

# Welsh Government Draft Budget 2023-24

February 2023

## 1. Background

### Purpose and scope

1. This report sets out the Equality and Social Justice Committee's views and recommendations regarding the Welsh Government's Draft Budget 2023-24 (the Draft Budget) in some of the policy areas within our remit. It is not an exhaustive commentary on every area within the Committee's remit; it focuses on a few key policy and process issues that were part of our Budget scrutiny.
2. Along with the reports of other Senedd committees, this is intended to inform the Senedd's debate on the Draft Budget, scheduled for 7 February 2023.

### Approach to scrutiny

3. We wrote to the Minister for Social Justice on our priority areas for budget scrutiny and received a response on 16 December 2022.
4. We held an evidence session with the Minister for Social Justice, Jane Hutt MS (the Minister) and the Deputy Minister for Social Partnership, Hannah Blythyn MS (the Deputy Minister) on 16 January 2023.

### Finance Committee scrutiny

5. The Senedd's Finance Committee undertook several pieces of work in the build up to the Draft Budget, including focus groups across Wales in June 2022, plus a stakeholder event and a



debate on spending priorities for 2023-24 in July 2022.<sup>12</sup> The Finance Committee's consultation from 23 September to 18 November received 29 responses.<sup>3</sup>

## 2. The Draft Budget

**6.** In the UK Government's Autumn Statement, an additional £1.2bn was allocated to the Welsh Government over the next two years.<sup>4</sup> In her response to the Autumn Statement, the Minister for Finance and Local Government, Rebecca Evans MS, stated that, accounting for inflation, the overall settlement over the three-year spending review period (2022-23 to 2024-25) will be worth less in real terms than it was at the time of the Spending Review in October 2021.<sup>5</sup>

**7.** The Welsh Government's Draft Budget was laid on 13 December 2022 and the Minister for Finance and Local Government stated that "it reflects the perfect storm of economic and budgetary pressures Wales is facing".<sup>6</sup>

**8.** The Draft Budget allocates a total of £23.7bn to Welsh Government departments. It prioritises funding for the NHS and local government (equating to nearly 70% of the total Welsh Government budget).

**9.** In preparing the Draft Budget, Welsh Ministers identified funding that could be released from existing plans to be refocused on areas of greatest need. The Welsh Government says the principles underpinning this reprioritisation exercise were to deliver a balanced budget and protect the Programme for Government.<sup>7</sup>

**10.** The Minister's paper states the reprioritisation work focused on protecting frontline public services; supporting those most affected by the cost of living crisis; and supporting the economy through recessionary times.<sup>8</sup>

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<sup>1</sup> Finance Committee Summary Engagement Report: Welsh Government Draft Budget 2023-24, July 2022

<sup>2</sup> Plenary, 13 July 2022, Record of Proceedings

<sup>3</sup> Finance Committee consultation, Welsh Government Draft Budget 2023-24

<sup>4</sup> UK Government, Autumn Statement 2022, November 2022

<sup>5</sup> Welsh Government, Written Statement: Welsh Government response to the UK Autumn Statement 2022, November 2022

<sup>6</sup> Welsh Government, Draft Budget 2023-24; Welsh Government, Draft Budget 2023-24 narrative

<sup>7</sup> Welsh Government, Draft Budget paper

<sup>8</sup> Welsh Government, Draft Budget paper

**11.** The Programme for Government was updated in December 2021 to incorporate the Co-operation Agreement reached with Plaid Cymru.<sup>9</sup> The Co-operation Agreement annual report was published 1 December 2022.<sup>10</sup>

## The Social Justice MEG

**12.** The Main Expenditure Group (MEG) that falls within our remit is Social Justice. The draft resource allocation for the Social Justice MEG was £110.355m for 2022-23; this was set to increase to £122.685m for the 2023-24 financial year. The actual resource allocation for 2023-24 is £142.057m.

**13.** During 2022-23, the resource allocation for the Social Justice MEG almost doubled. It increased by £116.9m as part of a package of measures to tackle the cost of living crisis. This one-off non-recurrent allocation increased the resource allocation to £227,585m.

Table 1: Social Justice budget overview

Resource	£'000
Draft Budget 2022-23	110,355
Final Budget 2022-23	227,585
Indicative Budget 2023-24	122,685
Draft Budget 2023-24 (December 2022)	142,057
<b>Capital</b>	
Draft Budget 2022-23	17,000
Final Budget 2022-23	18,496
Indicative Budget 2023-24	17,494
Draft Budget 2023-24 (December 2022)	17,494
<b>Overall total Social Justice MEG Draft Budget 2023-24</b>	<b>159,551</b>

Notes: The table does not include Annual Managed Expenditure (AME), which is outside the Welsh Government's Departmental Expenditure Limit (DEL).

