



National Assembly for Wales Finance Committee

A call for information – Welsh Government draft budget proposals for 2016 – 17

A response from Wales Council for Voluntary Action (WCVA)

Introduction

1. Wales Council for Voluntary Action (WCVA) is a registered charity and umbrella body working to support, develop and represent Wales' third sector at UK and national level. We have over 3,350 organisations in direct membership, and are in touch with many more organisations through a wide range of national and local networks. WCVA's mission is to provide excellent support, leadership and an influential voice for the third sector and volunteering in Wales.
2. WCVA is committed to a strong and active third sector building resilient, cohesive and inclusive communities, giving people a stake in their future through their own actions and services, creating a strong, healthy and fair society and demonstrating the value of volunteering and community engagement.
3. We welcome the opportunity to respond to the National Assembly for Wales Finance Committee's call for information on the Welsh Government's draft budget proposals for 2016-17. This response is structured in accordance with the consultation questions.

Question 1: What, in your opinion, has been the impact of the Welsh Government's 2015-16 budget?

4. As context, there were 33,496 people employed in the third sector in 2013, equivalent to 2.5% of all employees in Wales. WCVA estimates that over 4,300 organisations provide services in Wales. Large groups of organisations exist in housing, advice and advocacy, social services, preschool, child and youth services, health services, hospice care and community development. In addition, many groups provide a local infrastructure which improves the wellbeing of individuals.

5. When funding from government sources is compared with their total spend, [WCVA's Third Sector Statistical Resource \(2014\)](#) estimates that Welsh Government and Unitary Authorities spend between 2 and 3% of their funding on the third sector, whilst health boards spend 0.4%. For 2014, WCVA estimates that approx. 18% of third sector income was from Welsh Government and 13% was from local government, demonstrating the vulnerability of the sector to public sector funding cuts.
6. For 2014 third sector income from Welsh Government was estimated to be approx. £306m (2.2% of expenditure); and total funding by way of grants or payments for services to the third sector by local authorities in Wales in 2013-14 was estimated to be around £283 million. 84% (£209.4 million) of the funding was for services, while the remaining 16% (£39.5 million) was given as grants¹.
7. Since 2009, WCVA has conducted a series of 'State of the Sector' on-line surveys of third sector organisations in Wales. The overall outlook of the [February 2015 survey](#) indicated a pessimistic view with more organisations feeling the future will be difficult. There has been an increase of organisations reporting redundancies, whilst at the same time experiencing an increasing demand for services. During periods of uncertainty, many experienced staff are leaving in order to gain employment elsewhere. The February 2014 survey suggested that many third sector organisations were experiencing uncertainties, with increases in running costs and less income for core funds. This survey has confirmed that prediction: organisations are not able to maintain staff levels and they see a bleak future because of cuts from local authorities, Welsh Government and other funders. The levels of staff redundancies have returned to those experienced during the recession years.
8. Budget cuts, alongside the drive to generate efficiency savings, has led Welsh Government to encourage local government to make greater use of procured contracts and project funding, rather than grant or core funding. While we accept, firstly, that the EU and UK legal framework means that in many cases procurement is a requirement, and secondly that Welsh Government has sought to improve procurement policy and practice, we would strongly advocate for a mixed funding framework to be used to support not only value for money, but also enable innovation and encourage new ways to design and deliver effective services.
9. WCVA members routinely report problems with procurement – e.g. disproportionate and inappropriate procurement processes, timescales and paperwork wholly unrelated to the scale and nature of the contracts – but these cases, while extremely unsatisfactory, can be improved.
10. We believe that it is important to view procured services within a mixed economy which also includes grant funding and social investment; to scope the broadest range of assets, resources and services – existing, underused or emerging; and to establish how the State's funding can best be used to facilitate or enable the realisation of all community resources. With this comes a vibrant diversity of provision.

¹ [Third Sector Funding 2013-14 Executive Summary](#), WCVA (2014)

Question 2: Looking at the draft budget allocations for 2016-17, do you have any concerns from a strategic, overarching perspective, or about any specific areas?

