

Welsh Government budget 2012/13
Submission to Finance Committee
September 2011



Introduction

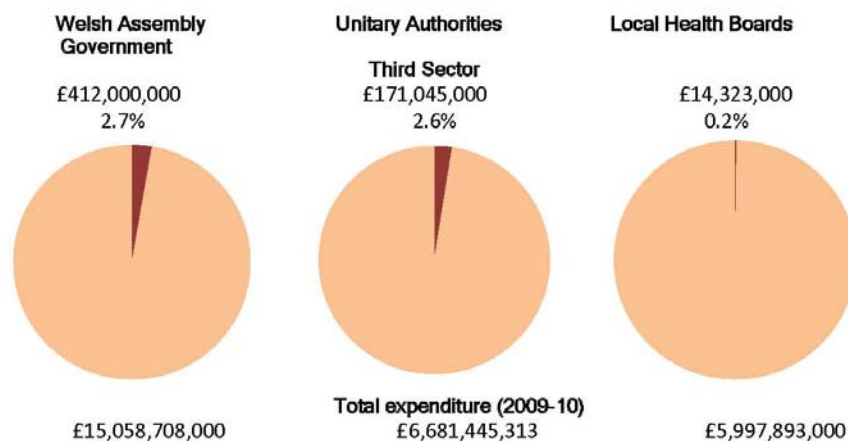
1. Wales Council for Voluntary Action represents, campaigns for, supports and develops voluntary organisations, community action and volunteering in Wales. It represents the sector at UK and national level; and together with a range of national specialist agencies, county voluntary councils, volunteer centres and other development agencies, it provides a support structure for the third sector in Wales. It has 3,000 members, and is in touch with many more organisations through a wide range of national and local networks.
2. WCVA has prepared this paper in consultation with the umbrella bodies and networks in membership of the Third Sector Partnership Council.

Summary of main points

3. This paper sets out issues that we hope will assist the Finance Committee in their scrutiny of the Welsh Government budget for 2012/13 and beyond. In particular it highlights the following:
 - It should be a priority to maintain support for third sector organisations who are able to maximise resources available in the community, lever other funding into their community, and support the massive contribution made by volunteers.
 - Public sector funding for the third sector is a very small part of overall expenditure, and reductions will have a negligible impact on the savings that need to be made.
 - Nevertheless, third sector organisations are acutely aware of the funding situation and are always exploring ways of reducing costs.
 - Reductions in funding for the third sector may have a multiplier effect by losing additional funding and resources levered in on the basis of public sector funding.
 - Reducing funding for preventative work, early intervention and building community capacity and resources will lead to greater demands for more expensive statutory services.
 - Building on the sector's ability to deliver services in new ways that involve 'co-production' with citizens and communities - working in partnership with service providers to address their own needs - should be a priority for the continuing public service reform programme.
 - The assessment of how budget decisions impact upon the third sector should include the outcomes and added value that the sector produces from government funding, and not simply the cost.
 - Clarity is required about the circumstances in which procurement or grant-funding are used to fund third sector services, with a presumption that collaborative arrangements with the third sector are used unless there is a legal requirement for procurement.

The funding context

4. Many third sector organisations neither seek nor receive public funding. They are small groups and self finance their own activities. Public sector funding is, however, of major importance to many organisations and to the people and communities with whom they work. For some organisations it provides the revenue platform for a wide range of activities and services that are an essential component of the wider public services on which people and communities depend. Other organisations (for example, village halls and community centres) may access capital grants that underpin their ability to generate their own revenue.
5. Over the last decade WCVA's third sector almanac has assembled an increasing accurate understanding of how the third sector is funded in Wales. The most recent figures available indicate that around 32% of the sector's funding in Wales is from the Welsh Government and UK Government, and around 13% is from local government and local health boards.
6. Whilst this is vital for the organisations concerned, it represents a tiny element of the total budgets of the public sector funders - see below.



7. The Welsh Government only spent 2.7% of its total budget on the sector in 2009-10. Local government spends only 2.6%. Funding from health bodies has failed to keep pace with inflation over the same period, and only 0.2% of total health spend in Wales is invested in the third sector. In each case this represents a lower percentage than previously funding levels.
8. In the current year, the sector has faced real cuts. Organisations working in Wales with funding from the Home Office and other non-devolved departments have experienced disproportionate cuts that have impacted on some of the most vulnerable people in Wales. Whilst organisations funded by the Welsh Government have not to date suffered the major cuts faced by organisations in Wales funded by the UK Government, they are nevertheless seeing their income drop in real terms over the next three years.

