annual costs of a national scheme would significantly exceed the £0.7m available for 2025-26, and that alternative delivery approaches would introduce additional financial, operational and equality risks. Taken together, these factors meant the Welcome Ticket could not be progressed this Senedd term.

While it is disappointing that the Welcome Ticket could not be taken forward, the Welsh Government remains committed to addressing the transport and digital barriers faced by people seeking sanctuary. Digital connectivity needs are now being met at no cost to the Welsh Government through a partnership with the Good Things Foundation, which provides free SIM cards to asylum seekers.

The £0.7m allocated to the Welcome Connectivity Project will be repurposed to strengthen contingency funding for local authorities through a variation to the existing grant supporting ongoing costs associated with the Ukraine response. This funding will not be ring-fenced for only those being supported from Ukraine, enabling local authorities to use it flexibly to support households in housing need, including people seeking sanctuary, and to help prevent homelessness and support move-on into settled accommodation.

Responsibility for ensuring access to essential asylum-related appointments continues to sit with the Home Office through its asylum support arrangements and contracted accommodation providers. Alongside this, the Welsh Government remains committed to addressing transport and access challenges for people seeking sanctuary. Officials continue to work closely with Transport colleagues, local authorities, and key third-sector partners to consider practical solutions, including promoting awareness and activation of existing concessionary travel schemes where applicable.

## 10. Conclusion 5

Reliance on mainstreamed funding could create a risk that children's needs are not met or consistently prioritised across regions. To ensure children's needs are consistently met, the Welsh Government should consider mapping existing specialist services for children across regions. This would help identify gaps, avoid duplication, and inform future funding decisions. Without mapping, mainstreamed funding could lead to uneven provision.

### Response:

It is vital to understand the unique needs of children and young people who experience violence, domestic abuse and sexual violence and what provision exists. The Violence Against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015 places duties on local authorities and Local Health Boards to plan their response to VAWDASV jointly through their local or regional VAWDASV strategies, based on their assessment of the services needed to meet the needs of children and young people in their areas.

This year (2026-27) we will undertake a national mapping exercise of specialist services and pathways for children and young people. This will provide a clearer picture of current provision and identify, based on evidence, the services that best support children and young people to recover and heal from the impact of domestic abuse and sexual violence.

Whilst this mapping exercise progresses, we will continue funding the Ar Trac project for 2026-27 (£530k subject to budget agreement). Ar Trac is delivered by a consortium of three specialist domestic abuse agencies and supports children and young people, aged 5 – 16, who have experienced or witnessed domestic abuse and who are exhibiting difficulties within their family and peer relationships.

We are developing statutory guidance for local authorities and Health Boards in discharging their strategy duties under the VAWDASV (Wales) Act 2015. This guidance will emphasise how assessing the needs of their area must include children.

## 11. Conclusion 6

We recognise the valuable contribution that PCSOs make to community safety across Wales. At the same time we note that one of the justifications for spending Welsh Government resources on an area that is not devolved was to bridge a funding gap created by Home Office cuts. Following the change in government at Westminster level, and increases to the policing budget, we consider now to be an opportune time to look at the long-term future of these arrangements and the transition of formal responsibility for the provision of PCSOs. We note that the Welsh Government has evaluated the contribution of the PCSOs it funds and agree that this should be published and shared with the Committee no later than 31 January 2026.

### Response:

The Cabinet Secretary for Housing and Local Government recently published a Written Statement, regarding the Provisional Police Settlement for 2026-27: **Written Statement: Provisional Police Settlement 2026-27 (18 December 2025) | GOV.WALES**

The statement confirms we are continuing to maintain our commitment to directly providing additional Police Community Support Officers (PCSOs). As set out in the Welsh Government draft budget, £16.3m will be used to directly fund PCSO posts in Wales. This is a 2.2% rise on our funding from 2025-26 and will allow forces to continue to provide PCSOs to support our communities in Wales. Funding for PCSOs in Wales is provided over and above the Home Office settlement, providing additional support for Welsh communities. Although policing is a reserved area, our funding for PCSOs reflects the work they do to build trust and engagement between the police and communities in Wales, supporting our aspirations for Welsh communities.

The Welsh Government recognises the importance of reviewing and understanding the role and contribution of PCSOs in Wales. Following a recommendation from the Equality and Social Justice Committee, an internal review was undertaken to examine available literature on PCSOs and their impact on policing and local communities in Wales. This internal review was complemented by two workshops with PCSOs and Police officers to explore how the findings apply in the Welsh context.

The report is now undergoing final publication checks and will be published on the Welsh Government Statistics and Research webpage on 10 February 2026, following a pre-announcement on 27 January, in line with GSR publication protocols. As an in-house review, it is important to note there are limitations to the work and it does not provide a full evaluation of PCSOs in Wales or an assessment of the value of PCSO funding. Instead, it offers an indication of what existing evidence says about the contribution of PCSOs.

To address these limitations, the Welsh Government is commissioning an external review to provide a more comprehensive assessment of PCSO funding and its impact in Wales. The procurement process began with an advert on 26 September 2025, which closed on 29 November 2025. Bids have been assessed, and the contract is expected to commence in January 2026. The review will run for nine months and is scheduled to conclude in October 2026.

## 12. Conclusion 7

The Welsh Government should work collectively with partners and stop passing on responsibility to others on this issue. We reiterate the recommendations of our 2023 report and call on Ministers to bring forward credible plans backed by dedicated funding to ensure adequate provision of support for young people with SLCN in the youth justice system.

### Response:

Children in the youth justice system often have multiple overlapping needs, which often stem from disadvantage, trauma and unmet developmental needs. For example, there is a high prevalence of children with speech, language, and communication needs (SLCN) within the youth justice system, many of which remain unidentified until their first contact with youth offending teams (YOTs). Access to appropriate support varies significantly across local authorities and health boards, with responsibility fragmented between multiple services and funding streams. This lack of coordination continues to be a source of persistent challenge for delivering the best possible service for children who need it.

To rectify this issue, we are exploring options to establish minimum standards and promote best practice so that all youth justice services consistently identify SLCN, and levels of support can meet those needs effectively. It is crucial that we work in partnership with key stakeholders including Local Authorities, Health Boards, youth justice services, the Royal College of Speech and Language Therapists and the Youth Justice Board for England and Wales.

In progressing the full devolution of justice to Wales, we are first working to secure an agreement with the UKG to realign funding and strategic oversight of youth justice services. This will provide the opportunity to make the system more effective, reduce duplication and ensure resources are focused on where they

make the greatest impact, and ultimately focused on improving outcomes for children.



## 13. Conclusion 8

We welcome the commitment to multi-year financial settlements contained in the Code of Practice for Funding the Third Sector and believe that the Welsh Government should monitor its use across portfolio to ensure that it becomes normalised throughout government.

