

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](#).

**WGDB25-26(6)65: Ymateb gan: Comisiynydd Cenedlaethau'r Dyfodol Cymru |
Response from: Future Generations Commissioner for Wales**



Dear Chair,

Please find below my response to your consultation on the Welsh Government Draft Budget 2025-26.

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

Financial Planning

The most frequently referenced barrier to financial planning that I hear about is short-term budgeting. It makes it difficult to plan for the long-term, with organisations unsure if posts will exist in the coming years. With longer term funding, public bodies could commit to projects that require longer-term financial certainty and work towards achieving longer-term outcomes. The current public sector approach to short term budgets is therefore limiting impact at the national, regional and local level.

We have a duty to be thinking long-term under the Well-being of Future Generations (Wales) Act 2015, even within the current context of funding in which we operate. I would urge Welsh Government to look at all the ways in which it could maximise the impact of its budget by taking a longer-term approach. This would complement a more preventative approach too.

The way we assess impacts is often tied into the funding period, rather than prioritising long-term evaluation of public sector activities. Short-term performance measures encourage or force people to look for immediate impact and outcomes.

I would like to see more clearly the alignment of budget decisions to the national indicators and national milestones set by Welsh Government as is done in the Republic of Ireland, for example. I would like Welsh Government to report on how its budget decisions will help achieve each of the seven well-being goals.

Impacts on the implementation of the Future Generations Act

From conversations my team has had with local authorities and national bodies, it is clear that budget cuts are hampering their ability to meet their well-being objectives. As a result, some are considering cutting down on their well-being objectives to focus instead on what they are calling 'core services' or 'what's absolutely necessary'. Some say they are 'focusing on keeping the doors open'.

Furthermore, I have some concerns that such cuts have been made in a way that does not follow the five ways of working.

The Welsh Local Government Association analysis published last week suggests that:

“Councils are facing additional in-year pressures amounting to £238m for 2024-25. In 2025-26 local authorities will face an estimated pressure of £559m to just stand still. In 2026-27 it will be £454m and £464m in 2027-28.”

The accompanying letter concludes:

“Council spending is increasingly having to be focused toward addressing increasing demand for services and rising cost pressures in critical frontline services, leaving fewer and fewer resources available for preventative support. Prevention and early intervention support is vital for helping people maintain independent, healthy lives, improving life chances, preventing homelessness, and avoiding individuals and their families reaching crisis point.”

One of the potential impacts of funding cuts to Natural Resources Wales, for example, is the loss of capacity to co-ordinate Public Services Boards, one of the foundation stones of delivering the Wellbeing of Future Generations Act.

Impacts on the four dimensions of well-being

I am also seeing a range of negative impacts across the four dimensions of well-being. These are detailed below. It is my view that such impacts were foreseeable. The SIIA process could, and should, have picked up on this impact, helping to improve how this is considered. In particular, meaningful use of the five ways of working would ensure better collaboration across those sectors expected to be worst impacted. My office is now working with the Budget Improvement Team in the Treasury to better embed the Future Generations Act into the budget improvement process and supporting the review of the Strategic Integrated Impact Assessment.

Impacts on Environmental Well-being

As I outline further in question 7, the response to the climate and nature emergencies continues to be under-funded. Public bodies have told me that they welcome the funding available for nature through the local places for nature fund and grants for decarbonisation. However, this is not enough to support public bodies to meet the targets that are in place to achieve a nature positive Wales by 2030 and the aspiration for a net zero public sector by 2030. It is clear to me that any targets we are setting for ourselves must be backed up with clear plans, appropriate metrics and adequate resourcing.

Financing this is unlikely to ever be met by public funds alone, so it is time to look at how to leverage other sources of funding, and to do so urgently.

Cultural Well-being

The arts and culture sector in Wales has been particularly impacted by budget reductions this year. Members of the Welsh National Opera faced pay cuts, and job insecurity, due in part to the Arts Council of Wales receiving cuts to its funding. A report published recently by the Arts Council for Wales says that for every £1 invested in the industry, £2.51 is put back into the economy. However, we have seen a cut of 40% to the sector since 2010. This, it says, presents an existential risk to a sector which employs 40,000 workers and has a £1.6bn turnover.