<sup>9</sup> Welsh Government, [Programme for Government](#)

<sup>10</sup> Welsh Government and Plaid Cymru, [The Co-operation Agreement: annual report 2021 to 2022](#), December 2022

**14.** The Minister's evidence paper notes that the Social Justice MEG was asked to contribute £2.68m to the reprioritisation exercise, and that "difficult decisions were necessary to reduce budgets". It states:

*"Budgets for the Social Partnership, Public Appointments and Equality, Inclusion and Human Rights BELs will still increase between 2022-23 and 2023-24 but at a slower rate than previously planned."<sup>11</sup>*

## **Our view**

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We are living in unprecedented times as households across Wales face a cost of living crisis which is deepening divisions, exacerbating inequalities, and disproportionately impacting the most vulnerable in society. We understand the constraints placed on the Welsh Government in setting its Draft Budget and that difficult decisions have had to be made. The one-off non-recurrent allocation that benefitted the Social Justice MEG during 2022-23 played a crucial role in supporting people at a uniquely challenging time, and its effective loss in 2023-24 will be keenly felt as the pressures continue. It is vital that the Welsh Government prepare now for the challenges that will arise next winter due to this loss of funding.

The budget context is challenging; inflation will continue to diminish the spending power of both households and government in the immediate term. At the same time, we are conscious of the urgent need to strengthen and advance equality, human rights and social justice across government should not be lost, particularly in view of the stark inequalities made evident during the COVID-19 pandemic. Now is the time for urgent consideration of how precious resources can be put to best use and that the Welsh Government can demonstrate the impact and effectiveness of its budget decisions. To that end, the Welsh Government should develop a cost of living plan for next winter as a matter of urgency to consider how best to assist those affected by the loss of support provided through last year's non-recurrent funding. The plan should include a specific focus on ensuring the most vulnerable are protected. To inform the plan the Welsh Government should consider carrying out modelling and forecasting to identify the people and households likely to face the biggest pressures, and to ensure those on low incomes can warm their homes next winter.

**Recommendation 1.** The Welsh Government should develop a cost of living plan for next winter to consider how best to assist those affected by the loss of support through the non-recurrent funding. The plan should include a specific focus on ensuring that the most vulnerable

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<sup>11</sup> Welsh Government, [Draft Budget paper](#).

are protected. This work should commence immediately; include a set of targets for measuring performance and be published no later than July 2023.

### 3. Key policy areas

#### Tackling poverty and the cost of living

**15.** The Office for Budget Responsibility published its forecasts on the same day as the UK Government's Autumn Statement.<sup>12</sup> The Minister for Finance and Local Government said that the figures suggest that "we are facing the biggest fall in living standards since records began".<sup>13</sup>

**16.** The Minister noted that she had prioritised funding for the Discretionary Assistance Fund (DAF) and the Basic Income Pilot (BIP) as part of the Welsh Government's response to cost of living pressures. She also highlighted additional cost of living support provided through other portfolios, such as the Pupil Development Grant and homelessness prevention.<sup>14</sup>

**17.** The DAF provides emergency support payments for people in need. The Minister told us that more than 200,000 people had been supported by the DAF in the current financial year, and that "it's been absolutely crucial as a lifeline to people".<sup>15</sup> She also argued that while the indicative budget for the DAF was £20 million, it had been increased by £18.8 million, based on what has been paid out this year.<sup>16</sup>

**18.** The BIP, described by the Minister as a "radical intervention", will receive an additional £2.2m in 2023-24.<sup>17</sup> The Minister told us that the BIP is a priority because it is a "preventative spend", and noted that take-up for the pilot has been running at around 97%.<sup>18</sup>

**19.** The Draft Budget allocates £11m in grant funding for Single Advice Fund (SAF) services, which the Welsh Government says have helped 144,000 people deal with over 660,000 social welfare problems since 2020. We asked the Minister if the funding would be sufficient, given that demand for advice, particularly debt advice, will increase over the next year. She told us that the funding would be sufficient and pointed to it being about "a partnership of advice

<sup>12</sup> Office for Budget Responsibility, [Economic and Fiscal Outlook – November 2022](#)

<sup>13</sup> Plenary, [22 November 2022](#), Record of Proceedings, paragraph 187

<sup>14</sup> Welsh Government, [Draft Budget paper](#)

<sup>15</sup> [Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraph 25](#)

<sup>16</sup> [Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraph 12](#)

<sup>17</sup> Welsh Government, [Draft Budget paper](#)

<sup>18</sup> [Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraph 59](#)

giving”, highlighting in particular the Welsh Government’s close working with local government.<sup>19</sup>

**20.** The Minister’s paper notes that in the last year, “83% of people accessing SAF services identified themselves as coming from a population group who are being hardest hit by the cost-of-living crisis, including older people, disabled people, and people from Black, Asian, Minority Ethnic Communities”.<sup>20</sup>

