



## Welsh Government draft budget proposals for 2018-19

### *A response from WCVA*

1. Wales Council for Voluntary Action (WCVA) is the national membership organisation for the third sector in Wales. 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 be a catalyst for positive change by connecting, enabling and influencing, and our vision is a future where the third sector and volunteering thrive across Wales, improving wellbeing for all.
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 Committees' call for information on Welsh Government's draft budget proposals for 2018-19.

### **What, in your opinion, has been the impact of Welsh Government's 2017-18 budget?**

4. The last year has seen local authorities begin a welcome shift towards collaborative working models in line with the requirements of the Wellbeing of Future Generations (Wales) Act. However, while the Wales Audit Office report , [Local Authority Funding of Third Sector Services](#) are addressed, suggests that funding to the sector from local government has risen, this has been mainly in the form of contracts, with grant funding decreasing, impacting a number of third sector groups.
5. Conversations we have had with the third sector, for instance during the Turnaround Towns events WCVA held recently with Carnegie UK Trust, indicate dissatisfaction with one and two-year budgetary cycles. Such cycles do not allow for long-term planning. They lead to uncertainty of service provision towards the conclusion of each cycle. The Charity Commission, cited by the Lloyds Bank Foundation's [Facing Forward](#) report, has noted that planning is 'the critical factor' in enabling charities experiencing financial difficulties to recover. We are concerned short term funding is having a detrimental impact on the resilience of third sector organisations.

**What expectations do you have of the 2018-19 Draft Budget proposals? How financially prepared is your organisation for the 17-18 financial year and how robust is your ability to**

## plan for future years?

6. The Cabinet Secretary for Finance and Local Government has indicated to the third sector to expect [year on year budget cuts](#), continuing the trend of the last few years. WCVA recommends the 2018-19 budget move away from short-term budget cycles that compound current financial uncertainty for many third sector organisations.
7. Our recent [Shape Your Future](#) reports found that a strong and resilient third sector is crucial if Wales is to achieve the Wellbeing Goals. Uncertainty and short-term funding cycles weaken the contribution the sector is able to make, not least because it makes it extremely difficult for organisations to plan for the future. WCVA continues to call for rolling three or five year funding cycles. At a minimum, 'indicative budgets' should be provided for a longer period.
8. WCVA is the Welsh partner in the [Open Government Pioneers Project](#), which aims to help civil society engage better with government. Greater openness around the budget and budget process would improve the sector's ability to scrutinise budget decisions and participate in the budgetary process.
9. WCVA hopes to see more detail and a clearer narrative explaining budget allocations in order to increase transparency and participation.
10. Following the Brexit vote last year, and ongoing pressures on public funding, WCVA is working on scenario planning to deal with future uncertainties. We have plans for 18-19 but it would be helpful if public sector funding could be for rolling three or five year cycles or at least with indicative budgets for a longer period.

**The Committee would like to focus on a number of specific areas in the scrutiny of the budget. Do you have any specific comments on the areas identified below?**

### ***The approach to preventative spending and how this is represented in resource allocation***

11. WCVA is pleased to see Welsh Government commit to action through the Wales Wellbeing Bond, Innovate To Save, social prescribing and other preventative actions, particularly given the aging population in Wales.
12. On social prescribing: the third sector is seeing a large increase in referrals to its services but is finding it hard to deal with this influx due to funding cuts, leading to the closure of critical services and a lack of provision for families and individuals in need. Resources in this area are often spent on the services that refer into community support, rather than the support providers themselves, so organisations have to close their doors when they cannot afford, for example, room hire or heating bills.
13. Further, there is little collaborative discussion around what works in social prescribing and the sector often finds itself asked to deliver services that it has had little or no say in the design of. This is not co-production. Also, due to this lack of collaboration, referrers are often unaware of all the services available to a client, leading to vital preventative opportunities being missed.
14. However, where there is resource and collaboration, social prescribing has been proven to be very effective - for example the Cardiff South West GP Cluster received grant funding of £14,997 from Nesta to test how time credits can be combined with

social prescribing to benefit patients. The impact evaluation of the Cardiff Time Credit programme found that 88% of patients reported improved quality of life, with 71% feeling less lonely and more positive about their future.