It is a similar picture with Sports Wales which was subject to a 10.5% cut. More than half of Sports Wales' budget is distributed as grants to the sports sector, and they had to pass on 3% of those budget cuts to partner organisations. An important preventative health tool, sport returns £4.44 in social value for every £1 invested in Wales.

I regularly receive correspondence from people in Wales who are concerned about these impacts for themselves and their communities. Some examples from this year include:

- Concerns around the fate of Blackwood Miners' Institute and its impact on local culture/community
- The closure of the Royal Welsh College of Music and Drama youth department
- The closure of someone's own local business, Y Galeri, in Caerphilly due to budget cuts which impacted the visitor centre.
- Impact of budget cuts on museums in Wales.

Some of their comments include:

“The loss of these services to the future development of Welsh Culture will have a drastic impact. The National Music Service does a fantastic job of giving every child in Wales the opportunity to learn a musical instrument, but for some inspiration becomes aspiration and more specialist training is required to nurture this dedication and talent.”

Social Well-being (and Health)

Many of the levers to improve the social determinants of health and to reduce the stark health inequalities are held by organisations outside of the health sector, for example, local authorities. Local authorities are having to focus their budgets on statutory services

and cut some services, such as green spaces and leisure services, which play such an important role in keeping us healthy physically and mentally. Such cuts in other sectors will lead to increased, ‘firefighting’ dealing with more people in health crisis. We need to see more budget allocated to prevention and towards the building blocks of health, for example, decent jobs, homes, access to leisure, green spaces, and strong relationships.

Cuts are having a knock-on effect on the third sector organisations that provide support for our well-being too, with one organisation in the children’s care sector telling us that “over the last ten years it is evident that there is a withdrawal of funding across Wales to the third sector due to the financial challenges and as local authorities take services in house.”

Economic Well-being

There are two areas of economic development policy and practice which I want to highlight that are particularly important for economic well-being: the Real Living Wage and Community Wealth Building.

Progress in achieving Real Living Wage accreditation across the public sector is growing, but not fast enough with only 16 public bodies in Wales achieving accreditation to date. I talk more about this in Q3 below. Progress is also being made around the foundational economy approach in Wales, for example with some Welsh councils and NHS shared services redirecting spending to Welsh local procurement. However, it is important for Welsh Government to look beyond the procurement focus of its foundational economy approach to consider how to build and circulate wealth at community level, so that wealth ends within communities.

This includes:

- Building the social enterprise and co-operative economy in Wales, while there is a role for procurement policy to redirect more spending to service delivery by social or community benefitting enterprises – the growth of this sector is also reliant on access to finance and technical assistance.
- Providing greater access to communities to assets such as land, property, and renewable energy developments – and involving communities in local economic development strategies.

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?

Current environment

My office has undergone a recent restructure and sought considerable savings over these last two financial years in response to the challenging funding environment we have all faced. In doing so, and taking difficult decisions along the way, I am as well prepared as possible for the 2025-26 financial year.

I am proud of the way in which my team has risen to the difficult funding environment. The significant savings that it was necessary to make to operate within our funding constraints included:

- Utilising secondment arrangements to generate savings of £30k over the last 2 financial years that has also garnered collaboration with strategic partners such as Public Health Wales,
- Reducing our office space, which is delivering an £8k annual rent saving,
- Continuing to collaborate with other bodies where this provides efficiencies and savings, including shared services such as payroll,
- Organising events and team days in partnership with other public bodies on a nil cost or low-cost basis,
- Making difficult calls not to cover some maternity absences that helped to save the office c. £25k, and
- One of the most important but difficult decisions that I had to make in 2023-24 was a restructuring that resulted in several staff departures by way of voluntary redundancies. This resulted in a £255k reduction in our wage costs for 2024-25.

These changes have led to a loss of capacity. Future savings would be hard to achieve without significantly scaling back our work, which is already under-resourced to meet the ambitions of the Future Generations Act. These actions have, however, enabled me to build some resilience into my office budget model so that I can prepare for several funding eventualities for 2025-26 that I test through scenario planning.