## **Fuel poverty and the Warm Homes Programme**

**21.** Official data suggests that energy price rises will lead to a considerable rise in fuel poverty in Wales. The Welsh Government predicted that up to 45% of Welsh households (614,000 households) could be in fuel poverty following the energy price cap rise in April 2022, compared to 14% of households (196,000 households) in October 2021.<sup>21</sup>

**22.** The Minister for Finance and Local Government has said that the Wales Fuel Support Scheme, which provided £200 to low-income households, will not be continued in 2023-24. She told the Finance Committee that the scheme “was a very, very large investment, and it’s not something that we are able to afford to do next year”.<sup>22</sup>

**23.** In its analysis of the Draft Budget, the Institute of Welsh Affairs said that the decision not to continue with the Wales Fuel Support Scheme would “have an impact on the most financially precarious”.<sup>23</sup>

**24.** One area of concern is that only half of local authorities have automatically passported through support such as the winter fuel payments from the Welsh Government to social tenants.<sup>24</sup> The Minister told us that a best practice toolkit is available for local authorities, and referred to work being carried out on the Benefit Charter. She acknowledged the importance of getting the Welsh benefit system “up and running in the most effective way”.<sup>25</sup>

**25.** The Minister’s paper notes that the Warm Homes Programme (WHP) has evolved in response to the current crisis and the recommendations in our report on Fuel Poverty and the

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<sup>19</sup> Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraph 29

<sup>20</sup> Welsh Government, Draft Budget paper

<sup>21</sup> Welsh Government, Fuel poverty modelled estimates for Wales (headline results): as at October 2021

<sup>22</sup> Finance Committee, 14 December 2022, Record of Proceedings, paragraph 50

<sup>23</sup> IWA Analysis, December 2022

<sup>24</sup> Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraph 34

<sup>25</sup> Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraph 35

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Warm Homes Programme.<sup>26</sup> The Welsh Government consulted on the next iteration of the Programme between December 2021 and April 2022, and the outcome is yet to be published.

**26.** We asked the Minister why the overall budget for the Fuel Poverty Programme has only increased by £5 million. She agreed that the question of how to tackle energy efficiency and fuel poverty budgets is “crucially important”, and pointed to the investment made so far by the Warm Homes Programme. She noted that the £5 million “is increasing the Warm Homes programme budget, and it will have a difference next year”.<sup>27</sup>

## **Our view**

### **Cost of living support**

While the Discretionary Assistance Fund is an important mechanism, it focuses on short-term crisis support, and there is little publicly available information on who has benefitted and how. The Welsh Government needs to explain the impact of the Fund in previous years, so that we can understand the justification for prioritising cost of living support through it.

There is a clear need to look at longer-term, sustainable solutions to the cost of living crisis. We note that funding has been allocated based on last year's spend, but that does not reflect the reality of the £116m reduction in support for those on low incomes this year. Without the non-recurrent £116m, people are likely to turn to other sources of financial support, which will in turn increase demand. Therefore if the Discretionary Assistance Fund is going to be a main source of assistance for those most in need, the Welsh Government should keep the allocation for 2023-24 under review, with potential to increase it if needed.

The Single Advice Fund has supported almost 150,000 people over the past few years. It will remain an important intervention over the coming months, with demand for advice predicted to increase, particularly debt advice. While the Committee notes the Minister's comments about a partnership of advice giving with local government, it will be important to keep the allocation to the Single Advice Fund under review to ensure that the Welsh Government fully plays its part in this partnership.

It is concerning that at such a critical time, people remain unaware of all the avenues of support available to them. The Welsh Government needs to urgently consider why only half of local

<sup>26</sup> Welsh Government, [Draft Budget paper](#)

<sup>27</sup> [Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraph 45](#)

authorities are automatically passporting social housing tenants to support they are eligible for, and should use the upcoming Benefits Charter to address this gap.

We welcome the continuation of the Basic Income Pilot and were particularly encouraged to learn of the high levels of take-up for such an important scheme. This Pilot is a prime example of supporting a vulnerable group likely to be seriously affected by the cost of living crisis.

We look forward to exploring these issues further as part of our forthcoming follow-up work on debt and the impact of the rising cost of living.

**Recommendation 2.** The Welsh Government should set out how it has evaluated the impact of the Discretionary Assistance Fund in previous years and then applied the learning to inform allocations made in the Draft Budget for 2023-24.

**Recommendation 3.** The Welsh Government should keep the allocations for the Discretionary Assistance Fund and Single Advice Fund under review, with the potential to increase them if needed. This should include a stock-take of the level of demand for both funds, to ensure there will be sufficient funding for next winter.

**Recommendation 4.** The Welsh Government should use the Benefit Charter to consider how local authorities can passport eligible social housing tenants to support that they are entitled to.

