



Response to the National Assembly for Wales Finance Committee call for information: Welsh Government draft Budget proposals

A response from Wales Council for Voluntary Action

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, including County Voluntary Councils (CVCs). WCVA's mission is to provide excellent support, leadership and an influential voice for the third sector and volunteering in Wales. We work in partnership with our sister Councils - NCVO, SCVO and NICVA.

We welcome the opportunity to respond to the draft Budget priorities consultation.

We thank Interlink, Powys Association of Voluntary Organisations, Sense, FNF Both Parents Matter, the Wales Alliance for Mental Health and Chwarae Teg for their contributions as this response was compiled.

1. What, in your opinion, has been the impact of the Welsh Government's 2016-17 budget?

1.1

WCVA publishes a [Third Sector Statistical Resource](#), which includes analysis of Welsh Government spend on the third sector. We do not yet have the data to analyse the 2016-17 budget, but our 2016 publication shows a picture of decreasing Welsh Government grant funding for the sector - decreased from £350 million in 2010-11 to £208 million in 2014-15. This is a decrease of over 40% in five financial years. Part of this is due to a shift from grants funding to contracts. Contracts worth £44million were won by third sector organisations in 2012-13, rising to £71 million in 2014-15. The decrease in overall funding can also partly be accounted for by Supporting People budgets going via local authorities rather than direct to third sector organisations.

1.2

WCVA is concerned about the decrease in Welsh Government grant funding. Grant funding represents an investment in organisations, recognising the wider value that they bring.

2. What expectations do you have of the 2017-18 draft budget proposals?

2.1

WCVA expects to see a decreased Welsh Government budget in real terms in 2017-18 and further reductions in 2018-19 and 2019-2020. The challenges to the Welsh Government budget are set out in a recent Institute for Fiscal Studies report commissioned by [Wales Public Services 2025](#). WCVA is a Wales Public Service 2025 partner. The process of exiting the European Union also brings increased uncertainty and the loss of EU grants will have a significant impact if not replaced.

2.2

This is a challenging context and Welsh Government will need to make difficult decisions on prioritising budgets. The Wellbeing of Future Generations Act provides a positive framework to support decisions that can deliver increased wellbeing. The third sector has a vital role to play if Wales is to meet its wellbeing goals. The sector's contribution stretches across society - from more active citizens, to achieving a fair and prosperous economy, through to delivering high quality, not-for-profit services.

2.3

WCVA wants to see the role that the third sector will need to play in achieving many Welsh Government goals reflected in budget decisions. We want to see the budget reflect the social, environmental and economic value that the sector brings. In particular, we would expect to see indications of how spend will shift to focus more on preventative activity and budgeting for the longer term.

3. How financially prepared is your organisation for the 2017-18 financial year, and how robust is your ability to plan for future years?

3.1

Our organisation is as prepared for 2017-18 as we can be given changing funding streams and pressures on public funding. We are working on scenario planning to deal with future uncertainties 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.

4. 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?

Approach to preventative spending and how is this represented in resource allocation (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)

4.1

WCVA welcomes this approach. We are working with partner third sector networks across the Third Sector Partnership Council to identify how the third sector can contribute to a strong evidence base to support preventative spend and understanding of good practice, to inform our approach in Wales.

4.2

Examples of the preventative budgeting approach have been provided by the Early Action Taskforce - for example replacing outdated boilers to tackle chronic health issues in deprived areas - and are currently taking shape in Wales through areas such as Social Prescribing.

4.3

Much third sector activity already supports prevention, either tackling problems at source or finding innovative approaches to preventing problems from getting worse.

4.4

WCVA is concerned about the reduction in recent years of grant provision to third sector organisations and the loss of small scale grant funding to grass roots community projects through programmes such as Communities First and Environment Wales. WCVA believes that investment in such programmes delivers multiple benefits to communities and an enormous return on investment. In the case of Environment Wales, an independent evaluation of its impact on sustainable development in Wales from 1992 to 2014 found that it delivered a 6:1 return on grant investment as well as delivering cost savings across the range of public services.

4.5

In line with the principle of preventative budgeting, WCVA would expect to see that the 2017-18 budget reinstate such support for small scale project funding for communities and sees this as an investment in social capital rather than a

subsidy.