### Response:

We welcome the Committee's recognition of the importance of multi-year financial settlements and agree that they play a vital role in strengthening stability and sustainability across the third sector. The Welsh Government is committed to the principles set out in the Code of Practice for Funding the Third Sector, and we will continue to work with policy teams across portfolios to monitor how these principles are being applied in practice. As part of this, we will explore opportunities to further embed and normalise the use of multiyear funding arrangements where appropriate, recognising the benefits they provide for long-term planning, workforce stability and improved outcomes for communities.

# Welsh Government Draft Budget 2026-27

December 2025

## 1. Introduction and background

This report details the outcome of the Equality and Social Justice Committee's scrutiny of the Welsh Government's Draft Budget proposals for 2026-27. It is not possible to cover every issue in our remit. It is worth noting at the outset the interconnected nature of social justice expenditure and the delivery of nearly all other portfolio areas. Tackling poverty and reducing inequality are an investment in our collective futures and are key to securing a more preventative approach to public spending. In our report we focus on key areas of contention or concern that we would like the Welsh Government to consider further. The purpose of the report is to inform debates on the Draft Budget scheduled on 16 December and the Final Budget scheduled on 26 January 2026.

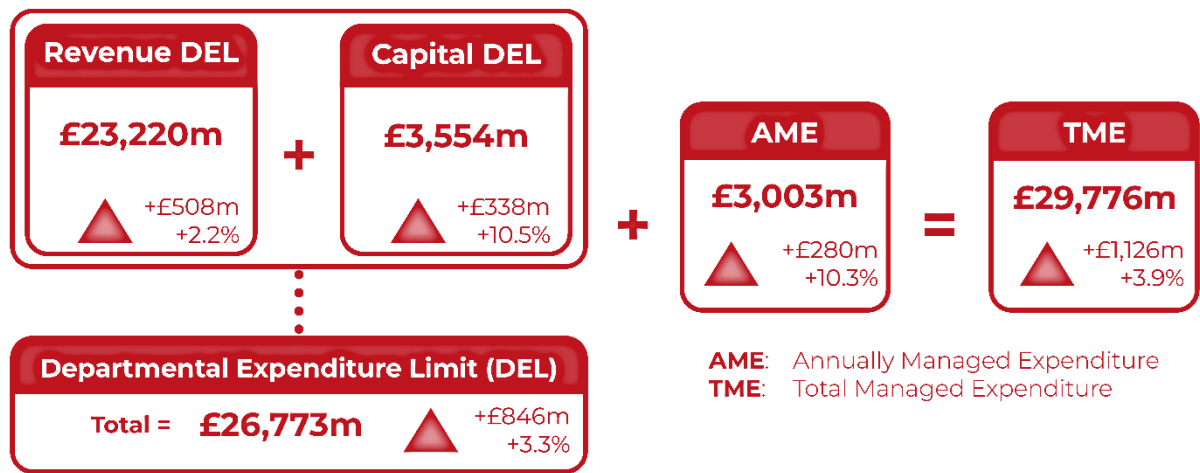


1. The report is informed by evidence submitted by the Welsh Government and the scrutiny session held with the Cabinet Secretary for Social Justice, Trefnydd, and Chief Whip, Jane Hutt MS on 24 November 2025.
2. During the session the Cabinet Secretary made several commitments to provide the Committee with more information. This was done through correspondence and covered a range of topics including: credit unions, baby bundles, plans for an Equalities Legal Service, community cohesion and Gypsy and Traveller sites. A copy of the Cabinet Secretary’s response is available in the Annex of this report for information and has also been published on our website.<sup>1</sup>

## 2. The Draft Budget 2026-27

3. In total the Welsh Government allocates £26.8 billion in the Draft Budget, excluding Annually Managed Expenditure (AME). Health and Social Care accounts for half of the overall draft budget, with Social Justice accounting for under 1%. The headline changes can be found in figure 1.

**Figure 1: Headline changes between the Draft Budget 2026-27 from the Revised Baseline 2025-26 (£m)**



4. The Draft Budget re-states the decisions made in the previous Welsh Budget for 2025-26 and applies an inflationary uplift to each Main Expenditure Group (MEG) so that “every part of the Welsh Government will start 2026-27 with at least the same level of funding in real terms as their revised baselines in 2025-26.”<sup>2</sup>

<sup>1</sup> Equality and Social Justice Committee, [Letter to the Cabinet Secretary, 2 December 2025](#); and [Response from the Welsh Government, 5 December 2025](#)

<sup>2</sup> Welsh Government, [Detailed Draft Budget Report 2026-27](#), November 2025, page 3

5. The Welsh Government explained their approach to these uplifts stating that each spending area has received:

- an uplift of 2.2% to fiscal resource for the public sector pay elements within each department;
- a 2% uplift for inflation (applied to non-pay fiscal resource, general capital and Financial Transaction capital).

6. As a result of these uplifts, the highest increase in fiscal resource allocations is for Housing and Local Government (2.21%) and the lowest is for Social Justice (2.02%).

### Unallocated spending

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7. After we considered the evidence, the Welsh Government announced a budget agreement with Plaid Cymru on 9 December. The agreement includes increased funding for local government, the health and social care budget and a £120m of capital funding available to the next government.

### Social Justice MEG

8. The total 2025-26 Revised Baseline (excluding AME) for the Social Justice MEG was **£154m**. The Welsh Government adjusted the Final Budget 2025-26 by a negative **£3.9m** to calculate the Revised Baseline 2025-26.<sup>3</sup>

9. The total allocation (excluding AME) for the Draft Budget 2026-27 is **£163m**. Compared with 2025-26 this represents a **£9m** uplift (or 6%) on the Revised Baseline or **£3.5m** uplift when compared with the Final Budget of February 2025.

10. The Cabinet Secretary stated in written evidence that "following a review of opportunities to repurpose funding within the Social Justice MEG a further £2.4m in resource funding has been identified." This is made up of £1.2m repurposed following the conclusion of the Basic Income pilot and £1.2m from other non-recurrent spending.<sup>4</sup>

11. The Cabinet Secretary told us that a review of all Budget Expenditure Lines (BELs) which looked for opportunities to repurpose funding had enabled increases to BELs over and above the flatline 2% inflationary increase. These

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<sup>3</sup> Welsh Government Written Evidence, 24 November 2025, Annex A

<sup>4</sup> Welsh Government Written Evidence, 24 November 2025

increases would be targeted “across a number of key areas of highest need and demand”.<sup>5</sup>

## Our view

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The Cabinet Secretary characterises the Social Justice budget as “small investments” which have a “far-reaching and significant impacts” on individuals. We note that this Draft Budget largely represents continuity with the previous Budget for 2025-26. We welcome the fact that a minimum inflationary uplift has been applied across the board to expenditure lines within the Social Justice Budget. However, we also note that revisions to the 2025-26 Baseline did result in a cut of £3.9m and that the only areas to receive negative baseline adjustments for resource last year were Social Justice and the Climate Change and Rural Affairs portfolios. When cuts to the baseline are taken into account, the outlook for spending on Social Justice therefore, is of a less generous starting point than nearly all other MEGs and only a very modest increase in the coming year.