### **Fuel poverty and the Warm Homes Programme**

The Minister acknowledged how we tackle energy efficiency and fuel poverty budgets is crucially important. Unfortunately, the Welsh Government's record in this area has been mixed. Our report on fuel poverty called for mitigations in the immediate to short term as well as sustainable ideas for the next iteration of the Warm Homes Programme.

In the short term we called for a rapid review of the priority actions in the Tackling Fuel Poverty Plan alongside measures to maximise the benefit of the VAT cut to 0% on insulation and home insulation products. We also note that the Welsh Government has committed to shape the next Warm Homes Programme in line with our recommendations and regret that its publication is several months behind schedule. In a race to improve the energy efficiency of as many homes as possible, every second of delay will cost us next winter. It is vital therefore that the next Warm Homes Programme is published urgently. We also believe that ensuring that there is no gap in provision between the end of the current Programme at the end of this financial year and the next iteration of the scheme is crucial and would be grateful if the Welsh Government could confirm this. The Welsh Government should update the Senedd on its priority actions as



part of the Tackling Fuel Poverty Plan and the steps it is taking to maximise the benefit of the VAT cut to 0% on insulation and home insulation products before the debate on the Final Budget.

Separately, we are aware that prepayment figures for the Fuel Voucher Scheme have shown that 5,500 vouchers have been dispensed, compared with the 49,000 vouchers that were made available, as announced by the Welsh Government. The Welsh Government should provide figures for take-up of the Fuel Voucher Scheme against the targets set when the scheme was launched, both in relation to prepayment meters and off-grid households. It should also consider what lessons can be learned from the take-up of this scheme, and publish a summary of its findings to inform development of future policies.

**Recommendation 5.** The Welsh Government should publish the next iteration of the Warm Homes Programme as a matter of urgency and no later than the end of April 2023 to provide sustainable solutions for households living in fuel poverty. Further, the Welsh Government should confirm that there will be no gap in provision between the end of the current Programme and the next iteration of the scheme.

**Recommendation 6.** The Welsh Government should provide figures for take-up of the Fuel Voucher Scheme against the targets set when the scheme was launched, both in relation to prepayment meters and off-grid households. It should also consider what lessons can be learned from the take-up of this scheme, and publish a summary of its findings to inform development of future policies.

## Equality, Inclusion and Human Rights

**27.** The Programme of Government makes a number of commitments in relation to equalities and human rights including:

- Disability – Strengthen the rights of disabled people and tackle the inequalities they continue to face.
- Wales Anti-racist Action Plan – Tackle institutionalised and systemic racism and support the publication of the Race Equality Action Plan.
- LGBTQ+ Action Plan – Make Wales the most LGBTQ+ friendly nation in Europe and support the publication of the LGBTQ+ Action Plan.<sup>28</sup>

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<sup>28</sup> Welsh Government, [Programme for Government](#)

**28.** We asked the Minister whether changes made in light of the reprioritisation exercise would impact on meeting the goal of an anti-racist Wales by 2030. The Minister stressed that the implementation of the Anti-racist Wales Action Plan was “cross-Government”, and that every Minister had actions in relation to it.<sup>29</sup>

**29.** The Deputy Minister noted that the LGBTQ+ action plan, due to be published as part of LGBT History Month, was also a cross-Government plan with actions agreed cross-Government with other Ministers. She added:

*“[...] through that equality and inclusion budget, we have provided £456,000 as part of work to complete the actions outlined in the plan under this portfolio. That covers things such as that we were really pleased to be able to support Pride Cymru last year, and also be able to support those smaller grass-roots Prides, which I think makes a big impact to communities right across Wales.”<sup>30</sup>*

**30.** We asked the Minister for further information on the funding allocated for delivery of the LGBTQ+ action plan. She confirmed that the total expected spend on delivery of the action plan in 2023-24 is £774,000.<sup>31</sup>

## Ukrainian refugees

**31.** Over 6,000 Ukrainian refugees have arrived in Wales via the Homes for Ukraine scheme. In December 2022, 3,217 have been supported by individual hosts, while a further 2,982 have been supported via the Welsh Government's super sponsor scheme. The Minister's evidence paper notes that £40m has been allocated in 2023-24, reducing to £20m in 2024-25, to support the ongoing response to the humanitarian crisis in Ukraine.<sup>32</sup>

**32.** The Minister told us:

*“[...] this, working very much with local authorities, will meet what we've committed ourselves to in terms of supporting all those who've got visas through our super sponsor scheme, but also just helping our hosts as well”<sup>33</sup>*

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<sup>29</sup> Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraph 73

<sup>30</sup> Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraph 80

<sup>31</sup> Letter to the Minister for Social Justice, 19 January 2023; Letter from the Minister for Social Justice, 24 January 2023

