



Written response by the Welsh Government to the report of the Equality and Social Justice Committee on the 2025-26 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 2025-26.

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

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1. Introduction

The Welsh Government Draft Budget for 2025-26 was published on 10 December 2024. It set out revenue and capital spending plans for the period April 2025 to March 2026.

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 2025-26. 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 13 January 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 2025-26** on 3 February. We thank the Committee for the report.

The Welsh Government has considered the Committee's report and responds to the eight recommendation and five 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

The Welsh Government's commitment is that their interventions will aim to reduce inequalities. The Welsh Government should now set out in detail:

how it reconciles the evidence from the distributional analysis regarding the beneficial impact on the poorest 20 to 40% of the population with the Finance Secretary's comments that it will benefit the poorest 20% the most.

how the budget prioritises the poorest 20%, the outcomes expected and how it will measure their impact to ensure it meets expectations.

Response: Accept in principle

In December, the Welsh Government published an analysis of the distributional impact of devolved resource public spending in Wales, building on previous similar analyses. This showed that devolved resource spending is generally progressive across the income distribution, but with some variation across the different areas of spending.

The main purpose of this analysis is to show broad patterns rather than precise estimates in order to provide a backdrop to strategic thinking about broader spending priorities. It is less well suited to certain types of spending policy or programme, for example, those that focus on preventative spending or target certain groups or geographical areas.

In the draft budget debate, the Cabinet Secretary for Finance and the Welsh Language said that this is a budget that increases spending most of all on the 20% of our population that has the least. This reflects the prioritisation adopted by this government in this current budget round compared to previous years.

For example, a key priority in the budget was Health, which received an additional £435m of resource funding. Health is estimated to be progressive with respect to income and benefitting the bottom quartile the most, which is reflected in the distributional analysis. Another example would be spending on bus services, where an additional £9m was invested.

One challenge when considering the figures is that, while school resource spending is found to be progressive with respect to income, with spending per person 15% higher than average in the lowest income quintile, it is 46% higher than average in the second quintile. This is because on average this quintile has, more children of school age.

This reflects a broader limitation with the methodology of the analysis, as it will often track the total number of people benefitting from an intervention, rather than the intended progressiveness of financial allocations.

3. Recommendation 2

The Welsh Government should set out:

its estimate of the additional direct cost to the voluntary sector in Wales arising from the changes to employers' National Insurance Contributions;

how it expects the increase in funding for the voluntary sector will help them manage the financial impact of the rise in national insurance contributions and;

what plans it has to develop a sustainable multi-year funding model that increases the financial resilience of third sector organisations

Response: Accept in Principle

National Insurance is a reserved matter for the UK Government. We recognise third sector organisations are concerned about increases to employers' NICs... We are continuing to work with Third Sector Support Wales to collect data from organisations and understand the impact.

Across my portfolio I have increased budget lines by 3% - this uplift is in line with the 3% uplift provided to commissioners and sponsored bodies

The Welsh Government Grant Centre of Excellence has introduced a longer duration of funding and benchmarking process, to facilitate longer funding/multi-year funding where appropriate. This was in recognition of concern, particularly from the third sector, that grants would sometimes, or often, be awarded on a one-year basis. We are able to offer competitively funded grants over a longer duration and adopt benchmarking in the award process, provided there is a thorough review of performance and delivery against outcomes. This new approach was launched on 1st April 2022 and has recently been re-endorsed by the First Minister. To strengthen this further, Cabinet recently agreed a revised Funding Code of Practice for the Third Sector. Within the revised Code's five principles, the 'Appropriate Funding' principle recognises the importance of using longer-term funding agreements, where appropriate, as it can reduce administrative burdens

and help funded bodies provide a better service. Importantly, longer contracts can also allow for more effective planning and facilitate organisations in offering longer-term contracts to staff, helping to recruit and retain expertise and enabling a greater degree of stability. The Code will be launched later this year and will apply to Welsh Government funding departments.

4. Recommendation 3

The Welsh Government should set out in detail:

how it will ensure that the increase in funding for VAWDASV will directly enhance the availability, accessibility and quality of frontline support services;

how it intends to develop a sustainable funding model that ensures services are adequately resourced to meet the needs of victims and survivors across Wales; and,

what budget will be available to support children affected by VAWDASV.