Difficult Budget Timelines

My office continues to be financially responsible and adopts a cautious and prudent approach to spending. Yet, even having this confidence in our internal controls, it is nonetheless difficult to feel fully assured for next year when funding levels remain unknown until Q4 of the preceding financial year. Like other public bodies, this affects my

ability to plan and prepare as effectively as I would like. I cannot always offer permanent roles, and notwithstanding the impact on my work programme, this can affect recruitment and the team's well-being. It goes against our progressive and nurturing employment practices but is borne out of necessity.

A positive change in this process to allow me to plan more pro-actively over a longer period, including multi-year funding, would ensure best value from my work programme.

Inflation and Wage Impacts

If my budget does not increase in line with Welsh Government pay awards (which we follow for pay parity and in pursuit of the One Welsh Public Service ideology) a greater proportion of my limited resource goes on supporting team members' salaries each year.

The increase in employer pension costs in 2024-25 added a further £10k onto our wage bill that will continue in future years and no additional funding has been provided to support this. The increase in employer NI rate in 2025-26 is forecast to add £15k to my office's wage bill. It is unclear what funding support my office may receive going forward to cover these costs.

The outlook for 2025-26 is likely to be challenging. Inflationary cost increases exacerbate the situation and limit the project work that I can do to achieve my Cymru Can strategy. This is the area of the budget with the most flexibility (as other costs are more fixed). Any diversion of funding from this area of work to meet the other funding pressures hinders my ability to deliver on planned objectives.

Increasing demand

My office received 807 requests for support in 2023-24, 346 from public bodies. This year I have had to reduce the amount of bespoke training and advice that many organisations request. Through new ways of working, I was able to deliver more one-to-many sessions, but such sessions were often oversubscribed, indicating there is a real need for more support, not less. I am aware that Senedd Committees and public bodies have asked for more focused advice for local authorities, health boards and national bodies. Unfortunately, current funding levels limit my ability to provide this sector specific advice.

Financial flexibility

My office has raised this previously, but it is worth restating that I can no longer retain reserves for use in future years. If that were possible, this would help considerably to give my office increased financial resilience. Having reserves allows for flexibility, gives my office the chance to respond to unplanned or urgent issues more effectively and could assist in absorbing some of the inflationary and wage pressures faced.

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?**

Using the Act in difficult times

In recent years, high levels of inflation have placed a burden on public services, who have faced increased levels of demand. As stated earlier, I am concerned that some public bodies are not applying the Act to inform how they take difficult budget decisions. Applying the Act can help to drive innovation in some cases, such as increased collaboration or re-thinking the way services are delivered. It also ensures we safeguard the interests of future generations when we take decisions.

The Real Living Wage

One action the Welsh Government can take to help households with cost-of-living pressures that I would like to re-iterate is the Real Living Wage. Support is required for all public bodies to ensure they can achieve Real Living Wage accreditation. Currently less than half of public bodies are accredited or in the process of accreditation. The Real Living Wage is a key component of the Welsh Government's fair work agenda, it is one of the Welsh Government's well-being indicators and is a key mechanism to reduce financial inequalities in Wales.

The number of people in Wales earning the Real Living Wage in 2023 is 64%, lower than at any time in the last decade – comparable to regions in the North of England, and some way behind Scotland (91%). Only 16 public bodies with duties under the Future Generations Act are processing or have achieved accreditation. Meanwhile, 500 Welsh businesses have achieved accreditation. Since 2016 an estimated 20,400 additional people in Wales have

been uplifted to the Real Living Wage, resulting in £141m additional income for low wage earners.

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

Aligning businesses with the Well-being Goals

Wales cannot achieve its seven national Well-being Goals without businesses aligning their actions and investments. To achieve this, Welsh Government must develop a clear and consistent approach across its interactions with business to communicate the legislation and incentivise business actions and investments towards the Well-being Goals.

Progress has been made to build a consistent set of messages and actions through the fair work agenda and green growth pledge. Welsh Government can build on this through outlining requirements for businesses to take action on each Wellbeing Goal as part of any procurement processes. Furthermore, there should be a common approach from the Economic Contract, to the technical and grant support from Business Wales and to the finance support from Development Bank Wales on the key actions aligned to the Well-being of Future Generations Act required from business to access Welsh Government support.

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?