<sup>32</sup> Welsh Government, Draft Budget paper

<sup>33</sup> Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraph 84

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## Gypsy and Traveller Sites

**33.** The Draft Budget allocates £3.190m to the Gypsy and Traveller Site BEL for 2023-24. The Minister highlighted a recent review by the Local Government and Housing Committee on this area, which she said had been "really powerful" in steering the Welsh Government.<sup>34</sup> She told us:

*"It's reflected in the Anti-racist Wales action plan, because that is helping us identify ways in which we can develop our support to have transit accommodation, working more regionally, and also recognising—this is very cross-Government—that the education and Welsh language MEG includes £11 million for education for Gypsy, Roma and Traveller."*<sup>35</sup>

**34.** We asked the Minister to confirm the total amount spent from the Gypsy and Traveller Sites Capital Grant from the 2022-23 budget.<sup>36</sup> She replied:

*"The Gypsy and Traveller Sites has a capital budget of £3.690m in the 22-23 financial year. To date, there has been no spend against this Budget Expenditure Line in this financial year and none is forecast to occur before 31 March 2023."*<sup>37</sup>

## Funding for Commissioners

**35.** The Minister's paper notes that in the 2023-24 Draft Budget, "each Commissioner has received an uplift of 6% compared to their baseline budget (2022-23 Final Budget)."<sup>38</sup>

**36.** In our 2022 annual scrutiny report of the Future Generations Commissioner, we suggested that the Public Accounts and Public Administration Committee carry out a review of the resourcing arrangements of Wales' Commissioners.<sup>39</sup> In response, the Committee agreed it would take this work forward.<sup>40</sup>

**37.** We asked the Minister what influence the Welsh Government has in encouraging the Welsh Commissioners to think of sharing the back-office costs of their roles. She replied:

*"I'm very pleased to have that question, and it's the sort of work that we can take forward in terms of the challenging times. It's been most important in this draft*

<sup>34</sup> Local Government and Housing Committee, [Provision of sites for Gypsy, Roma and Travellers](#), August 2022

<sup>35</sup> [Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraph 66](#)

<sup>36</sup> [Letter to the Minister for Social Justice, 19 January 2023](#)

<sup>37</sup> [Letter from the Minister for Social Justice, 24 January 2023](#)

<sup>38</sup> Welsh Government, [Draft Budget paper](#)

<sup>39</sup> Equality and Social Justice Committee, [Annual scrutiny of the Future Generations Commissioner: an update](#), April 2022

<sup>40</sup> [Letter from the Chair of the Public Accounts and Public Administration Committee, 10 May 2022](#)

*budget to make sure that they are properly resourced. We've got new commissioners on board, and coming on board, and, again, following your previous question, we need to look at every way and opportunity and option to ensure that we're using our resources most effectively, and back office is obviously one of the ways.”<sup>41</sup>*

## **Our view**

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### **Equality, Inclusion and Human Rights**

The Minister's answers on the Anti-racist Wales Action Plan and LGBTQ+ were helpful in terms of setting out how the budget is being used across departments. It was also useful to have confirmed the total amount allocated to the LGBTQ+ Action Plan. However, we are concerned that the cross-departmental nature of some work can blur transparency and accountability. The Welsh Government should clearly set out the total budget allocated to the Anti-racist Wales Action Plan, in addition to the allocations across departments to both these policy areas to enable improved transparency and effective scrutiny.

**Recommendation 7.** The Welsh Government should clearly set out the total budget allocated to the Anti-racist Wales Action Plan. Further, the Welsh Government should set out a breakdown of allocations across departments for both the Anti-racist Wales Action Plan and the LGBTQ+ Action Plan.

### **Ukrainian refugees**

We commend the Minister's commitment to support those Ukrainians with a visa to come to Wales. We are concerned that given the unpredictable nature of any conflict, a major event or escalation could put considerable pressure on the budget allocation.

### **Gypsy and Traveller Sites**

We were shocked to learn that no money has been spent (or is forecast to be spent) in the 2022-23 financial year from the Gypsy and Traveller Site Capital Grant despite an allocation of £3.690m. Given that the Police, Crime, Sentencing and Courts Act now criminalises anyone who stops at an unregistered site, this lack of progress is particularly disturbing and unacceptable. The Welsh Government should urgently set out the reasons for the lack of progress to date and how it plans to work with local authorities to ensure take up of this important fund. Further, the Welsh Government should clarify what will happen to the unspent £3.690m. Any unspent

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<sup>41</sup> Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraph 149

monies should be allocated to actions within this area. The Local Government and Housing Committee has similar concerns and we are pleased to make the following joint recommendation.

**Recommendation 8.** The Welsh Government should urgently set out the reasons for the lack of progress on use of the Gypsy and Traveller Site Capital Grant and how it plans to work with local authorities to ensure take up of this important fund. Further, the Welsh Government should clarify what will happen to the unspent £3.690m from the 2022-23 Budget, and confirm that it will be allocated to actions within this area.

