

WGDB25-26(6)53 Wales Council for Voluntary Action (WCVA),

Senedd Cymru | Welsh Parliament

Y Pwyllgor Cyllid | Finance Committee

Cyllideb Ddrafft Llywodraeth Cymru 2025-26 | Welsh Government Draft Budget 2025-26

Ymateb gan Cyngor Gweithredu Gwirfodol Cymru (CGGC) | Evidence from Wales Council for Voluntary Action (WCVA)

1. What, in your opinion, has been the impact of the Welsh Government's 2024-2025 Budget?

Please outline your reasons for your answer to question 1 (we would be grateful if you could keep your answer to around 500 words).

Last year we saw a shift away from preventative spending in a Welsh Government budget that contradicted Wellbeing of Future Generation's Act principles. The voluntary sector was hit hard across several key areas of work, undermining organisations tackling some of Wales' biggest challenges. Last year's budget set out an alarming direction of travel where the voluntary sector was expected to deliver and prop-up frontline services without being involved in decision making or having sufficient resources to operate.

Despite strong evidence in favour of multi-year funding and existing Welsh Government guidance, multi-year grants for the sector are still rare. Organisations delivering a variety of annually renewed contracts are therefore ill-prepared to respond to sudden economic shocks. The simultaneous cuts in preventative spending across multiple portfolios left many organisations in a very vulnerable financial position.

While services can be scaled back, to the detriment of the communities they support, rising overhead costs are significantly more difficult to address in this financial environment. This uncertainty, coupled with the impact of inflation, puts substantial pressure on the sector's workforce and staff are leaving in pursuit of more competitive pay and job security. Organisations are dealing with major viability challenges and this is putting all of their activities at risk.

Since January, Third Sector Support Wales has spent 21,628 hours providing support to voluntary organisations. The average time spent on each case is 56 minutes, a 16% increase as compared to the same period in 2023, and 33%

increase as compared to 2022. This increase indicates the complexity of issues organisations are facing.

The lack of consideration for the voluntary sector, as seen in last year's budget, should not be repeated. Funding for the sector and parity of pay for our staff delivering public contracts must be budgeted for across all ministerial portfolios.

2. How financially prepared is your organisation for the 2025-26 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?

Please outline your reasons for your answer to question 2 (we would be grateful if you could keep your answer to around 500 words).

3. What action should the Welsh Government take to:

- help households cope with inflation and cost of living issues;
- address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?

(We would be grateful if you could keep your answer to around 500 words).

4. Have Welsh Government business support policies been effective, given the economic outlook for 2025-26?

(We would be grateful if you could keep your answer to around 500 words).

5. Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

(We would be grateful if you could keep your answer to around 500 words).

We welcome the inclusion of tackling the climate crisis as one of the First Minister's priorities for government. The voluntary sector plays an important role in slowing down climate change, involving communities in developing innovative solutions for nature recovery and supporting a transition to green economy practices.

We have been pleased to see investment from Welsh Government in a number of our environmental workstreams, such as work through Local Nature Partnerships, which includes Local Places for Nature and Coastal Capacity Building Scheme, Landfill Disposals Tax Communities Scheme and National Nature Service Wales. Even though investment in most of these projects has, in practice, been continual through re-applications for funding, none of them have been funded long-term.

Having to develop objectives based on short project lifecycles limits stakeholders' ability to be really ambitious, retain talent, sustain momentum and implement truly long-term strategies.

The National Nature Service for Wales workstream is a great example – initial Welsh Government funding was secured to develop a strategy, but funding for the implementation was delayed. In addition, despite presenting a three-year implementation plan, the partnership working on the new Service was only granted funding for the first year of implementation and this funding came from a charitable foundation rather than being a government investment.

Building a green economy will take time and requires a high level of involvement and commitment from the public, private and voluntary sectors. We want to see Welsh Government's ambitions translated into long-term funding to enable our sector to play our full role in Wales' path to environmental sustainability.

This year we welcomed Welsh Government's commitment to fund a three-year MARINE Fund Cymru Development Manager post. This role is designed to attract funding from private sector developers to be invested in programmes supporting marine and coastal ecosystems across Wales. We see this as a good example of partnership working between Welsh Government and the voluntary sector in order to expand the pool of resources we can draw upon to achieve common environmental objectives.

6. Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively?

(We would be grateful if you could keep your answer to around 500 words).

We would like to see more transparency in how the revenue from Welsh taxes is spent.

7. The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?

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

(We would be grateful if you could keep your answer to around 500 words).

Bevan Foundation's latest Snapshot points to 44% of people in Wales reporting their mental health has been negatively impacted as a result of financial pressures. 29% report a negative impact on their physical health. Financial hardship is not distributed

equally across different groups either. Disabled people whose condition limits them a lot are 70% more likely struggle to afford essentials than people with no health condition. Meanwhile, The Trussell Trust reported a record number of food parcels distributed in Wales during 2023/24 financial year. People living in relative income poverty are struggling to cope and the voluntary sector is playing a key role in supporting them. Last year's budget resulted in funding cuts for disability, housing, and mental health voluntary organisations, among many others. Welsh Government must ensure preventative and support services are adequately funded to support people living in relative income poverty and those most at risk.

How could the budget further address gender inequality in areas such as healthcare, skills and employment?

(We would be grateful if you could keep your answer to around 500 words).

Voluntary organisations, such as Fair Treatment for the Women of Wales (FTWW) and Women's Equality Network (WEN) Wales play a key role in identifying areas for improvement, equipping women with the tools they need to advocate for themselves, driving positive change, and holding decision-makers to account. A quote from a recent Age Cymru report captures typical involvement of women's equality organisations in improving healthcare outcomes for women quite well:

'After I was recently discharged from hospital, had no social care support in place despite being discharged with a care package. After a complaint by Women Connect First, carers started attending but they don't come on time, and I have to keep complaining. No urgent occupational therapy and assessment completed and I had to access support from Women Connect First.'

The closure of Chwarae Teg has significantly diminished our nation's capacity to work towards gender equality, especially in skills and employment. While other women's organisations took on some of the work Chwarae Teg used to do, they received no accompanying funding for this work. As a result, progress in other important workstreams has slowed down to carve out capacity. Welsh Government funding for the gender equality sector has, overall, dramatically decreased since the closure of the charity. Gender equality organisations must be adequately funded to help drive positive change across all sectors.

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).

(We would be grateful if you could keep your answer to around 500 words).

We saw a drastic shift away from preventative spending in last year's resource allocations, resulting in less public funding for the voluntary sector, while the demand for our prevention and support services rose.

Even more alarmingly, where Welsh Government has attempted to commit preventative funding for the voluntary sector, this has not always been cascaded to voluntary organisations in practice. As per the Health and Social Care Regional Integration Fund (RIF) Guidance, each Regional Partnership Board (RPB) is expected to invest a minimum of 20% of their RIF allocation in delivery through social value sector organisations and involve them in the planning and design of the models of care. However, the way in which RPBs have implemented this is varied and inconsistent. We are concerned that the voluntary sector is not universally involved in an early and continuous dialogue about the allocation of resources. Instead of simply putting aside 20% of the allocation for the voluntary sector, the population needs assessments should be used to inform decision-making about resource allocations between health, social services and the voluntary sector. But even with the current model, we are really alarmed to receive reports that the minimum expectation is not met in some regions, with voluntary sector allocations as low as 8% of the overall RIF budget.

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

(We would be grateful if you could keep your answer to around 500 words).

Our longstanding ask of Welsh Government has been to publish the individual cabinet secretaries' responses outlining implications for their portfolios at the same date as the draft budget. Currently, these responses get published in the weeks following the draft budget announcement, which limits stakeholders' ability to scrutinise the budget as it is difficult to understand what the implications would be before we have seen how each cabinet secretary intends to spend within their portfolio. Given UK Government's Autumn Statement was made three weeks earlier than we have seen in the past few years, this year we are expecting a timely publication of cabinet secretary responses clearly demonstrating the criteria and priorities behind budgetary decisions within their portfolios.

How can the documentation provided by the Welsh Government alongside its Draft Budget be improved?

(We would be grateful if you could keep your answer to around 500 words).

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. The discrepancies in how information is being presented make it very difficult for specialist organisations, let alone smaller voluntary groups or the general public, to interpret the data and, therefore, limits our ability to scrutinise it.