I have just held workshops with public bodies from across Wales where we discussed the funding challenges of the climate change and nature emergency. I had very direct feedback from public body officials that there is no guarantee they will have funding to address these as priorities. The funding available is often too short term and is not ringfenced. This leads to the situation where even the in-year funding they have could be re-allocated to other parts of the organisation. Furthermore, funding does not always allow for the ongoing maintenance of improvements made which is desperately needed.

A key ask that I have heard repeatedly from public sector bodies is to take the approach similar to the Welsh Housing Quality Standard or the Rights of Way Improvement Plans and

allocate funding on a longer-term basis through to 2030 to enable them to plan and meet their climate and nature targets. Given that Wales has declared a climate and nature emergency, my view is that this is not being prioritised adequately.

A five-year climate and nature fund would unlock a significant number of doors for public bodies for example:

- The ability to recruit and retain staff with expertise, providing job security;
- Significantly reduce the skills gap in public bodies through investing in people;
- Allow for the ongoing maintenance of the work already undertaken;
- The ability to plan decision making over the longer term, not just meeting in-year targets but planning to meet the 2030 targets and beyond;
- The ability to include future risk and future benefits over a longer life cycle of the spend in calculating cost benefit analysis, including embedding the cost of ‘do nothing’ as part of good practice;
- Better procurement which can really draw down added social value over a longer period;
- Give places the opportunity to really develop investment ready propositions for when nature finance becomes more widely available;
- Providing a strategic commitment and ring-fenced funding with accountability over the longer term.

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

The Welsh Government could be doing more to identify opportunities to bring in new sources of funding, such as private finance, and to support the flows of existing finance within the community.

Private Finance

For example, there is an urgent need for a framework and governance in Wales to maximise private sector spend for public good. In particular, the areas of decarbonisation and nature finance require far more funding than is available through the public purse. The Green Finance Institute identified a £5-7bn funding gap for nature in Wales over the next ten years.

I am pleased to see that Welsh Government is currently consulting on sustainable investment principles. I fully support this and would like to see this develop into a governance model that is aligned with the seven goals of the Future Generations Act with

standards that require integrity and full transparency and a balance across all four dimensions of well-being.

Existing Finance in the Community

I would like to see a greater role for anchor institutions in our communities to invest locally and provide economic opportunities for local people. One such example is the more creative use of public sector pension funds, or the leveraging of anchor organisations such as universities or major employers to pro-actively target people with protected characteristics to help them enter the workplace.

We have an opportunity in Wales through the Future Generations Act to do things differently in a way which leaves no space for greenwashing, and which values the role of the community throughout the process, reducing inequalities and enabling community wealth building as opposed to extractive practices of the past which have left their scars.

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 are starting to see more costs being passed on to residents, from approaches like stopping the provision of free compost bags to increases to council tax to meet shortfalls.

We need more innovative approaches to support communities to manage their finances, access reliable advice and help them to take control.

As mentioned in my response to Q3 above, I would like to see more done to ensure that all public sector organisations in Wales are signed up to the Real Living Wage.

– 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.

Future Skills Planning

It is my view that a national plan is needed which identifies the skills and resource that will be needed by public bodies in future. Such a plan could also help break patterns of inequality and take into account the skills and capabilities Wales will need, such as

independent thinking, communication, collaborative working, creativity and skills for a greener economy.

The Welsh Government has a Policy Capability Framework, cited as good practice in the [Section 20 review](#) my team carried out in 2022. Currently, other public bodies are not planning or thinking in this way, in part due to financial pressures.

Using the Future Generations Act

The guidance of the Future Generations Act states that every public body should use the sustainable development principle when workforce planning. Public bodies tell me that the combined challenges of the pandemic and austerity mean that sometimes public services lack the capacity and capability to do so. Officers are keen to work differently, but are restricted by budget, time, leadership and bureaucracy.

Public bodies' suggestions for change include funding from Government that builds capability for the proper application of the ways of working and leaders being held accountable for this sort of change.

[Audit Wales \(2023\)](#) published a report on workforce planning, which found that Local Authorities were not using the breadth of intelligence available to them to manage the present or plan for the future:

“many councils had not yet considered how they could use the sustainable development principle to help them develop their approaches to workforce and assets.”

On workforce and asset management, they recommended that Councils needed to:

- “develop their intelligence to manage key workforce and asset risks in the here and now so that they can plan for the long term;
- identify how they can get maximum value from their approaches to assets and workforce;
- involve their staff and work with partners; and
- continue to review, learn and innovate.”