### Funding for Commissioners

We recognise the important role of the Welsh Commissioners in championing the rights of different groups of people, but in light of the difficult financial context, they have a responsibility to look for efficiencies in the same way as other public sector bodies. This could involve exploring opportunities for closer working that can drive out efficiencies, including possible collaboration through co-location of offices and services, or through sharing back office functions. We are pleased the Public Accounts and Public Administration Committee accepted our recommendation to review the resourcing arrangements of Wales' Commissioners, and we look forward to seeing the outcome of this work.

### Voluntary sector

**38.** The Programme for Government commits to “celebrate[-ing] diversity and move to eliminate inequality in all of its forms”, and this includes a commitment to “continue our strong partnership with voluntary organisations across the range of our responsibilities”.

**39.** In the Draft Budget, the Support for the Voluntary Sector Budget Expenditure Line (BEL) sees an increase of £130k, or 1.65% in cash terms, on the allocation in the 2022-23 first Supplementary Budget. However, given the high rate of inflation, this equates to a reduced allocation in real terms. The total allocation in 2023-24 is £7.624 million. This provides core funding for third sector infrastructure (WVCA and County Voluntary Councils) in Wales as well as support for volunteering.

**40.** We asked the Minister to comment on the sustainability of funding for voluntary services. She told us:

*“[...] the Third Sector Partnership Council is really important. [...] for many years, there has been a third sector partnership funding and compliance and good*

*governance stream of work. So, that is looking at this, in terms of the sustainability of funding and moving towards three-year funding, where possible. This also has to be reflected in all our other public bodies that fund the third sector [...]. But we're very much in the hands of the UK Government in terms of spending reviews et cetera.*<sup>42</sup>

**41.** We wrote to the Minister to ask for further detail on the work of the Third Sector Partnership Council relating to sustainability of funding and confirmation that Welsh Government Third Sector grants are normally awarded on a 3 year basis, unless there are exceptional circumstances.<sup>43</sup> She confirmed:

*"From early 2022, all new competitive grants can, unless Ministers or other factors dictate otherwise, be awarded for up to 3 years, with a benchmarking exercise to assess performance at the end of that period. Subject to the outcome of the benchmarking the grant scheme can, if required, then be extended for a further 3 years. However, the duration of the grant scheme should also be dependent on the needs of the policy area. This policy is applicable across Welsh Government."*<sup>44</sup>

## **Violence Against Women, Domestic Abuse and Sexual Violence**

**42.** The Minister claimed that Welsh Government has "protected funding" to tackle Violence Against Women, Domestic Abuse and Sexual Violence (VAWDASV), and that as part of the Draft Budget an allocation of £130k has been made to the VAWDASV BEL.<sup>45</sup>

**43.** The Minister told us:

*"what's important is learning from all the strategic groups in this specialist sector on the best ways of allocating that money, and I've prioritised funding for the regions and the specialist services that we directly fund."*<sup>46</sup>

**44.** In our report on Gender based violence: the needs of migrant women, we recommended that a crisis fund should be set up to provide financial support to women with No Recourse to Public Funds.<sup>47</sup> The recommendation was accepted by the Welsh Government in its response to our report.<sup>48</sup> We asked the Minister where the money for the crisis fund would come from and she confirmed:

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<sup>42</sup> Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraph 99

<sup>43</sup> Letter to the Minister for Social Justice, 19 January 2023

<sup>44</sup> Letter from the Minister for Social Justice, 24 January 2023

<sup>45</sup> Welsh Government, Draft Budget paper

<sup>46</sup> Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraph 141

<sup>47</sup> Equality and Social Justice Committee, Gender based violence: the needs of migrant women, October 2022

<sup>48</sup> Welsh Government, Response to the Equality & Social Justice Committee's report on Gender based violence and the needs of migrant women, December 2022

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*"[...] We were committed to the fund; it will be paid out of our VAWDASV BEL for 2023-24. We'll make sure that that allocation is there to deliver."<sup>49</sup>*

## Emergency services

**45.** The Minister's paper states that as a result of the reduction of £1.64 million in the Fire and Rescue Services Communications Systems budget, which took place as part of the reprioritisation exercise, the Welsh Government's financial support for the Airwave contract will end on 31 March 2023. Concerns have been raised about the cut and the potential impact this could have on local authorities. The Deputy Minister recognised the concerns but told us: "...we've prioritised where we can support those community safety services, but also things around national resilience and additional capital funding for that..."<sup>50</sup>

**46.** We asked whether any consideration had been given to amalgamating the emergency services into one organisation, so that costs such as back-office expenses could be pooled. The Deputy Minister pointed to an example of a shared communication control headquarters in north Wales and acknowledged the potential for this way of working.<sup>51</sup>

**47.** The Welsh Government is continuing to support Police Community Support Officers (PCSOs), increasing its total budget for Community Support and Safety from £22.625m in 2022-23 to £22.998m in 2023-24. We asked the Minister about the rationale behind this decision and she told us that the uplift for PCSOs was a "very clear" programme for government commitment for her. She added that the Welsh Government thinks that "PCSOs are crucial in terms of the front-line role that they play in communities".<sup>52</sup>

## Preventative spend

**48.** Recommendation 6 of our report on the Welsh Government's Draft Budget for 2022-23 called on the Welsh Government to commission independent, expert research advice to improve how we measure the effectiveness and impact of preventative spending measures.