**Conclusion 1.** We note that when cuts to the baseline are taken into account, Social Justice is set to receive one of the least generous settlements of any spending area in the Draft Budget 2026-27. Prevention is always more cost effective than allowing problems to grow and many areas of Social Justice spending have a clear preventative impact or potential. We are concerned that budget allocations do not recognise this sufficiently.

## 3. Cross-cutting themes

**12.** The Cabinet Secretary told us that “equality and social justice continue to underpin the priorities” of the Welsh Government and that the Social Justice MEG alongside other budgets would contribute to “tackling poverty, tackling inequality, promoting human rights and improving wellbeing of everyone in Wales.”<sup>6</sup>

**13.** As some of the themes within our remit, such as equality, social justice and future generations are cross-cutting, we explored aspects of these during our scrutiny.

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<sup>5</sup> Welsh Government [Written Evidence](#), 24 November 2025

<sup>6</sup> Welsh Government [Written Evidence](#), 24 November 2025

## Prevention and preventative spending

**14.** We have previously sought to explore the extent to which the principles of the Well-being of Future Generations (Wales) Act 2015 are reflected in our work. Earlier in April 2025, both the Future Generations Commissioner and the Auditor General for Wales published statutory reports required under 2015 Act. Prevention and preventative spending were key themes in both reports.<sup>7</sup>

**15.** According to the Cabinet Secretary:

*“It is vital that the whole budget is shaped by the Well-being of Future Generations Act, and, of course, prevention is key to that—a central organising principle of Government and public bodies.”<sup>8</sup>*

**16.** However, the Auditor General for Wales found that while public bodies “recognised the need to work preventatively,” most were “struggling to make a more systematic shift towards prevention.” In his view the health service in particular “has some way to go in applying future generations thinking across its planning and delivery”. In sum he found that in 2025, “prevention is under pressure” and that this was “evident in certain spending choices”.<sup>9</sup>

**17.** The Cabinet Secretary highlighted the Welsh Government’s commitment to multi-annual funding and the work of the Welsh Spending Review (WSR) as evidence that it would “address future challenges and opportunities from a cross-government perspective and through a more preventive lens.”<sup>10</sup>

### Our view

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After our session with the Cabinet Secretary we wrote to the Health and Social Care Committee to highlight the Auditor General’s concerns in respect of health spending and emphasise that this is an important theme in their scrutiny. We comment further on how spending decisions need to align with the principle of prevention in a later section on speech, language and communication needs.

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<sup>7</sup> Future Generations Commissioner, Future Generations Report 2025; and Audit Wales, No time to lose: Lessons from our work under the Well-being of Future Generations Act, April 2025

<sup>8</sup> Equality and Social Justice Committee, 24 November 2025, paragraph 10

<sup>9</sup> Audit Wales, No time to lose: Lessons from our work under the Well-being of Future Generations Act, April 2025

<sup>10</sup> Welsh Government Written Evidence, 24 November 2025

**Conclusion 2.** We recognise the significant pressures that public bodies are facing but we are disappointed by the lack of progress being made in the shift to prevention envisaged by the Well-being of Future Generations Act.

## Gender budgeting

**18.** The Welsh Government's Programme for Government includes a commitment to gender budgeting. To better understand how spending and policy decisions can address gender inequalities, the Welsh Government introduced three gender budgeting pilot schemes.<sup>11</sup> In addition to an evaluation of one of the pilots published in 2023, this year's Draft Budget process saw the publication of 'Gender Budgeting in Practice: Learning from Pilot Schemes in Wales 2019–2024'.<sup>12</sup>

**19.** The Cabinet Secretary told us that "gender budgeting pilots have shaped the approach to the 2026–27 budget, by helping to further embed equality, transparency, and evidence-based decision-making into the budget process."<sup>13</sup>

**20.** In terms of next steps 'Gender Budgeting in Practice' recommends mainstreaming gender budgeting into processes, building capacity through development of toolkits and strengthening data collection and analysis. The report confirms that there will be no further gender budgeting pilots and that the focus instead will be on "consolidating learning, building capacity, and embedding gender budgeting into the fabric of government."<sup>14</sup>

## Our view

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We welcome the findings of the three gender budgeting pilots but we note that they were relatively limited in their scope focusing on only three specific policies. We are disappointed that the Welsh Government has chosen not to build on the momentum of these pilots by scaling up the approach or by applying the methodology to a bigger area of spending.

**Conclusion 3.** We welcome any efforts to apply the learning from the three pilots but are disappointed at the scale and pace of progress made so far. We urge the Welsh Government to provide us with concrete evidence of how they

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<sup>11</sup> Welsh Government, [three gender budgeting pilot schemes](#)

<sup>12</sup> Welsh Government, [Gender Budgeting in Practice: Learning from Pilot Schemes in Wales 2019–2024](#), 3 November 2025

<sup>13</sup> Welsh Government [Written Evidence](#), 24 November 2025

<sup>14</sup> Welsh Government, [Gender Budgeting in Practice: Learning from Pilot Schemes in Wales 2019–2024](#), 3 November 2025

intend to mainstream and embed gender budgeting in a systematic and long-term way.

## 4. Tackling poverty

**21.** The Draft Budget documentation states that (among other things) “funding through the Social Justice portfolio aims to address and reduce inequalities and tackle poverty” particularly among disproportionately affected groups.<sup>15</sup> The Cabinet Secretary highlighted a range of actions delivered through the Supporting Communities BEL.