11. WCVA acknowledges and welcomes the Welsh Government's adherence to the spirit of the recommendations of the Finance Committee's Inquiry into best practice budget procedures; as well as the continued commitment to the overarching priorities of health and social services, educational attainment, supporting children, families and deprived communities and growth and jobs.
12. However, as an active member of the Climate Change Commission for Wales, WCVA recognises that climate change poses a significant and potentially irreversible threat to the communities of Wales and would therefore wish to see further reference to climate change as another overarching parameter within which budgetary decisions are made.
13. WCVA also notes the mention of European funding on page 10 of the document, but would wish to see the wider suite of EU policy funding initiatives acknowledged as a means of not only adding value to the existing investments through the EU Structural & Investment Funds, but also providing the opportunity to lever in additional funding to Wales and best practice and learning from the experiences of other regions and Member States through transnational partnerships. This point is emphasised in recognition of the recommendations of the [Enterprise & Business Committee's Inquiry into EU funding opportunities 2014-2020](#).
14. WCVA's specific concerns in respect of the budget allocations of 2016-2017 are:
 - Further cuts to local government budgets, ranging from 1.1% in Cardiff to 4.4% in Powys are expected to impact negatively on funding for local third sector organisations and disproportionately so in rural areas;
 - Further constraints to Welsh Government core funding to third sector organisations will impact significantly on the longer term financial viability of organisations that act as a vital point of contact for the public sector to engage with and mobilise the wider third sector. Third sector organisations that are considered to be core to the fabric of Welsh society require medium to long term financial stability to enable them to fulfil the expectations of statutory partners in respect of the implementation of the new legislative framework of the Well-being of Future Generations (Wales) Act and the Social Services and Wellbeing (Wales) Act.

Question 3: What expectations do you have of the 2016-17 draft budget proposals? How financially prepared is your organisation for the 2016-17 financial years, and how robust is your ability to plan for future years?

15. A number of our members have experienced a shift from core funding to project funding. The erosion of core funding has profound consequences for third sector organisations, limiting their ability to operate flexibly and maximise the value of the investment by leveraging in additional resources.
16. Welsh Government's vision recognises the role of the third sector in delivering preventative services: "*A key principle for developing and encouraging innovation in public services is prevention. [...] Crucially, it relies on effective integration of services between public service partners, including the third sector and the public*

themselves, wrapping their support around a person or a family rather than each organisation focusing solely on specific issues.”

17. Whereas policy (e.g. *Improving public services for people in Wales*) and proposed legislation (e.g. the Well-being of Future Generations (Wales) Act) emphasise a long-term approach to decision-making, there needs to be a corresponding long-term approach to funding the third sector. It is important that funding supports change and transformation rather than be used just as a short term intervention.
18. In the current economic climate there will continue to be considerable strains and limitations on statutory funding, and the challenge of achieving success with fewer resources. It is a long-term process which requires continued investment and development and a wider understanding of the benefits of financial sustainability.
19. WCVA anticipates further funding cuts to third sector organisations across the board and if the third sector is to flourish, new ways must be found of encouraging and developing organisations to plan for the future and fundraise from diverse income sources. Helping the sector to identify and secure sustainable funding and finance is a key role for WCVA and the third sector infrastructure in Wales. Our aim is for a well resourced sector where access to funding and other resources is maximized and diversified, and decision making is fair, transparent and sustainable. A key priority for our work is to focus on equipping the sector with the information, knowledge and skills to continue to adapt to the changing financial landscape.