**49.** The Minister's paper notes that part of the planned 2023 work for the reformed Budget Improvement Impact Advisory Group is the consideration of prevention, and that as part of that work "we will consider the case for using commissioned expert advice, balanced against the costs of doing so".<sup>53</sup>

<sup>49</sup> Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraph 143

<sup>50</sup> Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraphs 134 and 138

<sup>51</sup> Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraphs 147 and 145

<sup>52</sup> Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraphs 129-130

<sup>53</sup> Welsh Government, Draft Budget paper

## Our view

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### Voluntary sector

In our report on Gender based violence: the needs of migrant women, we discussed the importance of clarity and certainty for public services and third sector organisations in relation to their funding, for them to be able to plan their services more effectively. This broader progress confirmed by the Minister in moving towards three-year funding for voluntary services is therefore welcome.

However, while the Minister acknowledged the pressures on the voluntary sector in terms of the cost-of-living crisis, we are concerned that this has not filtered through to the budget which is facing a cut in real terms. We note that written evidence from WCVA to the Finance Committee prior to publication of the Draft Budget highlighted that “the pandemic cost the voluntary sector in Wales £620m in income” and the sector has not yet recovered from that. There is an opportunity, through the Third Sector Partnership Council, to engage with the sector to ensure its sustainability. As demonstrated during the pandemic, the third sector plays a vital role in supporting public services across Wales and it is essential that it continues to be supported.

### Violence against women, domestic abuse and sexual violence

We were pleased that the Minister reiterated her commitment to the crisis fund to support women with No Recourse to Public Funds. However, we note her comment that it will be paid for out of the VAWDASV BEL for 2023-24, which implies that no additional money has been made available. The Welsh Government should clarify this statement and, further, should clearly set out its spending priorities for 2023-24 in terms of delivering the VAWDASV strategy.

**Recommendation 9.** The Welsh Government should clarify before the debate on the Final Budget (scheduled for March 2023) where funding for the crisis fund to support women with No Recourse to Public Funds will come from. Further, the Welsh Government should clearly set out its spending priorities for 2023-34 in terms of delivering the VAWDASV strategy.

### Emergency services

We were encouraged by the Deputy Minister’s acknowledgement of the potential for collaborative working in this space. The Welsh Government should consider working with the UK Government to explore opportunities for reforming blue light services in Wales. This work should include a focus on how far closer working can drive out inefficiencies.



We acknowledge the Minister's comments about the crucial role of PCSOs within communities; however it is questionable whether funding should be prioritised in this area when others who also play an important role in community safety, such as the voluntary sector, are facing real term cuts.

### **Preventative spend**

As previously noted, difficulties in effectively measuring impact and outcomes of spending decisions are likely to hamper efforts to target scarce resources.<sup>54</sup> We are disappointed therefore that the Welsh Government has not yet commissioned research as recommended. Such work would be key to increasing the scale and effectiveness of preventative spend.

It is clear from the Minister's evidence that she is committed to preventative spending and that she sees it as the way forward. However a number of challenges, which we highlighted in our budget report last year, including evaluating preventative spend measures, and evidencing the impact of investing in preventative spend, still need to be overcome. And so, we reiterate our recommendation that the Welsh Government should commission and publish research on preventative spend. We consider this exercise to be even more key this year, when budgets are squeezed and preventative spend could be pushed out; therefore the Welsh Government should share its findings with the Committee before the end of the summer term.

**Recommendation 10.** The Welsh Government should commission independent, expert research advice to improve how we measure the effectiveness and impact of preventative spending measures, the findings from which should be shared with the Committee before the end of the summer term.

## **4. Budget improvement**

### **Strategic Integrated Impact Assessment**

**50.** The Welsh Government has various legal obligations to assess the impact of its decisions on equality, children and young people and future generations. A Strategic Integrated Impact Assessment (SIIA) is therefore included as Annex A within the Draft Budget 2023-24 narrative document.<sup>55</sup>

<sup>54</sup> Equality and Social Justice Committee, [Welsh Government Draft Budget 2022-23](#), February 2022

<sup>55</sup> Welsh Government, [Draft Budget 2023-24 narrative](#)

**51.** In our report on the Welsh Government's Draft Budget for 2022-23, our first recommendation called on the Welsh Ministers to publish an updated SIIA to include a more detailed account of how Draft Budget decisions impact on different groups before the Senedd debate on the final budget.<sup>56</sup> The Welsh Government accepted this recommendation, however an updated SIIA wasn't provided; instead Members were directed to all of the Minister's written evidence to Senedd scrutiny committees.