### Child poverty

**22.** On the Welsh Government’s approach to tackling child poverty, the Cabinet Secretary told us that the Draft Budget would allocate “an additional **£0.7m** above standard inflationary increases” to support implementation of the Child Poverty Strategy. There would also be an additional **£0.45m** for the Child Poverty grant and **£0.25m** to support the National Child Poverty Strategy Community of Practice.<sup>16</sup>

**23.** The Cabinet Secretary told us:

*“With 14 years of austerity, there's no question, with the suffering and the deepening of inequalities, which was very much out of our hands, we've had to do an awful lot of mitigation and emergency support and intervention over those times. When we come and debate and discuss the child poverty progress report, again, it will be looking at what is making a real difference. Employment-based measures are crucially important. The reversal of the two-child limit is going to bring so many families out of poverty, and so we hope that that's going to happen.”<sup>17</sup>*

**24.** Two days after our session with the Cabinet Secretary, on 26 November, the Chancellor of the Exchequer, Rachel Reeves MP, announced the UK Government would end the cap from April 2026.<sup>18</sup> According to the Treasury, this would

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<sup>15</sup> Welsh Government, Detailed Draft Budget 2026-27 report

<sup>16</sup> Welsh Government Written Evidence, 24 November 2025

<sup>17</sup> Equality and Social Justice Committee, 24 November 2025, paragraph 70

<sup>18</sup> HM Treasury, Budget 2025 in full, 26 November 2025



benefit 69,000 children in Wales.<sup>19</sup> The Welsh Government believes the removal of the two-child limit will reduce child poverty in Wales by 3 to 4 percentage points.<sup>20</sup> Similarly, the IPPR estimates that after Yorkshire and the Humber, Wales will see the biggest boost to incomes out of all the nations and regions of the UK as a result of this change.<sup>21</sup>

**25.** The Welsh Government published its child poverty strategy progress report on 2 December.<sup>22</sup> This sets out the impact of individual Welsh Government policies in tackling child poverty, including universal free school meals in primary schools, the Single Advice Fund, the Discretionary Assistance Fund and others. However, it highlights that the latest figures show 31% of children in Wales are experiencing child poverty, which has “remained stubbornly high over the last decade”.<sup>23</sup>

## Our view

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We welcome the decision to lift the two-child benefits cap as a first step towards alleviating unacceptably high rates of child poverty and research highlights that it will make a considerable difference to alleviating child poverty in Wales. This presents a vital opportunity for the Welsh Government to use the levers at its disposal to maximum effect to support further child poverty reduction.

We have previously voiced our disappointment at the lack of progress in tackling child poverty and have been critical of the lack of ambition displayed in many aspects of the Welsh Government's approach. We note the potential for this UK Budget decision to improve the context within which the Welsh Government is operating.

**Recommendation 1.** In response to the end of the two-child cap, we recommend that the Welsh Government considers its response to the end of the two-child cap and any implications this may have for its approach to tackling child poverty including the Strategy. This should include:

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<sup>19</sup> HM Treasury, Press Release, [Reeves tackles cost-of-living](#), 26 November 2025

<sup>20</sup> First Minister and Cabinet Secretary for Social Justice, Trefnydd and Chief Whip, Written statement: [First Minister response to the removal of the two child limit](#), 26 November 2025

<sup>21</sup> IPPR, [Restoring security: Understanding the effects of removing the two-child limit across the UK](#), 4 December 2025

<sup>22</sup> Welsh Government, [Child Poverty Strategy for Wales: progress report 2025](#), 2 December 2025

<sup>23</sup> Welsh Government, [Child Poverty Strategy for Wales: progress report 2025](#), 2 December 2025

- Assessing whether any changes are needed to current policy to ensure they dovetail with the benefits changes made by the UK Government; and
- Prioritising available funding to increase investment in priority programmes where there is clear evidence that they are effective at reducing child poverty as set out in recommendation 3 of our report on child poverty.<sup>24</sup>
- Bringing forward detailed proposals of any further steps it will take to alleviate child poverty to build on the opportunity presented by the abolition of the two-child cap.

## Tackling fuel poverty

**26.** Although fuel poverty is an area that the Cabinet Secretary for Social Justice is responsible for, the Welsh Government’s “primary mechanism to tackle fuel poverty”, the Warm Homes Programme (WHP), sits with the Cabinet Secretary for Housing and Local Government.<sup>25</sup>

**27.** For 2026-27 the resource allocation for the WHP remains unchanged at £3.73m, and the capital allocation has increased by 2% from £37.5m to £38.25m.

**28.** The Welsh Government strategy for tackling fuel poverty was published in 2021. It set a target that, by 2035, no more than 5% of Welsh households will be in fuel poverty with no households in severe or persistent fuel poverty.<sup>26</sup> As of October 2024, the Welsh Government estimated 25% of Welsh households were living in fuel poverty and 5% of households living in severe fuel poverty.<sup>27</sup>

**29.** In its 2025 spending review, the UK Government committed £13.2bn for its Warm Homes Plan over the review period (2025-26 to 2029-30) “including Barnett consequentials”. In our 2025 follow-up inquiry on fuel poverty we recommended the Welsh Government should ensure any Barnett consequential arising from increases in funding for tackling fuel poverty in England, is invested in the WHP.

**30.** The Cabinet Secretary for Social Justice said she had been working “hand in glove” with the Housing Secretary to ensure that the WHP continues to make a

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<sup>24</sup> Equality and Social Justice Committee, [Calling time on child poverty](#), 2023

<sup>25</sup> Welsh Government, [Warm Homes Programme policy statement](#)

<sup>26</sup> Welsh Government, [Tackling Fuel Poverty 2021-2035](#)

<sup>27</sup> Welsh Government, [Fuel poverty dashboard](#)

difference and emphasised that this was “the start of the budget process”.<sup>28</sup> She also highlighted that other sources of support are available such as the GB-wide Energy Company Obligation (ECO). However, the UK Government has since announced that ECO funding will end from March 2026.<sup>29</sup> In the third quarter of 2025, 15% of all ECO measures across Great Britain benefited Welsh households. Wales also has the highest percentage of households of any GB nation or region that have benefitted from flexible eligibility measures<sup>30</sup>

## Our view

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In our follow-up inquiry into fuel poverty last year we reiterated the views of most stakeholders that the level of investment in the WHP was nowhere near the scale required to meet the Welsh Government’s 2035 fuel poverty targets. It remains our view that the investment is insufficient and moreover we think that extra investment in this area should be a top priority. This extra investment should be paid for from the £380m in unallocated funds currently available.

We also note that since our scrutiny of the Draft Budget proposals, the UK Government has announced that the current ECO funding, which benefits Wales above our population share, will come to an end in March 2026. The uncertainty around what will replace ECO further strengthens the case for the Welsh Government to give greater priority to investing in the WHP.

We are disappointed the Welsh Government has still not set interim fuel poverty targets, despite multiple calls from stakeholders and our previous recommendation that such targets should be published no later than September 2025. The Welsh Government previously indicated it would do so following the publication of revised fuel poverty estimates in October. We are concerned that without interim targets in place, the Welsh Government has no means of monitoring progress and assessing whether its investment in the Warm Homes Programme is delivering.

**Recommendation 2.** We recommend that the Welsh Government increases the level of investment in the Warm Homes Programme, and prioritises investment in measures to improve the fuel efficiency of homes and combat fuel

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<sup>28</sup> Equality and Social Justice Committee, 24 November 2025, [paragraph 78](#).

<sup>29</sup> UK Government, [What does the Autumn Budget mean for your energy bills?](#)

<sup>30</sup> UK Government, [Household Energy Efficiency Great Britain, Quarter 3 \(July to September\) 2025](#)

poverty. This should also be a priority for the £120 million capital funding available for the next Welsh Government to allocate after the upcoming election.