4.6

As a member of the Sustainable Development Alliance, WCVA expects to see the Welsh Government budget reflect the goals and principles embedded in Welsh law by the Well-being of Future Generations (Wales) Act 2015. WCVA would expect to see:

- Shifts in A clear shift in expenditure towards preventative budgeting and programmes aimed at prevention rather than crisis intervention.
- Financial arrangements, such as pooled budgets, that encourage and require collaboration among Welsh Government departments or among public bodies and facilitate the achievement of multiple well-being goals.
- An emphasis on addressing long term problems (such as tackling poverty and climate change).

4.7

Monetary allocations, and the reasons for them, should be explained clearly in the narrative accompanying the budget, so that public bodies in receipt of funding are fully aware of how they will also need to change their approach to budget setting.

Sustainability of public services, innovation and service transformation

4.8

These goals can be supported through focussing on co-produced, people-centred services. To support this, WCVA wants to see continued commitment to the Intermediate Care Fund, which has supported innovative, co-produced services. We also want to see continued Welsh Government support for the Co-production Network Wales.

4.9

Community Asset Transfer can also support sustainability of public services, innovation and service transformation, but this process needs support to be effective. Knowledge of the different funding options available to a community asset transfer is key to the success of the process.

4.10

As well as grant funding to support asset transfer, we would like to see more options around loans and social investment, as well as the potential to raise

funding through community share offers. Funding for the capital and start up phase of any asset transfer is essential, but ongoing revenue is also needed to ensure the long term financial sustainability of any asset transfer. If community asset transfer is to be effective across Wales, government will need to move away from the continued postcode lottery of support.

Preparation for the UK to leave the EU

4.11

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. Projects include 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, taking forward the digital inclusion agenda and developing the social economy in Wales. WCVA is working in partnership with WEFO to deliver four projects under the 2014- 20 programmes, through which approximately £33m will be distributed directly to third sector organisations that are engaging with the most disadvantaged in the labour market.

4.12

Since the referendum, many third sector organisations are concerned that the loss of direct contact and negotiation of these programmes will see the sector's tangible contribution to Welsh and UK policy development negatively impacted, with many of the current best practices led by structural fund programmes lost. Under the 2007-13 programmes third sector organisations generated a total investment of £176.1m, helped 18,800 of the most disadvantage individuals gain qualifications, supported 7,100 into work and created almost 700 jobs. We are aiming to do the same under the 2014-20 programmes. If Wales is to tackle poverty through employment then the continuation of this work after structural funds cease will be essential.

Low carbon budgeting and preparing for the Future Generations Act

4.13

The Environment (Wales) Act 2016 sets out a requirement for five-yearly carbon budgets. WCVA would expect the annual fiscal budget to be framed within this context with appropriate messaging and communication to enable wider public

understanding of the impact that government spending is having on accelerating or mitigating against climate change.

4.14

As an active member of the former Climate Change Commission for Wales, we echo the call for carbon assessments of key decisions and infrastructure projects. This would demonstrate leadership by Welsh Government and would provide an incentive for Welsh Government departments, public bodies and the private and third sectors to step up action to the pace that is needed if the worst predicted impacts of climate change are to be avoided.

4.15

We note the publication of the UK Climate Change Risk Assessment Evidence Report (including a National Summary for Wales) on 12 July 2016 and would expect this to also influence Welsh Government programmes and budgeting.

4.16

The Well-Being of Future Generations (Wales) Act provides an enormous opportunity for Wales and, as noted above, we would expect to see the sustainable development principle embedded in future budgets.

4.17

It is clear that Wales' well-being goals cannot be achieved by public bodies alone and that the third sector has a key role to play both in contributing to the goals and in broadening the evidence base on which future public services are developed. We would therefore expect to see provision within the budget for continued engagement of third sector organisations, the private sector and the wider public with this important piece of legislation and appropriate mechanisms by which the enormous potential contribution of the third sector can be maximised.

Preparation for the impact of further devolution included with the Wales Bill

4.18

In a healthy democracy, the third sector has a vital role to play in holding government to account. With more powers and responsibilities being devolved, the importance of the third sector being able to play this role effectively in Wales increases. Open and transparent government is key to enabling this to happen, as is a greater emphasis on participation.

4.19

WCVA welcomes opportunities to work with the Assembly Commission to identify how the third sector can support the National Assembly in its role of holding Welsh Government to account.