We welcome the improvements in the format and presentation of Ministers' written evidence to Senedd scrutiny committees on allocations within each MEG document last year. Welsh Government should continue refining the document, which is still very lengthy at around 400 pages and lacks consistency across MEGs, especially when it comes to linking through to Integrated Impact Assessments (IIAs). Welsh Government should also aim to release the document as close to budget publication day as possible.

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?

(We would be grateful if you could keep your answer to around 500 words).

Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning.

(We would be grateful if you could keep your answer to around 500 words).

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

(We would be grateful if you could keep your answer to around 500 words).

The continuously increasing demand and scope of voluntary sector services reflects the erosion of investment in public sector infrastructure. Voluntary organisations increasingly deliver services previously provided by the public sector or launch services responding to a need created by long waiting lists and other deficiencies in public sector provision. In some instances, the voluntary sector is paid to provide statutory services, but the contracts or grants often do not cover the true cost of delivery and our sector subsidises these services from our own budgets. The shift away from preventative spending in last year's budget is a particular cause of concern for our sector and we have seen the impact of that in increased demand and complexity of support needs for the communities we support. Underfunding of public sector infrastructure also limits public bodies' ability to engage in lasting collaboration and partnership with the voluntary sector. The close collaboration between the voluntary sector and public bodies was instrumental in Wales' response to the Covid-

19 pandemic but we feel subsequent cuts to funding have made it difficult for the two sectors to continue maximising the value of existing investment through joint working.

How should the Budget support young people?

(We would be grateful if you could keep your answer to around 500 words).

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

(We would be grateful if you could keep your answer to around 500 words).

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.

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 the pandemic, sufficient?

(We would be grateful if you could keep your answer to around 500 words).

Voluntary organisations in Wales are dealing with record high service demand, there are substantial challenges with staff and volunteer recruitment and retention, funding from all sources is dwindling, and inflation is squeezing the existing budgets.

Preliminary results from our current state of the sector survey indicate 48% of organisations have less volunteers than they did a year ago and 32% have less full time staff members. Meanwhile, 73% report increased service demand and 53% are not able to meet the current demand for their services fully, or at all.

40% of organisations told us they have received less public funding this year. 50% told us none of the public contracts they deliver cover the true cost of delivery. 40% said none of their public contracts have been uplifted in the past year.

All of these factors have led to charities increasingly relying on reserves – 70% of organisations we surveyed said they have had to use reserves in the past year.

UK Government's 2025-26 budget brought more bad news with the increase of Employer National Insurance Contributions (NICs) leaving 65% of organisations we surveyed very or moderately concerned about their ability to afford the rise. 21% told us they are considering reducing service delivery and 14% said they are considering service closure as a result of the increase of NICs and the new National Living Wage.

We are calling on Welsh Government to carefully consider the circumstances voluntary organisations are in and the impact service reductions and service closures would have on demand for public services, and the state of our natural environment. This impact will fall disproportionately onto the most marginalised communities across Wales. Welsh Government can help prevent this by allocating adequate amounts of funding for the voluntary sector in their 2025-26 budget.

Our survey respondents were asked an open-ended question about their priorities for Welsh Government's budget, two strong themes are emerging:

multi-year core funding for the voluntary sector;

public contract and grant uplifts to account for the increase of Employer NICs and the new National Living Wage;

Other responses we received capture the truly dire situation some voluntary organisations are in:

'[Welsh Government] to ensure service users can afford to live if we are forced to close'

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?

(We would be grateful if you could keep your answer to around 500 words).

Working in partnership with the voluntary sector, including through targeted investment, is a key opportunity to better deliver against the well-being goals in the Wellbeing of Future Generations Act.

We believe both the public and private sectors can learn from the value-driven approach voluntary organisations and social enterprises implement in strategic planning and day-to-day operation. Whether it is the adoption of a triple bottom line framework or practices of co-production, the blueprints of how to drive positive change already exist. Closer partnership with the voluntary sector will facilitate transfer of knowledge and expertise in this area.

Fully embedding the Code of Practice for Funding the Third Sector into decision making processes at all levels would aid Welsh Government in implementing The Five Ways of Working and deliver against the well-being goals.