## Welsh benefits system

**31.** The Draft Budget allocates an additional £0.5m to support work to streamline Welsh benefits.<sup>31</sup> According to the Cabinet Secretary this will continue to “support the capacity of key delivery partners to take forward any work in this area”.<sup>32</sup>

**32.** The Cabinet Secretary explained that alongside the provision of advice services, Welsh Government action had resulted in “£208.9 million in extra income” for households and “£66.3 million of debt written off.” The Cabinet Secretary emphasised the role of local government:

*“We cannot deal with all of the important questions you've asked me today [...] without local government; they are our welfare state [...] They're the ones who can deliver on getting those three benefits: Free School Meals, the School Essentials grant and the Council Tax Reduction Scheme. And many authorities are doing it—they're passporting it, they're enabling it. We want all local authorities to deliver on our welfare benefits charter for Wales.”<sup>33</sup>*

**33.** The Cabinet Secretary confirmed that “many authorities” are passporting entitlements to Welsh benefits but that the Welsh Government were keen for “all local authorities to deliver on our Welfare Benefits Charter for Wales.”<sup>34</sup>

## Our view

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We fully support the Welsh Benefits Charter and acknowledge the efforts of everyone involved in the progress that has been made to date. Furthermore we welcome the additional investment that will be made in 2026-27.

At the same time it is deeply frustrating that there are some local authorities that continue to lag behind others despite the substantial support, expertise and encouragement provided by the Welsh Government and other key delivery partners. The alleviation of poverty is clearly in the interests of all local authorities,

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<sup>31</sup> Welsh Government, [Streamlining Welsh Benefits Steering Group](#)

<sup>32</sup> Welsh Government [Written Evidence](#), 24 November 2025

<sup>33</sup> Equality and Social Justice Committee, 24 November 2025, [paragraph 160 and 161](#)

<sup>34</sup> Ibid.

and we believe there should be greater transparency on which local authorities are making the progress the Welsh Government is aiming to achieve in developing a more coherent approach to the Council Tax Reduction Scheme, Free School Meals and the School Essentials Grant by April 2026.

**Recommendation 3.** We welcome the efforts to progress phase 1 of the work to streamline Welsh benefits, however we are concerned that some local authorities are not progressing as hoped. We recommend that the Welsh Government provides details of the progress made by each local authority in implementing phase 1 by February 2026, and outlines how it is working with local authorities struggling to deliver this by April 2026 to ensure that they do.

## 5. Equality and Human Rights

**34.** The Welsh Government has allocated an additional **£1m** to the Equality, Inclusion and Human Rights budget for 2026–27, increasing the total to £24 million. In addition to the inflationary uplift (worth **£0.2m**), the increase includes:

- an allocation of **£0.4m** to establish the Equalities Legal Service;
- **£0.2m** to fund the first-year costs of implementation of the British Sign Language (Wales) Bill.
- Increasing the community cohesion budget by **£0.2m**.

### Equality-related action plans

**35.** The Welsh Government has several equality-related plans including the Anti-Racist Wales; LGBTQ+ and Disabled People's Rights action plans. In its last Draft Budget for 2025-26 the Welsh Government allocated **£450k** to help organisations to support delivery of these plans.<sup>35</sup> For 2026-27 the Cabinet Secretary did not provide detail of specific funding allocated these workstreams.

**36.** When questioned about the resources allocated to deliver Disabled People's Rights, the Cabinet Secretary declined to give a figure stating that it was a "cross-Government plan and responsibility" which was "designed to influence policy development and funding across the Government".<sup>36</sup>

### Our view

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<sup>35</sup> Equality and Social Justice Committee, Draft Budget 2025-26, February 2025

<sup>36</sup> Equality and Social Justice Committee, 24 November 2025, paragraph 101

While we accept that several areas of spending from across the Welsh Government will make a contribution, is important from the perspective of financial scrutiny and assessing value for money that we are able to scrutinise the specific funding allocated to support the delivery of equality-related action plans. We note that this has been provided before and that details of any changes to those spending allocations are helpful in assessing considerations such as value for money.

**Recommendation 4.** We recommend that the Welsh Government provides us with details of specific funding allocated to support the delivery of equality-related action plans and details of any changes to those spending allocations before the debate on the Final Budget which is scheduled for 26 January 2026.

## Funding for LOWG

**37.** The Programme for Government contains a commitment to incorporate the United Nations Convention for the Elimination of all forms of Discrimination against Women and the UN Convention on the Rights of Disabled People into Welsh law.<sup>37</sup> In 2022, the Welsh Government established the Human Rights Legislative Options Working Group (LOWG) to advise on incorporation.<sup>38</sup>

**38.** We heard directly from the Chair and members of LOWG in September 2024 who described challenges relating to the novelty and complexity of the work and capacity issues arising such as the voluntary nature of LOWG member involvement.

**39.** The Cabinet Secretary told us that “a total of £143,515 in funding to support the Legislative Options Working Group’s (LOWG)” had been allocated by Welsh Government from January 2024 until March 2026. This figure was on top of the staff time provided by officials supporting LOWG. When questioned the Cabinet Secretary said that a report containing recommendations from LOWG was expected next year and that the Welsh Government were awaiting the outcome of that report before committing any further funding stating “we hope we’ll have some firm recommendations that we can act on.”<sup>39</sup>

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<sup>37</sup> Welsh Government, Programme for Government, 15 June 2025

<sup>38</sup> Human Rights Legislative Options Working Group meeting, 22 September 2022

<sup>39</sup> Equality and Social Justice Committee, 24 November 2025, paragraph 98

## Our view

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We understand that incorporation of the UN Conventions is a complicated issue and that the Welsh Government is not alone in its attempts to navigate this complexity. However, we think that lessons need to be learned from aspects of the approach which may have impacted on delivery including a lack of clarity around project timelines and the 'stop-start' nature of resourcing and funding for LOWG's work.

We would welcome confirmation of when the LOWG report will be published.

## Welcome tickets

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**40.** The Welcome Ticket supported asylum seekers with an active claim to access free or discounted bus travel. Guidance on the end of free bus travel was issued in April 2024.<sup>40</sup> In the Draft Budget 2025-26 the Cabinet Secretary said there would be a continuation of the £0.7m funding to implement the Welcome Ticket and facilitate internet access for asylum seekers living in Wales.

**41.** The Cabinet Secretary provided an update on the Welcome Ticket for asylum seekers and refugees and said that "following a comprehensive review of delivery, financial and policy risks" the model cannot be delivered "safely, affordably or sustainably" and that the delivery costs were significantly over the allocated budget.<sup>41</sup>

**Conclusion 4.** We wrote to the Cabinet Secretary to express our disappointment at this decision and to ask for more information on the exact nature of the barriers to implementation and for clarification on the role of Clearsprings in this affair. We reiterate our calls for the Welsh Government to publish this information and to set out how the £0.7m allocated to this project will be re-allocated and what practical alternatives it will take to support sanctuary seekers, particularly with travel to essential appointments.