9. Against the background of cuts, the sector faces increasing demand for services. Previous recessions have demonstrated, perhaps unsurprisingly, that the human costs of growing financial hardship are increases in family breakdown, drug and alcohol problems, mental ill-health, domestic abuse and homelessness. There is strong evidence that the increases in demand for services helping people overcome these issues will be exacerbated by the UK welfare reform changes. Third sector organisations are at the frontline of responding to these pressures, and will be responding to greater demand without increased resources, and many with reducing income.
10. The continuing pressures on public expenditure are well recognised by the third sector and it is understood there will be reductions. There are good reasons, however, to protect funding for the third sector in the current economic climate. It employs 51,000 people, and involves over 1.1 million volunteers who not only provide real benefits for people and local communities, but also develop their own skills and abilities through their volunteering, and through their engagement in their communities. Mobilising community effort and self-help has always been important, and becomes increasingly so in the current environment.
11. Local enterprise and community involvement are equally important in contributing to community and economic regeneration, helping to create employment, raise skill levels and tackle poverty-related problems.
12. The third sector is an effective mechanism for the achievement of wide reaching public policy goals. It follows, therefore, that the third sector and government should work in partnership to understand more fully the social return on investment that the third sector can deliver, and to maximize the contribution the sector can make to Welsh public life and civil society in a changed economic landscape.
13. The sector recognises the pressures that there will be on the budget, but short term cuts in support for the sector could store up problems in the future. Priority therefore should be given to spend that:
 - Addresses the immediate service needs of people in Wales
 - Protects the integrity of the sector to enable it to continue to address the current and unanticipated needs in the long-term
 - Offers the best value for the Welsh pound by leveraging in resources (financial and human) from other sources
 - Fosters self-help and initiative, and individual and community responses to needs

Efficiencies

14. Given the small scale of public sector funding for the third sector as part of total government spend, cost savings by third sector organisations will have a marginal impact on the wider public expenditure saving that needs to be made. Reduced funding will, however, have a significant effect on the ability of third sector organisations to mobilise and lever in additional resources, which they could normally secure. Therefore the negative impact on people and communities will be proportionately greater; leading to a greater burden on public expenditure in the longer-term.

15. Nevertheless, there are a number of ways in which different third sector organisations are responding to the current public expenditure situation. For example:
- Community Housing Cymru and Care and Repair Cymru have created a group structure, sharing back-office services and a single group chief executive
 - There have been mergers between two Women's Aid Groups and Llamau
 - A group of third sector substance misuse providers have created, with support from the Welsh Government, a new joint company which has bid successfully for national contracts, and has the potential to develop shared services and support
 - St David's Foundation Hospice Care and Usk House Day Hospice have merged and will be able to enhance their services across a wider geographical area
 - AWETU and Cardiff and the Vale Coalition of Disabled People are merging and will share office space
 - The Crossroads schemes in Ceredigion, Pembrokeshire and Powys have formed a single organisation, Crossroads Mid and West Wales, unifying their administrations and operational management, and creating a more sustainable entity
 - The CIC (Conwy Intermediate Care) Start Project brings together statutory and third sector bodies to complement Intermediate Care services in Conwy
7. The third sector infrastructure recognises the importance of collaboration and merger, and encourages its members to consider joint working so that they are in a position to respond to a changing environment and make informed decisions about whether collaborating or merging is in the best interests of their service users. WCVA and CVCs provide support for those organisations who want to explore joint working as part of the commitments in the Partnership Agreement with Welsh Government. A number of national umbrella organisations also provide support and guidance for their members on this subject.