Response: Accept

We have increased our VAWDASV Capital Funding grant for 2025-26. This will enable more organisations to receive funding to: improve the buildings and environments within which services are delivered; provide additional preventative safety equipment for survivors; and provide more dispersed refuge space for those in need of support.

Our increase in revenue support to the specialist sector organisations we directly fund will enable them to ensure they can continue to provide the vital frontline services needed to tackle VAWDASV. Our revenue and capital funding is guided by the delivery of our [VAWDASV National Strategy 2022-2026](#) and Objective 6 which is to provide all victims with equal access to appropriately resourced, high quality, needs-led, strength-based, inter-sectional and responsive services across Wales.

Through the VAWDASV Blueprint one of the workstreams is looking at sustainable commissioning and taking a whole system approach. We are reviewing existing practice to understand the current landscape for the implementation of existing guidance and delivery against statutory responsibilities under the Violence Against Women, Domestic Abuse and Sexual Violence Act (2015). As part of this work we will develop a National Framework of Standards which will provide guidance on the requirements for good service delivery, set out minimum service levels, and articulate clear expectations for commissioning partners to commit to these Standards.

We will be reviewing the way that we allocate our Revenue funding over the next year to ensure we have in place a funding system that can be clearly monitored and evaluated and that allows for innovation and sustainability, working towards a model of multi-year funding. This will be done in the context of a longer duration of funding and benchmarking process highlighted in our response to Recommendation 2 above.

We do not have a designated budget for children affected by VAWDASV,. We have a specific workstream within the VAWDASV Blueprint that focusses on Children and Young People. We are working with Spectrum to deliver Healthy Relationships lessons in schools across Wales as part of the Relationships and Sex Education curriculum. We also support a pilot run by New Pathways which supports child victims of sexual abuse who present with problematic or harmful sexual violence to receive extended periods of counselling. In line with the public health approach to tackling gender-based violence it is recognised support for children affected by VAWDASV must involve Health, Social Services and Education.

5. Recommendation 4

The Welsh Government should agree a mechanism through which the eligibility thresholds and cash value of all Welsh benefits increase in line with inflation each year.

Response: Reject

This is an interesting proposal from the Committee and we are committed to working across the Welsh Government to ensure more alignment of decisions regarding Welsh Benefits which fall within the responsibility of a number of Ministers. Our preferred approach is to fully allocate available funding to respective Ministers to enable Cabinet colleagues to take decisions regarding respective thresholds, as far as possible. Individual cabinet secretaries and Ministers prioritise funding in order to maximise ministerial priorities aligning with overall Welsh Government policy and budgetary priorities and capacity as they understand best how to allocate their budgets.

6. Recommendation 5

The Welsh Government should undertake a rapid review of the Discretionary Assistance Fund, to ensure it continues to meet the needs of those who need it. The review should be completed in time to inform the 2026- 27 draft budget, and no later than December 2025.

Response: Accept

The Welsh Government regularly reviews the operation of the Discretionary Assistance Fund (DAF) from an operational and budget perspective to ensure it continues to meet the needs of those who need it.

On 22 January 2025 Welsh Government published the second retrospective annual review of the DAF (the first was published in October 2023 - [Discretionary Assistance Fund: Analysis report](#)). This report, focusing on activity in 2023-24, had two main aims: to analyse DAF recipients in terms of their age, and to examine any patterns in DAF awards linked to specific economic indicators. The findings of this latest analysis demonstrated that DAF payments do reflect those areas of most deprivation in Wales and that there are differences in DAF application patterns according to age cohort. A report will be prepared during 2025-26 to cover the period 2024-25.

In addition updates on the DAF are published quarterly - [Discretionary assistance fund: July to September 2024 | GOV.WALES](#)

The Welsh Government also consults regularly with key stakeholders and on-the- ground organisations working with those who are in need of the DAF – through regular meetings and deep dive events to ensure continued understanding of the criteria of the DAF. During 24-25, for example, this work has contributed to making material changes to the DAF including increases in the amounts available for off-grid fuel and amendments to the Individual Assistance Payment (IAP) element of the DAF to ensure products provided align more closely to changing applicant needs.