Investing in innovation for the long-term

We need to come to terms with the idea that some of the issues we are tackling require actions so long-term that we may not be able to see our impact within our careers or even

lifetimes. Cathedral thinking – the idea that we are laying stones in a project much bigger than our individual roles or organisations – should be encouraged in the public sector.

It is undeniable that longer-term budgets would be helpful and can go a long way to enable longer-term thinking. We could commit to projects that require longer-term financial security, shift evaluation priorities to match that, and dedicate more staff to work towards assessing future impacts and achieving longer-term outcomes. I expect impact assessments to take greater account and alignment of the national indicators and national milestones set by Welsh Government.

Cathedral thinking

One example where cathedral thinking is essential is in addressing the climate and nature emergency. We must act now to protect ourselves and our future generations before we reach future tipping points where we will no longer be able to prevent the worst from happening. We must work towards meeting 2030 and 2050 targets. However, the public sector has told my team that they cannot see how they will meet the aspiration for a net zero public sector by 2030. Indeed, we see some public bodies, who set themselves ambitious targets for this, now fearing that they will need to pull back on commitments that were made with the best of intentions but are now leaving them exposed.

All the issues cited above are contributing to this challenge, but it is primarily the issue of short-term funding. Currently a lot of spend has to happen in-year and that drives a lot of unhelpful behaviours while also limiting a lot of actions that are longer-term. There are two key barriers to meeting the 2030 net zero ambition for the public sector, first it is having the resource and expertise to take action to address the body's own emissions for which it is directly responsible. The second is that the vast majority of their emissions, at around 70% of their total emissions, are from their supply chain.

Public bodies tell us that procurement is already difficult when in-year spending, which is also potentially late arriving in the year, must be moved quickly out of the door. But more importantly, there is no opportunity for them to work with their supply chains to meaningfully bring down the emissions in the value chain, both up- and downstream. Public bodies tell us that they would like to be able to deliver far more meaningful procurement exercises over a longer period of time which bring a far greater added value while also driving down their scope 3 emissions.

– How should the Budget support young people?

The Future Generations Act takes its inspiration from the many indigenous belief systems found around the world which teach us to learn from the wisdom of our ancestors and to be a good ancestor to our own descendants.

We need the input of our young people in the budget setting process whatever their abilities, skills and backgrounds to fully understand the pressures they face and challenges to their well-being, including their mental health

This year we saw a positive step forward where young people were involved in how the budget information was presented to make it relatable and accessible for young people. However, as far as we know, they were not involved in shaping what is in the budget and how it is spent.

It is important that we build the capacity of our young people, as we are doing through our own Future Generations Leadership Academy, supporting them to actively participate and to learn about opportunities and how they can influence change.

My predecessor has previously called for free public transport for all young people, which would reduce inequalities, enable better access to education, training and work, support our public transport infrastructure (creating more demand) and reduce our transport emissions. However, Welsh Government has ended the Welcome Ticket scheme, which provided free public transport to refugees, which those in Further Education tell me has had an impact on their ability to access education and training. Many Councils are also making changes to “home to school” transport services due to austerity.

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

The National Well-being Indicators

The annual Well-being of Wales report offers fundamental data on progress for each of the national indicators which should directly help influence Welsh Government’s budget decisions. The Welsh Government should track budget lines against their well-being objectives (set out in the Programme for Government) and against the national indicators. I would invite the Committee to include these two elements in their scrutiny of the budget.