Reducing and avoiding costs, and adding value

16. The bigger challenge is to ensure continued support for third sector organisations whose work:
- Focuses on prevention or early intervention, avoiding or reducing much greater public expense over a relatively short period of time
 - Draws in additional resources (financial and human) to provide more value for people and communities
 - Builds capacity in communities to take their own action and enable people to support each other and promote mental well-being
 - Is indispensable in that no other agency or group of agencies could credibly provide the service offered
 - Provides more efficient and effective ways of meeting objectives
17. Uniquely, the third sector almost always adds direct cash value to any funding it receives from the public sector, drawing in funding from additional sources as well as adding direct value in kind through volunteer effort. It also generates other added benefits, through engagement with citizens and services users, opportunities for participation and links with wider sources of community support. The benefits of supporting the sector are illustrated in the points that follow.

18. Research carried out by WCVA on behalf of the Welsh Government mapped the health, social care and wellbeing services provided by third sector organisations in Wales. This found that the sector provided an estimated total service budget of £292 million; of this, just under 50% was provided by the Welsh Assembly Government, local authorities and the NHS. For every £1, the sector secured over an extra £1 from other sources. The same research showed that at least 120,000 people were involved in providing these health and social care services. There were over 30,000 employees, 5,000 trainees, and 85,000 volunteers. Volunteers, in fact, provided the equivalent of nearly 30,000 full time posts.
19. Care and Repair Cymru has identified that each £1 it spends to enable older and disabled people remain in their own homes saves public services £8 by avoiding the costs of residential care and more expensive support.
20. The Matrix research into housing-related support - commissioned by the Welsh Government - showed that for every £1 spent, £1.68 was saved across other policy areas such as community safety and health. Housing-related support in Wales is provided primarily by third sector organisations. One organisation that provides accommodation for seven adults who require an intensive level of support saved the local authority £0.5million in its first year by bringing clients who were based out of county back to their home area.
21. Research elsewhere in the UK into the Partnerships for Older People Projects pilot programme demonstrates that prevention can be both effective and deliver value for money: for every £1 spent on preventive services, there was an average £1.73 benefit to the health and social care economy, even in the short term.
22. Each £1,000 provided by Environment Wales to community projects levers in a further £2,000 in cash or kind from other sources and recruits seven volunteers. In 2009-10, 160 grants totalling £610,335 enabled 6,641 volunteers to undertake 171,440 hours of action for the environment and levered in £1,305,146 in additional funding.
23. For the past three years, initially Brecknock & Radnor Crossroads and then Crossroads Mid & West Wales, has been delivering a pilot project in Powys, aimed at supporting people living with cancer and their carers. During the period of the project to 31 August 2010, 119 patients and their carers have benefited; 59 patients had a terminal diagnosis and 47 (80%) were able to die at home. The estimated savings to the NHS during this period exceeds £250,000, generated by a service that costs £50,000 pa.

Public service innovation

24. The preceding examples illustrate the benefits of working in partnership with third sector organisations in public service design and delivery. It is increasingly important to develop innovation and new models of service delivery in the light of both the future demographic pressures and needs, and the public expenditure situation.
25. There is a growing recognition that government and public sector funding alone, regardless of its level of resources, is unable to meet the aspirations of citizens, for a safe, sustainable healthy and happy life. Services, however well resourced or

carefully delivered will not succeed unless they engage the individuals and communities who use them.

26. There are ways of developing future public services which create a bigger 'cake' and which deploy not just public sector staff and budgets, but also users, families, neighbours, local third sector organisations and the wider community in a 'total service' which goes beyond traditional service provision and releases new resources, skills and energies. It means commissioned services and self-organised support complementing each other rather than operating in isolation. This needs a new equation that measures the *total value* of a service and benefits for the citizen (taking account *all* resources deployed - employed staff time, user input, volunteer time, community support groups) against the public sector investment. The prize is to use our public funding in ways that lever in additional resources - to achieve better value for the citizen.
27. This could mean a new approach based on co-design and co-delivery of public services, where activities and services are designed and delivered by a wide range of actors - bringing together the independent third sector and the public sector with the citizen and the community at the centre. It means investing in community capacity and initiative in order to provide mutual support that complements, and reduces demands on, other services. The approach can involve:
 - Citizen-directed support
 - Service user led services
 - Community led services
 - Mixed volunteer and staffed services
 - Integrated services.
28. This is already happening in Wales, delivering enhanced services at reduced cost. Examples include:
 - Out-of-hours transport from hospital and support for older people who are clinically able to return to home, helping to avoid re-admissions. The saving on the cost of re-admissions more than covered the cost of the service in 2009.
 - Involving volunteers in longer term support and relationships with young people leaving care and, in turn, care leavers volunteering themselves through Millennium Volunteers
 - Involving volunteers in enhancing the experience of patients in hospitals in an organised, union-approved way.
 - Integrating statutory and third sector services into a seamless Intermediate Care Service.
 - Direct payment schemes which increase user satisfaction, independence and control, and also produce both savings and an enhanced service.
 - Community alliances bringing together people needing care and support with local groups to build formal and informal networks and structures to meet their needs.