The DAF contract also includes a fully funded DAF Partnership Manager post within the contracted provider. This post is responsible for regular and detailed engagement with the network of over 800 registered DAF partner organisations throughout Wales. These organisations include local authorities, the voluntary and third sector.

7. Recommendation 6

Current levels of funding to tackle fuel poverty are insufficient, given the scale of the challenge. Should the Welsh Government have in-year surpluses, redirecting these funds towards tackling fuel poverty should be a top priority

Response: Accept in principle

The Warm Homes Programme, which is part of the Housing and Local Government portfolio, has been given a 7% allocation uplift in the Draft Budget 2025-26. It is important that the budget reflects what we are able to deliver, which is partly dependent on contractor capacity in Wales to deliver the programme to the PAS2035 industry standard. This standard ensures we are not facing the same issues of poor workmanship that the UK Government is encountering in their ECO and GBIS schemes.

Warm Homes Nest has provided an incentive to contractors to upskill their workforce to be accredited to PAS2035 standard. This is gaining real momentum, but it cannot happen overnight. This inevitably impacts on how many deep retrofit measures we can deliver in the earlier part of the scheme.

Tackling fuel poverty is a key commitment of Welsh Government and if we find we can exceed expected numbers in 2025-26 financial year, we will do as we have with the previous scheme and utilise any unspent funding from other areas.

Delivering Net Zero, however, is also a key Welsh Government commitment, and Warm Homes Nest has a role in this, but we must take householders with us on that journey. It is important, therefore, that householders understand that they will be offered energy-efficient measures that are unlikely to include a new fossil fuel boiler.

We are also tackling fuel poverty through funding support for the Fuel Bank Foundation. Just over £500,000 has been allocated to support the Fuel Bank Foundation to continue to provide support to eligible households that pre-pay for their fuel and are at risk of disconnection. This includes the provision of fuel vouchers for homes with prepayment meters and deliveries of oil or gas for those not connected to the mains gas network. This demand led scheme will be monitored throughout the year and as with previous years should any underspends become available, and subject to demand, support for those in fuel crisis will be prioritised.

8. Recommendation 7

The Welsh Government should ensure that the welcome increase in approved applications by local authorities for Gypsy and Traveller sites is now translated into reality with new sites opened within the 2025-26 financial year.

Response: Accept in principle

Welsh Government has welcomed the increase in applications to the Sites Capital grant funding. In 2024-25 we received 43 applications from 14 local authorities. 40 applications have been approved, totalling £2,273,810. None of these applications concerned new pitches. Approved applications included funding for upgrading electric meters, replacing shower utility blocks, new children's play areas, digital inclusion improvements and capital improvements like fencing, tarmacking and barrier access.

We will do everything we can to incentivise bids directly addressing the need for new pitches and we will prioritise consideration of new pitches applications. However, unless suitable applications for new sites are received, we cannot ensure new sites will be opened in 2025-26. To encourage local authorities to increase numbers of Gypsy and Traveller sites and pitches, we have already widened the Sites Capital grant funding criteria to include land acquisition. For the 2025-26 Sites Capital grant funding, we will be prioritising applications for new pitches over funding for refurbishments which can often occur as a result of the lack of investment in routine maintenance of these sites. Nevertheless, it is ultimately for local authorities to determine the provision for which they seek funding, and we cannot guarantee local authorities will obtain the necessary planning permission to bid for capital funding for new pitches or sites for 2025-26.

9. Recommendation 8

The Welsh Government should work with the UK Government to publish a detailed implementation plan for the Women's Residential Centre in Swansea, including timelines, funding commitments, and commissioning arrangements, ensuring the centre is operational by August 2025.

Response: Reject

We work closely with the UK Government on women's justice issues, including on the Women's Justice Blueprint, and will be closely involved in the planning and implementation of the Women's Residential Centre. However, the UK Government is responsible for the Centre, including timelines, funding commitments and commissioning arrangements. As a result, the Welsh Government is not in a position to accept the recommendation on that basis.

We have made the UK Government aware of this recommendation, who have re-confirmed their commitment to alternatives to custody for women, including through residential centres. This is being taken forward through the Women's Justice Board announced by the Lord Chancellor last year.