15. There is an opportunity to develop shared principles and guidance that builds on the evidence of what works, working with existing groups and networks, such as the Primary Care Social Prescribing Project Team, Action Learning Group and others, and to develop more collaborative and coordinated approaches with health bodies, local authorities and the third sector.
16. We commented in our response to last year's draft budget consultation that we would like to see more options around loans and social investment, so are pleased to see the approach adopted by the Wales Wellbeing Bond and Innovate To Save having a very positive impact. For example, the Wellbeing Bond is able to fund social prescribing and preventative measures; for instance, it has supported Valleys Steps to deliver 3,800 places per year on courses in Mindfulness and Stress Control. Valleys Steps have also used their funding to develop a website offering information on the causes of stress and anxiety.
17. Innovate To Save also funds social prescribing and preventative measures. Fabric Social Enterprise, which provides accommodation and support for young people in Swansea, received funding to buy new premises in Swansea. All the rooms in these premises were filled quickly, demonstrating the need in the area that Fabric tries to address.

### ***Sustainability of public services, innovation and service transformation***

18. WCVA is concerned that issues raised in the Wales Audit Office report should be addressed. In his report, the [Auditor General](#) notes that the sector's work with local authorities is increasing, yet 'poor systems and arrangements for awarding and allocating monies to the third sector currently impose heavy burdens on organisations'. The report encourages local authorities to come up with a comprehensive strategy for working with the sector. Wales Audit Office launched a checklist for local authorities in an attempt to assist with this. A survey of CVCs in the report suggests that few of them believe their local authority's funding practices are consistent with the Funding Code of Practice. It would be useful for the Welsh Government to remind local authorities of their responsibilities under the Code of Practice for Funding ahead of the next budget.
19. The Lloyds Bank Foundation report, [Facing Forward](#), notes the impact that cuts in grant funding across the UK have had on smaller charities, pointing out that it has halved over the last decade. The shift towards contract funding, it notes, has led to smaller charities often losing out to larger ones, often being limited to sub-contractor roles. *Facing Forward* also cites research by Locality, which in 2014 found that 22% of its member community organisations were making a loss on public sector contracts, a trend likely to be fatal to many of them if it continues. This shift to contracts has caused problems for those organisations who have not tried to diversify their income streams. The Wales Audit Office 2017 report referenced above shows that similar trends are being seen in Wales and similar difficulties arising. This is particularly problematic for small and medium-sized organisations. A 2015 report from Garfield Weston has noted a 'planning and development vacuum' in this area that charities are under-resourced to address. Unless steps are taken to amend this,

we would expect many third sector organisations to continue to struggle in this financial year and beyond.

20. WCVA was pleased to see continued commitment to co-production over the last year and would expect this to continue into the next budget.
21. There is a need for further support for Community Asset Transfer, so that organisations are not only supported in the initial stages of taking over an asset, but are given the skills and knowledge needed to ensure their assets are able to enjoy a longer-term future.
22. The budget must empower local authorities, town councils and citizens to have meaningful interactions with each other so that citizens can not only become more involved in service delivery, but to challenge poor practice and make their elected representatives more accountable. We encourage local authorities and councillors to embrace the [National Principles for Public Engagement in Wales](#).
23. We expect that there will be changes forthcoming to local government, following the White Paper on local government reform. There must be clarity in any change process so that local authorities and service providers understand what is expected of them and so that decisions made in this area can be effectively scrutinised.
24. Immediately prior to the Assembly Elections of 2016, Welsh Government published its [Action Plan](#) for alternative delivery models in public service delivery. We would be interested to hear an update on how Welsh Government has delivered so far against the Actions set out in the document.
25. To further promote innovation and transformation, and to upskill the sector, organisations should be encouraged to sign up to the Digital Inclusion Charter. According to 2015 report [The New Reality](#), the third sector across the UK as a whole suffers a skills gap when it comes to digital.

### ***Welsh Government policies to reduce poverty and mitigate welfare reform***

26. 2018-19 will be the first year without Communities First in 17 years. Welsh Government has announced that it will be developing a new cross-government approach to resilient communities. If it is to be effective, this new approach will need to be adequately funded and has clear, understood outcomes. We are particularly concerned that proposals for empowering communities are adequately resourced so that they can realistically achieve those outcomes.
27. It is important to understand what impact funded activity is having to plan for future spend. There should be no repeat of the mistakes of the last phase of Communities First, which has lacked external independent evaluation. Resource should be made available to ensure the new approach is adequately evaluated for its effectiveness.
28. Funding is needed to ensure the sector can support the engagement with seldom-heard communities of programmes, such as Communities for Work and Employability Grant, that have been placed with statutory agencies. As the Resilient Communities agenda moves forward, it is crucial that organisations are resourced to make the changes a success and that no areas are left behind following the closure

of Communities First. Funding should be allocated to allow the sector and other agencies to co-produce activities that build resilience and prosperity.