Collaboration between the public and third sectors

29. Achieving a joined-up approach to public service delivery requires further progress in collaboration between the public and third sectors.

30. In the design and delivery of public services, there is a long-standing commitment to partnership with the third sector, promoted by successive governments and evidenced in local arrangements with local government and local health boards.
31. But there are also tensions that undermine the commitment. The third sector is already a significant public service provider. The new Welsh Government has indicated that it does not want the market and the private sector determining or delivering public services. In reality, however, both the Welsh Government and local authorities are promoting competitive procurement of services where there is no legal requirement to do so (and replacing, in some cases, long-standing grant funding arrangements). The consequence is that the third sector and private sector can end up competing for contracts where cost overrides quality and take no account of added value/community engagement support.
32. We do need to revitalize the relationship between the public and third sectors in a way that values third sector and volunteering as a positive force based upon shared values and partnership and collaboration, not just between elements of public sector but between public and third sector as well. We would like government to reverse the trend to procurement where this is not a legal requirement with greater use of grants and service level agreements, organised in ways that ensure value for money and best value. Where there is a legal requirement, we must ensure that service specifications do take account of (and assess and score) the added value of community engagement and involvement.

Focus on delivery

33. The focus on delivery is welcomed. Many third sector organisations are well placed to deliver effectively and rapidly. Sometimes arrangements for delivery are over-complicated by bureaucratic, over-complex and ultimately ineffective procurement processes. As suggested above, where government is confident about the ability of certain organisations to deliver specific services, a collaborative rather than competitive approach may be far better suited to achieving effective delivery.
34. It is important, however, that the focus on delivery does not unintentionally adversely affect support for specialist and generalist umbrella bodies. There are a range of significant organisations core funded by the Welsh Government that act as support and intermediary bodies, supporting local organisations on the ground to interpret Government policy and work to put policy into action. This is a role that is recognised by Government officials as something they have neither the skills, capacity nor networks to undertake.
35. Such organisations therefore may not deliver directly, but they do know from their membership, and more widely, that their support and expertise is welcomed and necessary for the actual delivery of actions towards producing the desired outcomes. Whilst such organisations can to some extent reframe their functions to reflect the new paradigm, they are concerned that the focus on delivery and outcomes has the potential to marginalise their crucial work. As such, at a time of financial constraint those in the third sector that undertake such functions may be regarded as a lower priority for funding. On the contrary, their functions are of greater importance in a period of funding pressures, helping organisations to adapt and maximize the additionality that they bring to their services and activities.

Individual budget areas

Business, enterprise and technology

36. The third sector in Wales has an annual income of £1.6 billion. There are 51,000 paid posts in the sector - 2.5% of the Wales workforce. The sector employs more people than farming, agriculture and fisheries; in one county, collectively the third sector is the second largest employer.
37. The small scale of most organisations also means that their economic impact is very local. Their money (and that of their staff) is spent and recycled in the local community.
38. For these reasons future plans for business and enterprise support could place greater emphasis on growing the economic contribution of the third sector, including through targeted business advice and access to finance for start-up and expansion.

Central Services and Administration

39. Third sector organisations and the programmes they deliver make a real difference to marginalised, vulnerable and discriminated groups lives and opportunities. Therefore the third sector has crucial role in supporting the Welsh Government in making Wales a fair and equal nation. This is demonstrated in its recognised role in the Equality Act public sector duties through empowering and supporting marginalised and discriminated groups to being involved in the design and delivery of services in Wales.
40. We hope that future spending plans will continue the Welsh Government's commitment to supporting the equalities organisations in the third sector through the Advancing Equality Fund and the Inclusion Grant. This is especially essential to organisations when funding is being lost through reductions in other sources. We also hope the Welsh Government continues to recognise the value that network and umbrella organisations have in supporting the voice of marginalised groups to be heard at national and local levels.
41. Digitalisation of public services will disproportionately affect those who are digitally excluded, most of which are already disadvantaged and vulnerable. The third sector has a key role in supporting people to become digitally included, as identified in the *Delivering Digital Inclusion: A Strategic Framework for Wales*. We hope that the Welsh Government recognises the capacity building that is needed within the sector to support this agenda.