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<sup>40</sup> Welsh Government, [Free Bus and Train Travel for Refugees](#), 22 May 2022

<sup>41</sup> Equality and Social Justice Committee, Paper to note 2.2 correspondence from the Cabinet Secretary regarding Welcome Tickets for Asylum Seekers, 17 November 2025

## 6. Community safety and cohesion

### Preventing Violence Against Women, Domestic Abuse, and Sexual Violence (VAWDASV)

**42.** The Welsh Government has allocated an additional £0.7 million to VAWDASV in the Draft Budget for 2026–27, increasing the total to £10 million. This uplift is intended to strengthen frontline services and expand early intervention and prevention efforts.<sup>42</sup> There is also a £3.1m capital budget to improve refuge facilities, enhance safety measures, and increase accessibility, with over 20 projects expected to benefit. The Cabinet Secretary highlighted how the government is responding to the Committee’s past recommendations including in respect of women with No Recourse to Public Funds.

**43.** When asked why the Draft Budget did not contain specific funding to support children, the Cabinet Secretary said “children’s needs are addressed through the mainstream VAWDASV budget, but also regional partnerships fund specialist services [...] which actually directly support children.”<sup>43</sup>

**Conclusion 5.** Reliance on mainstreamed funding could create a risk that children’s needs are not met or consistently prioritised across regions. To ensure children’s needs are consistently met, the Welsh Government should consider mapping existing specialist services for children across regions. This would help identify gaps, avoid duplication, and inform future funding decisions. Without mapping, mainstreamed funding could lead to uneven provision.

### Police Community Support Officers

**44.** The Cabinet Secretary told us that funding for PCSOs would be maintained in this financial year and that the total allocation would rise from £16 million to £16.3m in 2026-27. The Cabinet Secretary then explained the reasons behind this investment:

*“PCSOs make such a difference in our communities, at the front line of policing. We’re doing a review of PCSOs, which will be helpful in terms of evaluation, but also I think this is part of our conversations*

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<sup>42</sup> Welsh Government *Written Evidence*, 24 November 2025

<sup>43</sup> Equality and Social Justice Committee, 24 November 2025, [paragraph 135](#).



*and a case for devolving policing to Wales, about the fact that we have put all this investment into PCSOs for so many years."*<sup>44</sup>

## Our view

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We recommended an evaluation of Welsh Government support for PCSOs in our report on the 24-25 Draft Budget but have not yet seen any outcomes despite confirmation that an evaluation would take place.

**Conclusion 6.** We recognise the valuable contribution that PCSOs make to community safety across Wales. At the same time we note that one of the justifications for spending Welsh Government resources on an area that is not devolved was to bridge a funding gap created by Home Office cuts. Following the change in government at Westminster level, and increases to the policing budget, we consider now to be an opportune time to look at the long-term future of these arrangements and the transition of formal responsibility for the provision of PCSOs. We note that the Welsh Government has evaluated the contribution of the PCSOs it funds and agree that this should be published and shared with the Committee no later than 31 January 2026.

## Speech and language therapy in the youth justice system

**45.** In her paper the Cabinet Secretary set out the complicated set of arrangements that underpin the funding of speech and language therapy in the youth justice system stating that:

- All Local Health Boards in Wales provide speech and language therapy as a health treatment where it is clinically required.
- Youth justice teams should provide any further services relating to speech language and communication needs, beyond that delivered by their Local Health Board, in order to deliver on their reserved statutory role.
- Local authorities who consider there to be a need for additional provision can employ their own speech and language therapists directly or commission and fund provision via another employer, such as the NHS or private sector.

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<sup>44</sup> Equality and Social Justice Committee, 24 November 2025, [paragraph 147](#).

**46.** According to the Cabinet Secretary, local authorities could “access a number of funding streams to support this,” and that “last year’s summit highlighted several examples of where this is already working well.”<sup>45</sup>

**47.** Some funding is provided by the UK Government in the form of the Turnaround programme but the Cabinet Secretary was unclear on whether this had been extended for the next financial year.<sup>46</sup>

## Our view

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As laid out in our previous report: 60 per cent of the young people involved with the youth justice system have Speech Language and Communication Needs (SLCN) compared with an estimated 10 per cent of the population as a whole. We remain concerned that the needs of these children and young people are not being met and that the Welsh Government, Local Health Boards and Ministry of Justice are failing collectively to address this serious issue. Spending on this issue is not only a matter of fairness but is clearly an example of preventative spending. Reducing reoffending rates and preventing such high numbers of young people with SLCN entering the justice system in the first place is cheaper than continuing with the status quo.

**Conclusion 7.** The Welsh Government should work collectively with partners and stop passing on responsibility to others on this issue. We reiterate the recommendations of our 2023 report and call on Ministers to bring forward credible plans backed by dedicated funding to ensure adequate provision of support for young people with SLCN in the youth justice system.

## 7. Third Sector

**48.** The Social Justice MEG includes funding allocations for the third sector, primarily allocated through the “Support for the Voluntary Sector” BEL. In addition to the inflationary uplift, the Draft Budget provides an additional £0.4m in revenue and £1.5m Financial Transaction Capital to support third sector activity across Wales.

**49.** Over several inquiries and draft budget scrutiny the Committee has consistently heard about difficulties third sector organisations face in accessing funding, particularly the reliance on small, short-term grants that require

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<sup>45</sup> Welsh Government Written Evidence, 24 November 2025

<sup>46</sup> Equality and Social Justice Committee, 24 November 2025, paragraph 145

extensive reporting and monitoring. In its response to the Committee's report on the 2025-26 Draft Budget, the Welsh Government said that new arrangements were in place to support longer, multi-year funding cycles where appropriate. These arrangements have been strengthened further as part of the revised Code of Practice for the Third Sector according to the Cabinet Secretary.<sup>47</sup>

**50.** The Cabinet Secretary told us that in making decisions about allocations for the third sector, she had been "very mindful of the impact of the national insurance increases". After our session, on 26 November, the Chancellor of the Exchequer, Rachel Reeves MP, announced an increase in the National Living Wage and National Minimum Wage increases from April 2026 as part of Budget measures.<sup>48</sup>

## Our view

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The third sector plays a crucial role in supporting people across Wales, providing a plethora of services. Yet many report dealing with financial pressures, exacerbated by last year's rise in Employer National Insurance Contributions and increases to the National Living Wage. The commitment to multi-year financial settlements does go some way to addressing this, but this needs to be fully embedded into decision-making processes across public bodies to ensure greatest impact.

