

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

Summary

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

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

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1. Introduction

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

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

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

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

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

2. Recommendation 1

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

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

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

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

Response: Accept

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

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

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

3. Recommendation 2

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

Response: Accept in Principle

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

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

4. Recommendation 3

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

Response: Accept

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

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

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

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

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

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

5. Recommendation 4

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

Response: Accept in Principle

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

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

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

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

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

6. Conclusion 1

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

Response:

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

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

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

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

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

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

7. Conclusion 2

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

Response:

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

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

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

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

8. Conclusion 3

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

Response:

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

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

9. Conclusion 4

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

Response:

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

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

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

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

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

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

10. Conclusion 5

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

Response:

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

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

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

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

11. Conclusion 6

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

Response:

The Cabinet Secretary for Housing and Local Government recently published a Written Statement, regarding the Provisional Police Settlement for 2026-27:

Written Statement: Provisional Police Settlement 2026-27 (18 December 2025) | **GOV.WALES**

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

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

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

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

12. Conclusion 7

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

Response:

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

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

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

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

13. Conclusion 8

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

Response:

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