Education and skills

42. The voluntary youth work sector in Wales is estimated to involve more than 250,000 young people and at least 30,000 adult volunteers. It plays an exceptionally important role in supporting the development, well-being, self-esteem, employment skills and life skills of young people. Direct funding from the Welsh Government to the voluntary sector is small, especially compared to the funding available for local authority provision. Because of this historical imbalance and low level of financial support, the voluntary youth sector is facing severe difficulty in trying to absorb the planned reductions whilst maintaining services to young people in accordance with the National Youth Service Strategy for Wales. The youth sector needs core

funding to ensure that it can develop opportunities for young people and support its volunteers.

43. Financial pressures on the youth sector may be made worse because local authority funding for voluntary youth organisations is likely to be reduced at a time when the work of youth and other voluntary organisations is crucial to the health, wellbeing, and education of the population of Wales and to our ability to maintain essential services and economic stability. The removal of hypothecation by the Welsh Government for funding for local authority youth services is likely to increase the downward pressure on resourcing for voluntary organisations.
44. The sector also has a crucial role to play in engaging with, and creating employment opportunities for disaffected and unemployed individuals. This approach produces a triple benefit: helping individuals, enabling third sector organisations to grow capacity and benefitting society in supporting the growth of socially useful and socially responsible work in the economy. This helps to minimise the welfare bill and maximise people's entry into work, which generates income for the state, its citizens and public services.
45. The sector has an extensive track record in running projects focused on the hardest to reach groups through a proven cost effective model for dealing with the multiple barriers individuals face. It currently delivers a range of engagement and employment related projects that include a £34 million investment project that is aiming to improve the employability of over 20,000 people and over £24 million in 5,000 job creation and employment schemes that have replicated real conditions of work for a fixed period of time and provided confidence and skills that have resulted in over 50% of the participants have gained sustainable employment.
46. The sector continues to innovate in this area and is currently working with Welsh Government and BIG in piloting a range of opportunities aimed specifically at the 16-24 year olds including those that are Not in Education, Employment or Training (NEET) and at risk of becoming NEET. These include:
 - Over 300 localised employment opportunities for 16/17 year olds
 - Over 900 Internship opportunities
47. The sector is continually piloting new, localised, approaches to tackling unemployment and economic inactivity and supporting employability projects that are linked to regeneration and reducing child poverty. The sector would hope to widen and deepen its partnership with Welsh Government to advance this objective in the future.
48. We hope that future spending plans will build on and extend these successes.

Environment and sustainability

49. The third sector is recognised in The Climate Change Strategy as a key stakeholder in delivering carbon reductions, raising awareness of climate change issues, changing behavior and enabling our communities to be resilient to the impacts of climate change. The challenge of climate change requires action at all levels with increasing recognition that individual and community action will precede the political action which will ultimately be needed. Both campaigning and grass-roots action are likely to be driven by the third sector.

50. Environmental organisations range from very small groups working to get people involved in local action on environmental improvements, such as river clean-ups, to major organisations providing significant services in areas such as recycling. They involve thousands of people of all ages as volunteers and contribute to the economy through social enterprise. They bring much wider benefits - promoting health and wellbeing, improving skills, building confidence, developing strong communities and social capital. They also contribute to increasing opportunities for generation of income for communities through renewable energy generation.
51. We hope that future spending plans will continue the Welsh Government's commitment to supporting the third sector to undertake climate change activity and environmental improvement through Environment Wales and behaviour change programmes.
52. In addition to environmental organisations, there are many more organisations within the sector who could contribute to the sustainable development agenda. Community organisations and organisations who work to advance social justice could, with support, incorporate an environmental and/or carbon reduction element to their activities and vice versa. We hope that future spending plans will include consideration for grants to support this type of activity.
53. A Survey of Funding of Municipal Waste Management Kerbside Collection in Wales undertaken by RPS Planning in Development in 2007 indicated that community recycling organisations collected recyclates at a cost per individual collection of £0.24, significantly less than private contractors (£0.59) and local authorities (£0.72). The same study estimated that the headline figures of the costs of kerbside recycling collection services in Wales could be reduced by £21.2m *per collection* by using community recycling organisations as the most cost effective providers. We hope that future spending plans will take account of these benefits, and seek to ensure a greater role for community recycling organisations