10. Conclusion 1

We regret the delays and fully expect to see the outcome of the review of the SIIA as soon as possible and no later than by the end of July 2025. If the Government is unable to provide this, it should set out the reasons why not.

The Strategic Integrated Impact Assessment is an important dimension to our budget process which takes both a strategic and integrated approach to how we assess budget impacts in line with statutory and wider responsibilities on considering impacts of budget decisions. It aims to maximise the impacts of the funding we have available, while appropriately mitigating unintended and negative impacts.

We are currently undertaking a review of the SIIA, the first review since its introduction in 2015-16, to ensure it remains fit for purpose and consider where improvements might be made in the future. We anticipate the review will conclude in 2025.

11. Conclusion 2

We urge the Welsh Government to confirm what representations they have made to the UK Government in relation to the benefits system, namely the end of universal Winter Fuel Payments for older people and the continuation of the two-child benefits cap. We call on the Cabinet Secretary to provide details of those representations and the responses received ahead of the debate on the Final Budget.

We have positive and productive inter-governmental relations with the UK Government on our shared ambition of tackling poverty. Through engagement with the UK Government's Ministerial Child Poverty Taskforce, we are ensuring the experience of families in Wales are considered in the work to examine and tackle the root causes of child poverty. As part of this engagement, we have raised the issue of the two-child limit and wider welfare reform with the UK Government.

Since the announcement regarding changes to Winter Fuel Payment last year we have been in correspondence with the DWP Secretary of State on a number of occasions to ensure the Welsh and UK Governments collaborate on the work that aims to help older people to claim Pension Credit.

12. Conclusion 3

We look forward to the Welsh Government providing a detailed breakdown of cross-departmental funding streams that resource the Anti-racist Wales Action Plan and would also like to be provided with these details in relation to the implementation of the forthcoming Disability Rights Action Plan. This information should be provided in future draft budgets for all other equality plans.

Due to the cross-cutting nature of these plans it is not possible to provide a detailed breakdown of cross-departmental funding streams – we are working towards the mainstreaming of equality within the Welsh Government’s policy. This includes areas where equality is not the primary purpose of a particular source of funding but nonetheless an integral part of that funding, amongst other policy outcomes, is supporting action to address inequality. On that basis it would not be possible to provide this information in future draft budgets.

13. Conclusion 4

We urge the Welsh Government to set out a clear timetable for the implementation of the successor to the Welcome Ticket scheme and expect to see further action taken to ensure Free School Meals are truly universal, including to pupils in families with No Recourse to Public Funds.

We continue to work hard to identify ways of accessing data that is crucial to delivery of Phase II of the Welcome Ticket scheme. We need to establish an effective means of verifying the identity of applicants whilst creating a financially sustainable scheme. Although we have a preferred way forward, this relies upon data sharing from the Home Office or their contracted providers and these conversations are taking time. Without arranging a data sharing model, the scheme would be too costly to administer or too vulnerable to fraudulent applications. We are working with key stakeholders to launch Phase II as soon as possible, but we are not currently able to provide a firm timescale.

Free School Meals are available to all primary aged pupils, regardless of the immigration status of children or parents. In secondary school, Free School Meals are available to pupils from families receiving support under the Immigration and Asylum Act 1999. For those whose asylum applications have been refused, or otherwise have No Recourse to Public Funds, local authorities have discretion to provide Free School Meals.

In November 2024, we wrote to local authorities to remind them of the vital role they play in meeting our shared commitment of tackling child hunger. We asked them to consider how they can use their discretion to not charge for a meal in secondary school. We are exploring this issue further to consider if any barriers persist which prevent consistent use of discretionary powers.

14. Conclusion 5

The Welsh Government should now prioritise its work to assess the impact of reduced investment in PCSOs on community safety particularly tackling hate crime. As previously agreed, the Welsh Government must complete its evaluation of the role of Welsh Government funded PCSOs and provide a copy of the evaluation to this Committee upon completion.

Work is continuing on a review of the role of PCSOs in Wales, including through workshop activity with PCSOs and other policing staff to understand their contributions and experiences. The report will be shared with the Committee once completed. The review will be relatively light touch, and as confirmed in the Draft Budget we intend to build on it through further research activity in 2025-26. We are beginning scoping conversations with policing partners to define this research activity in more detail.