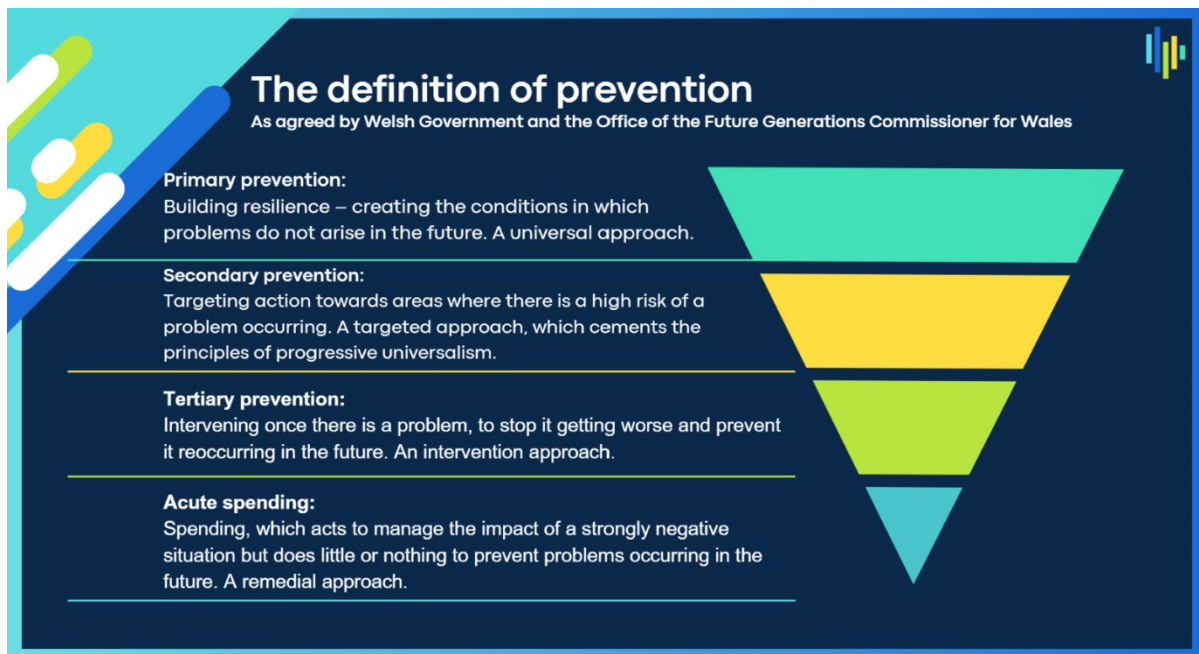
A public body representative at our Well-being of Wales report session suggested that national indicators should be reflected in Ministerial portfolios which could help with accountability and encourage a more target driven portfolio in line with the Well-being Goals.

Learning from other nations

We are already seeing this approach to longer term budget setting, based on well-being indicators, being taken by other nations such as Ireland where they map budgets against their national indicators, or where they map against the national goals/SDGs as is done in Malta. There is likely to be a lot we can learn from tracking and collaborating with these case studies.

Taking bolder action

In 2021 my office agreed with the Welsh Government a definition of prevention. The definition of prevention is set out in the diagram below. I would like to see an approach implemented whereby Welsh Government maps their budget according to the definition and starts to reallocate some resources away from acute upstream towards primary prevention.



– 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?

As I have set out throughout this response, there are a few key interventions that Welsh Government could be making with regards to the budget, that are more in line with the Future Generations Act, including:

- Multiyear funding allocations for all public bodies to enable more effective delivery of Well-being Objectives and Steps and improved workforce well-being, with skills and capacity retained;
- Longer-term funding for areas of absolute priority such as the climate and nature emergency. Given that the Senedd has declared both a climate and nature emergency in Wales, this should include introducing a 5-year climate and nature fund to allow public bodies to meet the aspiration for a net zero public sector by 2030 and for the public sector to maximise its contribution to a nature positive Wales by 2030 in line with National Milestone 44;
- For all Welsh Government funding to encourage proper application of the five ways of working of the Future Generations Act, including at times of spending cut decisions, with leaders being held accountable for their proper implementation;
- A national plan which identifies the skills and resource that will be needed by public bodies in future in order to achieve the seven Well-being Goals. It will need to ensure such a plan would also help break patterns of inequality and take into account the skills and capabilities Wales will need, such as independent thinking, communication, collaborative working, creativity and skills for a greener economy;
- Support all public bodies to ensure they can achieve Real Living Wage accreditation. Currently less than half of public bodies are accredited or in the process of accreditation.
- Public sector budgets must be used more effectively as a lever to improve the economic, social, environmental and cultural well-being of Wales. The public sector has significant spending power, particularly through its procurement activity, which could be leveraged more effectively to help Wales achieve its Well-being Goals.

I hope the Committee finds this response useful and I look forward to working with the Committee over the coming months.

Yours sincerely,

Derek Walker

Future Generations Commissioner for Wales