Health and social services

54. The third sector is recognised as a partner in the planning and delivery of both health and social services. There are a large number of organisations involved - encompassing advocacy; advice services; benevolent health services; family welfare; physical disabilities; learning disabilities; counselling; carers; addictions; older people; mental health; general health and wellbeing; specific health conditions; emergency relief and self help. This is a considerable force in providing health and social care, with a delivery arm across different client groups and our communities. The large number of organisations does not in general mean that there is duplication - each organisation has come into being in response to unmet need and to take action to improve conditions and lives.
55. Work is in hand to rationalise Welsh Government funding for the sector through its Grant Schemes for Voluntary Organisations operating on an all-Wales basis in the Health and Social Care Sector (Physical and/or sensory disabilities, learning disabilities, carers, older persons and mental health sectors). WCVA has welcomed being invited to be involved in the grant assessment panel. However this particular grant, in 2011/12, was subject to a five percent reduction which is at odds with the general protection of social care funding. We are concerned that this may signal a

trend in future spending practices and are concerned that future spending plans do not single out third sector schemes for further reductions.

56. In terms of accountability, Local Health Boards have been identifying which third sector services are funded and reviewing this. Both the Welsh Government and Local Government also need to be able to provide definitive listings of what is funded, and transparency as to how this allocation of resources compares to their overall funding to ensure that the sector is treated equitably.
57. This need for transparency and accountability becomes even greater with the move to the commissioning and procurement of social services at regional 'LHB footprint' level, in order to ensure that service delivery at the local community level where the third sector brings added value is both enabled and supported.
58. In terms of health care, the restructuring of the NHS aims, through the enhancement of the quality, performance and accessibility to NHS services, to improve the levels of health and wellbeing in Wales. There is a focus on developing more effective early intervention and long-term community based support; improved partnership working; citizen engagement in the planning and improvement of service delivery and the sharing and better uptake of best practice. The third sector has become increasingly frustrated in terms of any movement in resources to community-based support. We hope that future spending plans will demonstrate that essential on-the-ground services to the most vulnerable will be at least maintained, given the pressure to make savings, including efficiency savings, across the board.
59. Mental health organisations have concerns that what is happening at the local level is in stark contrast to the national steer of early intervention and prevention. At the local level funding is being cut, resulting in limited access to mental health services through statutory referral only. This is not an efficient use of resources and would actually cause the need for more expensive, intensive health service interventions as availability of low level support services is reduced. This worrying change in local support service provision also has to be seen in the context of the impacts of changes in benefits, which will, of course, have a similar impact on other client groups.
60. In terms of children's services, the third sector has raised concerns about the negative impact of the transition of funding arrangements for particularly Cymorth developing into Families First, and the Children and Families Organisation Grant Scheme for all-Wales Third Sector Organisations (CFOG). This has created a period of considerable uncertainty for many organisations. A bidding round has just been announced for CFOG funding for a two year period, 2012-14. There is an opportunity for the Welsh Government to commit to longer term funding here, in accordance with the Welsh Government's *Code of Practice for Funding the Third Sector (January 2009)*, which includes:
 - **Security of funding** - longer term commitments, subject to performance, to support a sustainable approach to funding: up to 5-7 years for strategic core funding and commitment for the life of any specific projects which are funded, providing firm year one funding and clear baselines for subsequent years.
61. This request for more strategic longer-term funding is applicable across all third sector health and social care funding. It seems that some LHBs are opening up to more than annual funding and a request has been made to the Director General

Health and Social Services and Chief Executive NHS Wales for a more positive complementary or single system of funding across the NHS and local government for the third sector.