Question 4: Please make any specific comments on the areas identified below:

Approach to preventative spending and how is this represented in resource allocation

20. The third sector has developed significant expertise in providing a broad range of additional, non-statutory support that directly reduces the burden on public sector services. It is a powerful advocate for service users and communities and an expert in certain conditions and localities. It is therefore ideally placed to identify, test and deliver effective interventions that reduce or prevent the take up of more intensive services where problems are acute. A case in point is the research commissioned by Groundwork Wales that demonstrated that its work with young offenders delivered a 1:1 payback in terms of cost savings to the NHS and criminal justice system within 6 months with further benefits expected to accrue over a time period of as much as 20 years. The merit of the preventative approach has been recognised in the Well-Being of Future Generations (Wales) Act and we would wish to see further support in this area to all sectors to enable the Act's effective implementation.
21. At the bi-annual meeting between Jane Hutt AM, Minister for Finance and Government Business, and third sector networks in November 2015, there was a commitment made to developing a joint definition of prevention and early intervention to inform the budget and there is further interest from third sector organisations in piloting projects to test these definitions in areas such as substance misuse, sport and the environment. WCVA is keen to promote and support the implementation and mainstreaming of such pilots and to disseminate the learning to encourage positive practices more widely.

22. WCVA is also keen to help the public sector explore diversification in the use of budgets across departments to support projects delivering multiple outcomes. For example, with reference to the call in the Response for Nature Report for 1% of health budgets to be invested in the restorative value of the natural environment to provide cost-effective and preventative health care solutions.
23. It is worth noting that the third sector in Wales has access to considerable finance options that enable investment in services that deliver social outcomes and savings for the public purse. There are a number of initiatives already underway in Wales that seek to focus on preventative measures through accessing new forms of finance, which can add value to public investments.
24. Social impact bonds are a mechanism for providing up-front investment in preventative measures that can create future savings by reducing demand on pressurised publicly-funded services. From the savings made, original investments can be repaid and sustainable preventative actions can continue to be funded.
25. WCVA's Wales Wellbeing Bond provides up-front investment in partnerships between the public and third sectors that can create savings through preventative programmes. It provides an opportunity in Wales to innovate in how the third sector delivers with the public sector, and how that delivery is funded. It places co-production principles and third sector delivery at its core, and because it involves no private investment any savings generated will be recycled into further social investment.
26. Cwm Taf Local Health Board are currently exploring using the Wales Wellbeing Bond to deliver early intervention mental health initiatives that improve patients' wellbeing and make savings in prescription costs for anti-depressants. Since its launch, the Bond has attracted considerable interest from across the public sector and third sector and whilst challenges and barriers are recognised, we believe they are surmountable.

Sustainability of public services, innovation and service transformation

27. Change in how we provide public services for people in Wales is now needed because demand for acute services is rising, money is running out and preventative and community services are being cut. Quality of life cannot be delivered by the local authorities and the NHS alone; community action and volunteering need to be capitalised and communities need to be resilient at the local neighbourhood level. Putting people at the centre and sharing responsibility, power and resources results in better services and outcomes for everyone. Encouraging and supporting people as active citizens is critical to the future public service in Wales where increasingly many of the services may well be community-owned and run.
28. The Programme for Government recognised the third sector as a key partner in the delivery of the Welsh Government's agenda. More recently, the Welsh Government's document *Improving public services for people in Wales*, explicitly includes the third sector in its vision for public services: "*Our public services are delivered through public sector bodies working with partners - in particular the third sector, and in some circumstances the private sector - to provide the best possible services.*" (p.11)

29. The document further states that Welsh Government “...will therefore continue to work with partners in the third sector and more broadly to this end, and make further announcements on supporting the development of co-production in Wales later this year.” [...] “We will also continue to encourage the third sector to realise its full potential in supporting public services, recognising that there is a wide range of organisations which are covered within a broad definition of the third sector.” (p.22)

30. This puts the third sector in a pivotal position in delivering this vision because it is the way communities organise, express collective concerns and give people the confidence and skills to challenge, and create change. The third sector works to enthuse, motivate and organise people and create community ownership and structures. This requires investment (grants and core funding), and volatility of funding severely weakens the sector’s potential contribution to this agenda.

31. WCVA is advocating for a different way of organising services:

- a focus on earlier interventions and **preventative** measures:
- a need to think differently about **resources**; drawing on all contributions
- a recognition that **service users can be contributors** to the design, development and delivery of services
- and an understanding that relationships should be two-way transactions built on **reciprocity** and **mutuality**

This approach resonates with the Sustainable Development Principle outlined in the Well-Being of Future Generations (Wales) Act that public bodies are now required to follow.