29. Continued funding for advice services is needed to mitigate the impact of welfare reform. It should be funding that invests in parallel in alternative forms of affordable credit to ensure that people are supported to avoid getting into debt and financial distress in the first place.
30. The Children First key principles are welcomed as a way forward for tackling poverty. These principles use the concept of 'place', developing a strategic focus with communities of that place, to improve outcomes for children and young people. However, the sector needs resources to deliver these effectively. Other funders, such as the Big Lottery Rural Programme, may be able to offer this to some groups.
31. WCVA continues to advocate for an asset-based approach to tackling poverty, with third sector groups playing a new or enhanced role in terms of empowering communities and individuals to discover and build on their own resources.

#### ***Welsh Government's planning and preparedness for Brexit***

32. European Structural Funds have been a significant source of funding to support voluntary and community organisations to deliver vital social inclusion projects to regenerate and revitalise communities across Wales. The third sector continues to play a major role in the current EU programmes, delivering a wide range of ESF projects, including providing specialist, innovative approaches to helping the most disadvantaged to overcome barriers to employment, engaging with NEETs and raising the aspirations of young people, supporting the advancement of women in employment and developing the social economy in Wales.
33. Brexit will lead to the withdrawal of such European programmes that are funding employability projects. It is imperative that Welsh Government continues to make the case for replacement funding for these projects to UK Government.
34. Welsh Government should ensure there is adequate Targeted Match Funding available for the third sector to facilitate access to and spend across the European programmes.
35. WCVA's [Brexit Snapshot Survey](#) of employees in the third sector revealed the 75% of our members feel negative about Brexit and do not believe the UK Government will safeguard Wales' interests during negotiations with the EU. Welsh Government must continue to scrutinise and work with UK Government during the Brexit process in an effort to achieve the best possible outcomes for Wales.

#### ***How Welsh Government should use new taxation and borrowing powers***

36. Welsh Government should use new powers to meet needs identified from the wellbeing plans to ensure as much co-ordination with other areas of public and social policy as possible.
37. Welsh Government should use the [National Principles for Public Engagement](#) to involve members of the public and communities of interest whenever possible.

38. It is important that Welsh Government ensures that communication to the public about the new powers is accessible to everyone in terms of language and descriptions used.

***How evidence is driving Welsh Government priority setting and budget powers***

39. When Welsh Government publishes legislation, priorities or budgets, it rarely explains how decisions have been arrived at following consultation. Published explanations of decisions, clarifying the evidence used, would increase openness and transparency and enable us to understand the use of evidence. This would be in line with open government approaches. The [evidence transparency framework](#), developed initially with Institute for Government and the Alliance for Useful Evidence and now being progressed by Sense about Science may be a useful tool to support this.

***How the Future Generations Act is influencing policy-making***

40. The Future Generations Act (and the Social Services and Wellbeing (Wales) Act) requires greater sector engagement in policy than ever before; however, the sector is not fully resourced to do this. We would hope to see greater provision for the engagement of third sector organisations with the Act.
41. Public bodies are still developing their responses to the Act and we are not aware of anything that has definitively been done differently to date. There is still much work to be done on involvement, co-production and putting the citizen at the centre in order to achieve this.
42. We welcome the Welsh Government's intention to focus on three key areas of procurement, participatory budgeting and de-carbonisation to reflect how the Act is influencing its budgetary decisions.
43. The Act demands long-term planning, yet, as noted earlier, budgetary cycles continue to be one or two years in length, meaning that such planning is not possible. A move towards longer funding cycles would be welcome and give some stability to a number of sector organisations.
44. When the budget is available, we would like to see the Finance Committee consider the extent to which Welsh Government have considered the Act's Ways of Working, and whether there is evidence of attempting to deliver holistic solutions to Wales's problems rather than the traditional budgeting approach. One example would be a redirection of some of the health budget into other areas with well-evidenced potential to help prevent or alleviate significant health challenges. Such an approach could allow for additional investment in the environment, recognising the health gains associated with greener environments in urban areas, and communities, recognising the health benefits of volunteering to those that volunteer, helping avoid costs associated with loneliness, isolation and lack of early intervention.
45. We support the recommendation of the Future Generations Commissioner that borrowing decisions come under scrutiny for their impact on budgets available to future generations and how they will impact their quality of life.

## **Discussion**

46. We will be pleased to discuss these or any other points relating to this consultation response with Committees, Cabinet Secretaries or Ministers if requested.

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