

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

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Response from: K UYg7ci bV] Zcf J c`i bHf m5V]cb (WCVA)

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# Welsh Government Draft Budget 2026-27

## 1. What, in your opinion, has been the impact of the Welsh Government's 2025-2026 Budget?

While recognising that the 25-26 Welsh Government budget was an improvement on previous years, it remains some way short of delivering the transformational change needed to work towards sustainable, long-term goals. The voluntary sector held high hopes for the budget, especially given the larger settlement promised by UK Government. We expected to see more money set aside for prevention, longer-term public contracts and grants, and more resource put into enablers for partnership and collaboration with our sector. Unfortunately, we did not observe such transformational change in the past year. Despite [six Senedd committees backing our Employer National Insurance Contributions \(NICs\) concerns](#), no mitigating measures for the sector were introduced in Welsh Government's budget either. There was no substantial improvement in the commissioning practices or funding availability for voluntary sector services offered by public bodies. The living standards of the people and communities our sector supports have remained stagnant, or declined, and the health of the voluntary sector is in a similar place.

We have come to understand the Cabinet Secretary for Finance and Welsh Language intends to propose a near identical budget (alongside inflationary increases) this year and this naturally causes frustration for the voluntary sector. However, the prospect of a budget deadlock, which would trigger

Section 127 of the Government of Wales Act, and the instability that would bring, is a bigger worry for voluntary organisations already operating in a very difficult environment.

## **7. Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?**

Joseph Rowntree Foundation's recently published a [comprehensive report](#) on poverty in Wales. Their research confirmed that poverty rates have been fluctuating between 21-22% over the past 20 years. This indicates that interventions across all levels of government have not been sufficient to reverse the trend and are, at best, only slowing the growth of poverty among the general population. However, the report also revealed that the rates of deep poverty in Wales have risen from 33% in 1994-97 to 47% in 2020-23. The rising rate of people who find themselves entrenched in poverty is deeply alarming. This finding is consistent with the reports we receive from charities telling us service users are presenting with much more complex needs and deep rooted difficulties to navigate and deal with the challenges they are facing.

The issue of entrenched poverty should also be considered through an intersectional lens – the people most likely to live in deep poverty are often the ones facing multiple other difficulties. The rate of disabled people experiencing poverty in Wales is 32%, 1/3 higher than average. The disparity is even more pronounced among working-age adults, with 37% of disabled working-age adults living in poverty, almost double the rate of their non-disabled counterparts. The recent changes of the eligibility criteria for Personal Independence Payments (PIPs) and the health-related elements of Universal Credit (UC) put even more disabled people at risk of poverty and deep poverty. These decisions fall outside of Welsh Government's remit, but their impact should be taken into account as part of Welsh Government's strategy to reduce poverty rates in Wales.

Voluntary organisations provide a plethora of general, but even more crucially, tailored services for disabled people – from foodbanks ([81% of food bank users in Wales are disabled](#)) to employability support. Unfortunately, the cost of living crisis and insufficient funding has started to cut this lifeline. Within the last year, [Leonard Cheshire stopped operating in Wales, Cymryd Rhan](#) (after handing back contracts to local authorities which no longer

covered the costs of delivery). Follow [Your Dreams, Vale People First and Powys People First](#) also closed their doors. Anheddau, the largest not-for-profit support provider for people with a learning disability in North Wales, [warned](#) back in July that they are at risk of closure following the rise in Employer National Insurance Contributions (NICs) and the Real Living Wage. As of [September 2025](#), they are facing a £400,000 shortfall due to these increases, an 11% deficit. CEO Claire Higgins shared if they do not receive at least 8.8% uplift of their local authority contracts, they will begin a redundancy consultation with their staff in October.

**9. Is the Welsh Government's approach to preventative spending represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).**

Last year's budget continued the worrying trend we have observed in the past few years with less references to prevention in the budget narrative. There is also a lack of clarity on how much is spent on prevention in the overall budget and within individual ministerial portfolios. This risk undermining the long-term success of the Wellbeing of Future Generations Act, adding costs to acute services, and holding back Wales' ambitions of being a [Marmot nation](#).

We feel there is no clear direction from Welsh Government for public bodies to prioritise investing in prevention. Where guidance exists, this is not applied consistently across commissioning bodies.