**Conclusion 8.** We welcome the commitment to multi-year financial settlements contained in the Code of Practice for Funding the Third Sector and believe that the Welsh Government should monitor its use across portfolio to ensure that it becomes normalised throughout government.

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<sup>47</sup> Welsh Government Written Evidence, 24 November 2025

<sup>48</sup> HM Treasury, Budget 2025 in full, 26 November 2025

## Annex : Draft Budget 2026-27 follow-up points

Paragraph 7: the Cabinet Secretary agreed to provide more detail on the impact of credit unions including their overall effectiveness and role in delivering social justice outcomes.

In September 2025, we published a credit union best practice literature review. While the international evidence base is limited, it indicates that credit unions in high-usage countries tend to have strong marketing, offer a wide range of services, and are supported by the implementation of technology and more professionalised business models.

### Collective impact of the three WG funding streams

The precise impact of Welsh Government funding on credit unions is difficult to measure given the nine leading Welsh Credit Unions have received various sources of WG funding over the past few years, including capital funding for fintech advancements and a mobile banking vehicle, loan expansion funding and project funding for community awareness raising.

However, monitoring data shows that the WG investment has supported credit unions to increase lending year on year, attracting thousands of new customers every year, increasing their reach, and strengthening their financial position through making efficiencies.

Monitoring data also shows that over the past 12 months 7,000 new members have joined the 9 credit unions to whom Welsh Government has provided funding. Whilst the adult membership statistics remain roughly at same levels, this does not reflect 'growth' as thousands of people every year join to borrow and then leave when they have repaid the loan.

The most recent Bank of England statistics, published 31st October 2025, show that Welsh credit unions are strengthening their position year on year, with lending steadily increasing. It also demonstrates their resilience, maintaining a collective profit-making position which can't be said for English and Scottish credit unions.

Key points from the data show:

- The number of loans each year is increasing, growing by 3.5%, 5.5%, 13% and \*3% over the past 4 years, reaching the highest level on record.

(\*NB the 3% growth over the past 12 months excludes Christmas lending stats for 2025-26 so will be higher than 3% for the past 12-month period).

- Welsh Government has provided £3.4m to 9 credit unions since 2022 to expand lending by underwriting loans to people frozen out of mainstream lending due to risk. This is being recycled as loans are repaid. It provides 'starter' or 'credit builder' loans to borrowers with poor credit histories.
- The outcome is that 6200 additional affordable loans totalling £3.7m have been awarded since 2022 to people who would ordinarily be declined credit and are in danger of using higher cost credit or illegal forms of credit.
- Welsh credit unions collectively are in a strong position, not reporting a collective loss, which Scottish and English credit unions have reported this past year.

Paragraph 32: the Cabinet Secretary said that Emergency Assistance Payments made through the Discretionary Assistance Fund (DAF) will be uplifted by 8.1% from 1 January 2026. We would be grateful for clarification on whether additional funding will be made available to cover this uplift, or whether it will be met from within existing funds.

The 8.1% uplift to EAP payments from 1 January 2026 will be made from within existing funds.

Paragraph 40: The Committee asked in scrutiny about the change of eligibility for parents not in receipt of child benefit.

The DAF eligibility change on parents with childcare responsibilities but not in receipt of child benefit means that where one parent with formal childcare responsibilities is receiving child benefit, but the other is not, from 1 January 2026 it will be possible for the parent not in receipt of child benefit to receive a higher 2+ person Emergency Assistance Payment (EAP). This is in recognition of parents sharing responsibility and supporting parents with their childcare responsibilities. Previously, an individual in this situation could only receive a 1 household person payment from the DAF. The Individual Assistance Payment (IAP) element of the DAF has already been changed, in October 2025, to enable individuals with parental responsibility and not in receipt of Child Benefit to

claim furniture to make a safe and comfortable space for more than one person, reflecting their childcare responsibilities.

**Paragraph 46:** the Cabinet Secretary agreed to provide more detail on the feedback received which has informed the decision to switch from air fryers to electric cookers.

To clarify, should this decision be made, it will not be either/or decision. Should the decision be made by the Cabinet Secretary to add electric ovens to the Individual Assistance Payment (IAP) element of the DAF, from 1 June 2026 applicants would be able to choose between a cooking bundle (including air fryer, slow cooker, hot plate and microwave) or a counter-top oven with hob or an electric oven. The choice is currently between a cooking bundle or a counter-top oven with hob.

This option is being considered following feedback from organisations working with DAF applicants that this would be a positive addition to the DAF. If agreed, it will be delivered within the existing budget envelope.

**Paragraph 55:** the Cabinet Secretary highlighted help to unlock over £10 million of dormant trusts and foundations, and a pot of £7.5 million. We would be grateful for further clarification about this fund, including how it will be distributed.

The £10m in unlocked dormant trusts refers to the Wales Revitalising Trust. This is a partnership between Welsh Government, Charity Commission and Community Foundation Wales. We provided a small amount of funding to the Charity Commission (c.£200k in 2021-22 and 2023-24 although work on the Trust has continued to March 2025.) to enable them to target Welsh charities that had been dormant or ineffective. The work revitalised funds worth over £10m, either by getting charities to replace trustees and start working again, transferring funds to a similar charity which is active, or transferring funds to Community Foundation Wales to become part of their funding activities.

The £7.5m (£5m in 2021-22, £1m in 2024-25 and £1.5m in 2025-26) refers to the Community Asset Loan Fund. This is operated on our behalf by Social Investment Cymru, part of the WCVA, and provides long term loans for property purchases or improvements. The Community Asset Loan Fund offers loans to incorporated voluntary sector organisations seeking to take ownership of community assets. It complements our work on the Community Facilities Programme.

Paragraph 73: the Cabinet Secretary referred to a helpline for people to apply for the baby bundles. We would be grateful for clarification on whether eligible individuals will be automatically registered for the scheme via their midwife.

Midwives will complete a registration form with eligible women during their antenatal appointment at around 25 weeks of pregnancy, should they wish to receive a Baby Bundle. Once completed, the midwife will post the form, which registers the family for their Baby Bundle.

If a new parent lives in an eligible area in Wales and missed registration at the 25-week appointment for a legitimate reason, their midwife can still register them until the baby is four months old. Parents in this situation should contact their midwife to discuss registration.

A helpline has been set up to support families and professionals with queries about the Baby Bundles, for example if any contents are missing, the box is damaged, or the Bundle needs to be cancelled.

Paragraph 106 Outline of specific funding allocated for implementation of the Disabled Rights Action Plan.

Responsibility for implementing the actions within the Disabled People's Rights Plan lies with every policy area across government. Each department is expected to both fund and deliver the actions relevant to their remit, drawing upon their own budgets to do so. This approach ensures ownership and accountability at every level.