Housing, Regeneration and Heritage

62. The *Supporting People* programme has played a vital role in enabling people to live independent lives. Wales has taken a different approach to other parts of the UK, where services have suffered as a result of removing ring-fencing and its status as a separate grant. In the light of socio-economic and demographic pressures, maintaining and extending funding should be a priority. Organisations working in this area welcomed the protection of funding for social care, but have highlighted that the services funded under this SPA are working with similarly vulnerable citizens, often in partnership with social services and social care and often preventing them needing more intensive and intrusive medical intervention.
63. The Welsh Government's recent review of *Supporting People* highlighted the uneven distribution of services across Wales. Funding to address this should be considered within WG budgets for at least the coming five year period.
64. The funding for *Tackling Homelessness* supports services that work with homeless people which are not funded through *Supporting People*. In particular these are around outreach work with people sleeping rough and assisting homeless people with advice and support such as Bond Schemes. This is an area that requires additional investment, and there is scope for the Welsh Government to work with organisations working with rough sleepers to ensure we better meet the needs of this massively excluded client group.
65. The role of the third sector in relation to the Heritage portfolio is extensive, and supports massive participation in sport, arts and heritage activities. We hope that future plans will include investment in relevant bodies that underpin and support activity in these areas, to maintain their important contribution to the Welsh Government's heritage priorities. There is also scope to ensure that the funding to Welsh Government Sponsored Bodies, such as the Arts Council of Wales and Sport Wales, is conditional upon those bodies placing a greater emphasis on supporting community and volunteer-led activity.

Local Government and Communities

66. The supplementary budget shows that although the Local Government and Communities MEG revenue budget reduces by 0.5% over the next three years, its funding for the third sector reduces in cash terms by nearly 10%. Allowing for inflation, the reduction is close to 20%.
67. This reduction is in addition to a cut in funding for youth volunteering of 23% in the current year. This has taken place at a time when youth unemployment and the numbers of young people not in education, employment or training are increasing.
68. For all of the reasons outlined in this paper, it should be a priority to maintain or increase support for the third sector in general, and in volunteering and young people, rather than reducing it.

69. The outcome of the current consultation on future arrangements for Communities First will clearly shape the budget for the programme. Maintaining support is a priority. But of equal importance is ensuring that the new arrangements maximize resources available in the community from community hubs, able to lever other funding into their community, and from the massive contribution of volunteers.
70. Continued and increased support for the sector's well established role in financial inclusion is also a priority. This includes credit unions, providing access to low cost loans and savings accounts based on a 'common bond' linked to where a person lives or works; and help for people to manage their money and their relationship with financial institutions.
71. It also provides an extremely cost-effective way of maximising income for people experiencing financial hardship. For example, the Citizen's Advice Bureau in Rhondda Cynon Taff undertook a two-year benefits maximisation programme funded by the local authority. An outlay of £25,000 in the first year of the project showed a return of new benefits claimed of £506,000 - equivalent to over £20 for every £1 invested in the project activity. Following on from this work, resources were identified to fund an outreach project. This CAB work has secured £750,000 in its first 18 month and remains on course to secure £1 million over two years, in return for the original investment of £50,000 over the same period.

Summary

72. The Finance Committee is invited to consider the following issues drawn from this analysis:
- It should be a priority to maintain support for third sector organisations who are able to maximise resources available in the community, lever other funding into their community, and support the massive contribution made by volunteers.
 - Public sector funding for the third sector is a very small part of overall expenditure, and reductions will have a negligible impact on the savings that need to be made.
 - Nevertheless third sector organisations are acutely aware of the funding situation and are always exploring ways of reducing costs.
 - Reductions in funding for the third sector may have a multiplier effect by losing additional funding and resources levered in on the basis of public sector funding.
 - Reducing funding for preventative work, early intervention and building community capacity and resources will lead to greater demands for more expensive statutory services.
 - Building on the sector's ability to deliver services in new ways that involve 'co-production' with citizens and communities - working in partnership with service providers to address their own needs - should be a priority for the continuing public service reform programme.

- The assessment of how budget decisions impact upon the third sector should include the outcomes and added value that the sector produces from government funding, and not simply the cost.
- Clarity is required about the circumstances in which procurement or grant-funding are used to fund third sector services, with a presumption that collaborative arrangements with the third sector are used unless there is a legal requirement for procurement.

Phil Jarrold
Deputy Chief Executive

For further information contact pjarrold@wcva.org.uk / 0800 2888 329