Voluntary organisations continue to struggle accessing prevention-focussed public funding. Heidi Bennett, CEO of BAVO (Bridgend Association of Voluntary Organisations), summarised the issue, which has been echoed by other infrastructure bodies receiving feedback from their members:

*"20% of the RIF [Regional Integration Fund] is intended to be ring-fenced for voluntary sector providers. However, (...) ring-fenced amounts are sometimes interpreted as a maximum rather than a minimum level of funding."*

We would also like to call for greater clarity over the definition of prevention and how money earmarked for prevention should be used. For example, within health, we would like to see an approach that focuses on preventing ill-health rather than simply reducing service use. The latter opens the door

for measures that may reduce pressure on public services temporarily, but do not benefit people long-term and would lead to more costly interventions down the line.

We would like to see a long-term, well-funded and sustainable approach to prevention, co-produced with the voluntary sector and resulting in clear guidance to public bodies for joint working with voluntary organisations.

#### **10. How should the Welsh Government explain its funding decisions, including how its spending contributes to addressing policy issues?**

We welcome the early announcement of a clear and detailed timeline for budget scrutiny this year. Given Welsh Government's intention to table a very similar budget to last year, we believe this presents an excellent opportunity for cabinet secretaries to publish the details on how they intend to spend within their portfolio at the same time as the draft budget.

Documentation on expenditure both across and within Main Expenditure Groups (MEGs) should link decision making to the policy issues allocations are meant to address. This is true both for the areas selected to receive more funding and those being deprioritised. It would be very helpful to see a narrative explanation of the impact assessments undertaken when a policy issue is deprioritised for funding and how that compares to the expected benefit of investing elsewhere.

#### **11. How can the documentation provided by the Welsh Government alongside its Draft Budget be improved?**

We welcome the improvements made to the Budget Explainer document. The brevity and inclusion of graphics make the document accessible to a broader audience. Similar helpful documents could be produced for spending allocations within each MEG.

We would echo our recommendation from last year:

The Budget Expenditure Lines (BEL) tables should have a consistent use of language and approach over the years to allow for easier tracking of budget lines outside of Government. We would also welcome a more consistent

approach to the MEG documents, ensuring uniformity in how data is presented across departments.

**12. How should the Welsh Government prioritise its resources to tackle NHS waiting lists for planned and non-urgent NHS treatments. Do you think the Welsh Government has a robust plan to address this issue?**

This is a multifaceted issue which requires close collaboration between all public institutions in Wales, proper resourcing and a clear direction from Welsh Government.

One area where we have observed inefficiencies is within the practice of commissioning voluntary sector services, such as hospital-to-home support. Hospital-to-home support services have been in place for over 20 years and despite their vital role in freeing hospital beds, they continue to be commissioned on an annual basis, with the contracts often not covering the true cost of delivery. This makes it difficult for voluntary organisations to recruit and retain trained staff. Charities' and public sector resources are wasted on annual tendering, renewal and re-application processes. We believe a robust plan for addressing this issue should include sufficient resourcing for commissioned services and Welsh Government's clear direction to offer long-term contracts, wherever possible.

This view is further reinforced by Local Government and Housing Committee, as a recommendation in their [September 2025 report](#):

*Recommendation 13. The Welsh Government should work with local authorities, local health boards and the third sector to establish a strategic approach to hospital to home services. This should include exploring how to improve commissioning, with longer-term funding for proven hospital to home services, and how it can reduce waiting lists for the Disabled Facilities Grant*

**14. Has there been adequate investment from the Welsh Government in basic public sector infrastructure.**

Although the Welsh Government provided some much welcomed uplifts in its 2025-2026 budget, this has not been sufficient to make up for the many years

of public sector infrastructure budgets not keeping pace with service demand. This impacts the voluntary sector in two ways:

- more people who are unable to access public services turn to voluntary organisations for help (and their needs are becoming increasingly more complex)
- public contracts are often short-term and do not cover the true cost of service delivery (therefore voluntary organisations struggle to recruit and retain staff, even when they subsidise public contracts with reserves and charitable donations)

Adequate, strategic investment in public sector infrastructure is paramount. This should be informed by a long-term, prevention-based approach and a strong direction for the full implementation of the [Code of Practice for Funding the Third Sector](#) across all public bodies. Rhiannon Denning, Director of Advocacy Support Cymru, shared accounts of community advocacy contracts which have not been uplifted since 2008. She further stated this has pushed the non-profit advocacy sector to advertise roles starting at just above minimum wage, whereas Welsh Government advertises equivalent public sector roles through Llais that can pay up to £14000 more a year. The lack of adequate investment in public sector infrastructure has resulted in public bodies putting nearly all their focus on dealing with acute service demand and leaves little room for proper investment in prevention.