Equity for disabled people is not the sole concern of any single department; rather, it is a shared responsibility that requires a collective commitment. All policy areas must work together to embed inclusion and equity, ensuring that disability equity considerations are integrated throughout government and are never treated in isolation.

Significant financial commitments have already been outlined across government, demonstrating a clear intention to improve outcomes for disabled people. These commitments are designed to support the delivery and success of the Plan, ensuring progress is made towards greater equality and inclusion for disabled people in Wales.

(Paragraphs 109 – 111) Confirmation of when the equalities legal service will be operational.

We expect the service to start operating from the beginning of April 2026. We will work with lead organisations to develop the delivery model for the service requirements, and review and assess its effectiveness regularly, based on monitoring data to be collected.

**Paragraph 134 and 135: the Cab Sec agreed to provide more detail on any funding for children and specialist services for children in the context of the VAWDASV budget.**

The Welsh Government recognises that children affected by Violence Against Women, Domestic Abuse and Sexual Violence (VAWDASV) experience significant trauma and require specialist support. Some services and support for children affected by VAWDASV are provided through our core grant funding to regions and our funding to VAWDASV specialist third sector organisations. This will complement activities from other Government departments including Social Services, Education, and Health.

Within the VAWDASV budget, I provide funding for specialist VAWDASV third sector organisations to deliver some services across Wales. Funding for these organisations include specific work for children and young people, for example child keyworkers, groups for children at risk of Child Sexual Exploitation and Child Independent Domestic Violence Advisors (CHIDVAS).

In 2025-26 I have provided £4m funding to the six VAWDASV regions. It is for each of the regions to determine how to spend their allocation based on their own needs and delivery of their regional strategic objectives. This will vary from year to year. Examples from regions include:

North Wales are funding a Children and Young Persons Sexual Violence Adviser within the Sexual Assault Referral Centre (SARC). They are also funding Children and Young People workers and leaders in Gorwel, DASU and Clwyd Alyn Women's Aid.

Gwent are funding down-stream Children and Young People Prevention Work.

Cwm Taf Morgannwg are funding a Rhondda Cynon Taff Domestic Abuse Service Children and Young People refuge worker and the Cwm Taf Morgannwg Children and Young People Services and a specialist sexual violence counsellor through New Pathways Assia Project.

Some regions also fund Children and Young People Sexual Violence Advisers (CYPSVAs) or Children's Independent Sexual Violence Advisers (CHISVA) who are



specially trained Independent Sexual Violence Advisers (ISVAs) that support children and young people who have experienced sexual assault.

In addition, some regions fund specialist services such as counselling, play therapy, and advocacy for children exposed to domestic abuse.

The VAWDASV budget also contributed to the Stori Wales - Spectrum Schools Project which works with schools to promote and understand healthy relationships through their Relationships and Sex Education (RSE) curriculum.

We also fund a specific programme in Gwent/Dyfed Powys run by New Pathways for children who have experienced sexual abuse and who are displaying harmful or problematic sexual behaviour.

I recently announced £2.4 million Welsh Government investment to support survivors of sexual violence in accessing specialist counselling and emotional support more quickly. Funding will go to New Pathways, Stepping Stones, Rape and Sexual Abuse Support Centre North Wales and Cyfannol Women's Aid. The additional support will allow these organisations to offer more appointments, recruit specialist counsellors and provide timely, trauma-informed care for survivors (including children) across Wales.

We fund the Live Fear Free helpline which offers confidential information, advice and support around violence against women, domestic abuse and sexual violence. The helpline is for anybody of any age or gender, whether someone is concerned about themselves, or someone they know, and whether the abuse or violence is happening now, or in the past, and covers domestic and stranger abuse. Helpline advocates can triage an individual's needs and signpost or refer to specialists to continue support in the way that is most appropriate.

We have commissioned research to look at the data landscape for VAWDASV in Wales to help us identify and address any key gaps in data, including for specific groups such as children and young people. We also intend to undertake a mapping exercise across Wales in 2026 in collaboration with existing service providers to understand what is currently available to children across Wales and identifying any gaps in existing provision.

Paragraph 121: the Cabinet Secretary stated that there had been an increase in funding for community cohesion coordinator of 25% to £1.6 million for this financial year. We would welcome clarification on how the 25% figure was arrived at.

In 2024-25 the budget for the Community Cohesion Programme (including small grants) was £1.28m. In 2025-26, that budget was increased to £1.6m - an increase of 25%.

Paragraph 128-129 the Cabinet Secretary agreed to provide more detail on what happened to the £0.7 million originally allocated to the welcome tickets scheme.

The decision not to proceed with the Welcome Ticket was made in late October. We are now exploring options for how best to re-allocate or re-purpose this budget so that it delivers on our government commitments.

We will be responding to the Committee's recent letter seeking further details about the Welcome Ticket.

Paragraphs 152 – 167: the Cabinet Secretary agreed to provide further clarity on the breakdown of the 236 pitches figure including the proportion that are complete; in development and proposed. The Committee would also appreciate an exact geographical breakdown if possible including the names of any local authorities that have not yet submitted proposals for a pitch as required under the Housing (Wales) Act 2014.

There are currently 424 pitches and 26 sites across 16 Local Authorities in Wales.

The 229 new pitches figure is made up of number of new pitches in development with planning permission (35) and the number of new pitches that Local Authorities have informed Welsh Government they intend to apply for future funding for with no current planning permission (194). This figure is not final; it represents an estimate of future potential projects only.

Since 2022-23, there have been no new pitches but funding is currently approved for five new pitches. Breakdown in the table below per LA.

Breakdown of local authority run Gypsy Traveller Sites across Wales*			
Local Authority	Number of current sites (and pitches) as at 2nd December 2025	Number of new pitches in development with planning permission	Number of future intentions of new pitches no current planning permission
Blaenau Gwent	1site (19 pitches)	0	20
Bridgend	0	0	0
Caerphilly	0	0	0
Cardiff	2 (80 pitches)	4	80
Carmarthenshire	1(15 pitches)	0	4
Ceredigion	0	0	0
Conwy	1(4 pitches)	1	1
Denbighshire	1(4 temporary pitches)	0	4
Flintshire	1(20 pitches)	0	6 (transit)
Gwynedd	1(12 pitches)	0	19
Merthyr Tydfil	1(24 pitches)	0	0
Monmouthshire	0	0	7
Neath Port Talbot	2(67 pitches)	0	0
Newport	1(3 pitches)	6	0
Pembrokeshire	5 (74 pitches)	0	20
Powys	3(31pitches)	0	12
Rhondda Cynon Taf	1(6 pitches)	0	9
Swansea	2(16 pitches)	24	0
Torfaen	2(34 pitches)	0	0
Vale of Glamorgan	0	0	0
Wrexham	1(15 pitches)	0	2

Ynys Mon	0	0	10 (Negotiated Stopping Place)
Total	26 sites (424 pitches)	35	194