**52.** A similar approach appears to be taken this year, with the Minister stating that each Minister "will set out the reprioritisation decisions taken impacting their own portfolios within their own evidence papers."<sup>57</sup>

**53.** The Minister's evidence paper states:

*"[The SIIA] is just one of a suite of documents published as part of our draft budget, with the impact of spending decisions outlined as part of the main narratives in chapters four, complemented by the SIIA at Annex A. Following publication of the draft budget, the Minister for Finance and Local Government will publish an extensive summary of all Minister's written evidence to Senedd scrutiny committees on allocations within each MEG; this will provide a more detailed account as to how draft budget decisions have impacted on different groups."<sup>58</sup>*

## The Equality Evidence Units

**54.** We asked the Minister what advice and data the Equality, Race and Disability Data Units have provided the Welsh Government to support better policy and spending decisions. Her evidence paper noted that the Units "have provided a high-level and intersectional analysis of available evidence on inequality to highlight which people may be most impacted by budget cuts", and that this evidence was used to inform the SIIA.<sup>59</sup>

**55.** We asked the Minister to confirm the total amount of funding allocated to the Equality Evidence Units. She told us:

*"The total amount of funding allocated to the Equality, Race and Disability Evidence Units for the financial year 2023-24 is £1,635,650. The budget is made up of staff costs, to carry out research and statistical activities, a research budget to commission*

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<sup>56</sup> Equality and Social Justice Committee, [Welsh Government Draft Budget 2022-23](#), February 2022

<sup>57</sup> Welsh Government, [Draft Budget paper](#).

<sup>58</sup> Welsh Government, [Draft Budget paper](#).

<sup>59</sup> Welsh Government, [Draft Budget paper](#).

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*research and a small amount of operational costs to support recruitment and staff on-boarding.*<sup>60</sup>

## Distributional analysis of budget

**56.** The Resolution Foundation anticipates that households will face the largest fall in real household income since the 1970s. The impacts of this will disproportionately fall on low-income households, given the higher rates of inflation for food and energy, leading them to “cut back severely” on essentials.<sup>61</sup>

**57.** The Welsh Government has not published a distributional analysis of devolved public spending, as it did for the two previous budgets. In evidence to the Finance Committee, the Minister for Finance and Local Government stated that:

*“ [...] last year, we published a distributional impact assessment and, given that things haven't really changed in that space since last year, that document still remains valid at the moment.”*<sup>62</sup>

**58.** The Welsh Government’s Budget Improvement Plan for 2023-24 notes that it will publish updates when “significant changes occur on usage of public services or the allocation of spend”.

**59.** The Minister told us:

*“We've got to improve transparency for the budget, we've got to reform how we assess impact, and we've got to maintain equality at the heart of our budget process.”*<sup>63</sup>

## Our view

### Strategic Integrated Impact Assessments

We are disappointed that while last year’s recommendation on SIAs was accepted by the Welsh Government, it has not been implemented in practice. It is crucial that we are able to see how equality considerations and the well-being of future generations have informed budget decisions, especially at a time of real term cuts.

<sup>60</sup> Letter from the Minister for Social Justice, 24 January 2023.

<sup>61</sup> Resolution Foundation, *The Living Standards Outlook 2023*, January 2023

<sup>62</sup> Finance Committee, 14 December 2022, Record of Proceedings, paragraph 113

<sup>63</sup> Equality and Social Justice Committee, 16 January 2023, Record of Proceedings, paragraph 152

We therefore repeat our call for the Welsh Government to review the SIIA with a view to publishing a more detailed account of how Draft Budget decisions impact on different groups in advance of the Final Budget.

**Recommendation 11.** The Welsh Government should review the Strategic Integrated Impact Assessment with a view to publishing a more detailed account of how Draft Budget decisions impact on different groups in advance of the Final Budget.

### **Distributional analysis of budgets**

We welcome the Minister's recognition of the need for improved transparency and a reform of how impact is assessed, and the Budget Improvement Plan will play a key part in that work. We note that an updated distributional analysis has not been published as part of this year's budget process due to allocations remaining fairly similar. However, we would argue that the economic crisis around the cost of living justifies keeping this analysis as up-to-date as possible, and call for an updated distributional analysis to be published alongside the Final Budget.

**Recommendation 12.** The Welsh Government should publish a distributional analysis in time for the Final Budget.