#### **16. How is evidence and data driving Welsh Government priority-setting and budget allocations, and is this approach clear?**

The contextual evidence provided through the draft budget supporting documents, including the SIIA summary and Chief Economist's report, does provide a good overview of considerations at the strategic level (allocation to Main Expenditure Groups). The data and evidence used to inform portfolio level decisions (allocation within Main Expenditure Groups) is not as readily available and the amount of information differs across the MEGs. The approach to allocations within MEGs can be made clearer by including more data and evidence in individual cabinet secretaries' reports and setting out a template with a minimum standard requirement for the data provided.

#### **17. Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a**



## **consequence of the cost of living crisis and additional costs following increases to National Insurance Contributions, sufficient?**

The support provided to the voluntary sector has not been sufficient overall. This is evident in Charity Commission for England and Wales data, which shows 50% increase in charity mergers and 7% increase of closures in Wales between September 2024 and August 2025. This data excludes the service reductions and withdrawals of large England and Wales charities which have reduced or ceased their operation in Wales entirely in the past year. While not all mergers happen for a financial reason, we know this has been the driving factor in at least some of them. Closures and mergers data is only one of the many indicators used to assess the health of the voluntary sector. The Charity Commission has drawn on a much larger range of data and intelligence across England and Wales to produce their September 2025 [Charity Sector Risk Assessment report](#), which explicitly identifies financial resilience among the serious risks facing charities.

As mentioned elsewhere in this response, the disability sub-sector has been hit particularly hard with multiple key charities closing their doors, while other have made redundancies, reduced or withdrawn their services in Wales. [Cymrhud Rhan](#)'s closure is a particularly striking example – a charity with a 40-year history closed after handing back public contracts it could no longer subsidise through its reserves. North Wales-based [Anheddau](#) is looking at a £400,000 shortfall due to the rises in the Real Living Wage and Employer National Insurance Contributions. If they don't receive at least 8.8% increase of the funding they receive from local authorities, CEO Claire Higgins warned they will be forced to launch a redundancy consultation in October.

Closures and mergers have also impacted other sub-sectors, including Violence Against Women, Domestic Abuse and Sexual Violence (VAWDASV). In May, Cardiff Women's Aid merged with Llamau, [citing rising costs which had left Women's Aid 'extremely fragile'](#) ). A few weeks ago youth development and environmental education sailing [charity Challenge Wales closed its doors after 16 years of operation](#).

Third Sector Support Wales (TSSW) continues to receive a high volume of calls from voluntary organisations in need of advice. Up to 12 September 2025, TSSW staff have spent over 19,000 hours providing support to voluntary sector organisations, spending 50 minutes per case on average.



In November 2024, 38% of voluntary organisations told us if nothing about their financial situation changes, they will have to [start considering major steps, including closure in six months to a year](#). Ten months later, it is evident that the financial outlook for many has significantly deteriorated, with alarming rates of redundancies, mergers, and closures across the sector. WCVA will conduct a state-of-the-sector survey in October and supply the Committee with updated data in November 2025.

Voluntary organisations across Wales are fighting for survival. The prospect of a near identical budget with a modest inflationary increase does not give charity leaders confidence. Without money being set aside for the voluntary sector and clear guidance for public bodies for fair commissioning practices, the bleak trajectory of closures is likely to continue into the new year.

We are calling on the Welsh Government to safeguard the voluntary sector in its upcoming budget by issuing a clear directive for all public funders to offer grants and contracts that cover the true cost of service delivery.

In the long term, we want to see fundamental change in how the voluntary sector is funded, using the [Code of Practice for Funding the Third Sector](#) as footing, with multi-year grants and contracts which support partnership working and a strong preventative agenda.

**18. What are the key opportunities for the Welsh Government to invest in supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations (Wales) Act 2015?**

Working in partnership with the voluntary sector is a key opportunity to better deliver against the well-being goals in the Act.

In an [evidence session with the Equality and Social Justice Committee](#) earlier this year, voluntary sector representatives highlighted several areas for improvement for Welsh Government and the wider public sector.

Jessica Bickerton, CEO of Pembrokeshire Association of Voluntary Services (PAVS), discussed how the short-term nature of funding is undermining important preventive work the voluntary sector is involved in. Heidi Bennet,

CEO of BAVO (Bridgend Association of Voluntary Organisations) also shared that money ring-fenced for prevention is often hard to track, and its impact difficult to assess.

Fully embedding the [Code of Practice for Funding the Third Sector](#) into decision-making processes across public bodies would promote closer cross-sectoral collaboration and enable voluntary organisation to support the public sector in delivering against the goals of the Act.