32. We believe that people and communities need to be involved at an early stage, in a collaborative manner, when it comes to discussions around the ways in which public services will be designed. Further reductions in funding to services means local authorities need to make the most of their other assets - such as people and communities, who know what they want from their services and can offer innovative, sustainable ideas of ways to do things. There are many successful examples of this type of co-productive working across Wales, including Welsh Government’s own Cynefin community development programme in Cefn Mawr. This approach must be encouraged in service development to ensure sustainability.

33. Small changes to the proportion of funding from the public sector - or even how the public sector funds - have a huge effect on the third sector. Before cuts are made, we are advocating discussions that explore options:

- Transferring to community ownership/management of assets and facilities, such as libraries, community buildings, day centres or leisure facilities
- Using volunteers in the organisation of services and facilities, if they are provided with initial support and guidance.
- Continuing the service or facility at a reduced level
- Reconfiguring the service using community assets and resources
- Utilise Invest to Save principles

34. The third sector in Wales has access to finance options that enable investment in services that deliver social outcomes and savings for the public purse. For example social finance offers considerable opportunities for the reorganisation of

public services through new partnerships between the third sector and public sector, and a shift towards a greater focus on preventative measures that yield financial savings and improved social outcomes.

Welsh Government policies to reduce poverty and mitigate welfare reform

35. Whilst the continued financial commitments to preventative programmes such as Flying Start, Families First and Communities First are welcomed, the absence of specific policies and funding to provide immediate support to people in respect of the process of welfare reform, as well as the widely documented concerns about in-work poverty, are noted.

Impact of the Welsh Government's legislative programme and whether its implementation is sufficiently resourced

36. With reference to points 26, 27 and 28, the legislative and policy landscape sets out a clear vision for the third sector's role in delivery. To be successful, the roles envisaged for the third sector require sufficient resources and investment.
37. Short-term (1-3 year) budgetary cycles and purchasing / funding decisions - and indeed electoral cycles - militate against longer-term thinking (e.g. 10 years). Investing resources to prevent problems occurring requires a recognition that the benefits may not accrue for a number of years. For example, the feasibility study and business case for the development of an early intervention mental health service (commissioned by WCVA, Cwm Taf Health Board and Interlink RCT) established that the service might not deliver real savings until year 6. An explicit requirement for public bodies to consider the long-term will be helpful in shifting decision-making to the longer term, and WCVA seeks assurances from the statutory sector that longer term financial resources will be put in place for external (non-statutory sector) partners that are delivering on strategic agenda.

Scrutiny of Welsh language, equalities and sustainability

38. Given that one of the Wellbeing of Future Generations (Wales) Act's seven goals is a thriving Welsh language, Wales needs properly resourced Welsh language services.
39. Schools and bilingual learning play a vital role in securing a future for the language, as do community and voluntary organisations which promote the language, such as Mudiad Meithrin, Urdd Gobaith Cymru, Merched y Wawr and the Mentrau Iaith.
40. WCVA welcomes the reference to the Well-Being of Future Generations Act and its Sustainable Development Principle as the context in which this budget has been set. We note however that the only narrative relating to Goal 2 of A Resilient Wales relates to transport, green growth, energy efficiency and coastal and flood risk prevention. It is disappointing that the narrative makes no reference either to support for a biodiverse natural environment with healthy functioning ecosystems or ability to adapt to change, including a changing climate. There is strong third sector engagement with the natural environment in projects that deliver multiple economic and social outcomes. We are concerned that cuts in public sector expenditure on the natural environment will constrain the ability of the sector to continue its role not only in communicating with citizens about the importance of safeguarding our

natural environment but also in providing access to it and in pioneering projects that act as an exemplar for climate-friendly and sustainable living.

41. WCVA supports the Welsh Government's use of equality impact assessments and advocates the engagement of people representing those with protected characteristics in the scrutiny process.

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