Scrutiny of Welsh language

4.20

Wales needs well- and fairly-resourced Welsh language services especially given that one of the seven goals of the Wellbeing of Future Generations (Wales) Act is a thriving Welsh language and culture. Funding needs to reflect the possible additional costs that third sector organisation could face when meeting the new Welsh Language Standards.

4.21

Schools have an increased role to play in securing the future of the language. Children and young people are often supported by voluntary organisations and community groups, such as Mudiad Meithrin, Urdd Gobaith Cymru, and the Mentrau Iaith to use the Welsh language outside the classroom, allowing them to socialise and learn informally through the medium of Welsh.

4.22

There is a need to upskill our people in order to offer bilingual services to our citizens. For this, Welsh language learning for adults needs to be well-resourced and supported. A good example is the More than just words follow-on framework for healthcare workers, launched earlier this year.

Scrutiny of equalities

4.23

The budget should take into account the protected characteristics in the Equality Act to ensure no-one is unfairly disadvantaged by any budgetary decisions because they come under one of these protected groups.

4.24

WCVA's [third sector statistical resource](#) shows over a quarter of the 33,000 third sector groups in Wales work on issues related to groups included within the Equality Act. The third sector has considerable knowledge and experience that can support the Assembly's scrutiny work on equalities. WCVA facilitates an Equality and Human Rights Coalition for national third sector groups working in

this area.

4.25

In the last government, third sector groups welcomed the opportunity of contributing to the budget process through the Budgetary Advisory Group on Equalities. WCVA wants to see this group continue to contribute to inclusive budgetary decision-making through this government.

4.26

WCVA supports the position of adopting a gender mainstreaming strategy to ensure all policies contribute to improving levels of equality throughout Wales, and would like to see this reflected in the draft Budget.

Scrutiny of sustainability

4.27

The draft budget for 2017-18 will be seen, both nationally and internationally, as a key test of the Welsh Government's commitment to implementing the Wellbeing of Future Generations Act. WCVA would therefore expect close scrutiny of sustainability within the budget and in particularly close scrutiny of any areas that may appear to contradict the Act's sustainable development principle.

4.28

WCVA is a member of the Sustainable Development Alliance. The Alliance brings together a range of third sector organisations with a commitment to promoting sustainable development. One of its ambitions is to hold government and public bodies to account on implementation of the Wellbeing of Future Generations Act.

4.29

WCVA is also keen to explore how more open and participatory government can support the Welsh Government to implement the Wellbeing of Future Generations Act (and the Sustainable Development Goals) effectively.

5. The previous Welsh Government have highlighted that the Draft budget 2016-17 will be aligned with National Indicators for Wales. What, if any, additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on preventative spending?

5.1

In its response to the consultation about the National Indicators, WCVA advocated for the inclusion of several additional indicators including access to green space. The Green Infrastructure report published by Wildlife Trusts Wales highlights the multiple benefits that access to green space provides including increased life expectancy and improved mental and physical health as well as contributing to sustainable urban drainage and improved air quality. There are clear links with long-term issues such as climate change and key health issues including poor mental health, heart disease, obesity and health inequalities. Numerous studies highlighted in this report suggest that increasing availability of, and access to, green space would help tackle some of these key challenges or prevent them from getting worse and therefore an indicator around this would help support the shift towards greater preventative spend.

6 What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on preventative spending and, in particular, the area of health and social services?

6.1

This has been identified as a key area of work for third sector networks involved in the Third Sector Partnership Council, and particularly third sector networks working across health, wellbeing and sports. These networks are exploring how they can contribute to a stronger evidence base to support the shift in spend from acute interventions to preventative action. Examples range from the role of physical activity in increasing mental health, through to social prescribing and the cost-savings that can be found through person-focussed services.

6.2

Some concerns have been voiced that the lack of firm definitions for the terms 'prevention' and 'early intervention' could be a barrier to mapping any shift in spend from acute services to preventative actions.

7 What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on reducing poverty and preparing for an aging population?

7.1

Levels of poverty remain entrenched, with almost a quarter of the Welsh population living in households with an income of less than 60 per cent of the median. Whilst child poverty rates have fallen four percentage points nearly, still three in ten children live in low income families, the third highest rate in the UK. With a long history of a place based approach to tackling poverty, through programmes such as Communities First, many third sector organisations are now advocating for a shift towards an asset based approach, which builds upon the assets, networks and skills of individual communities.

7.2

These statistics support the need for the government to maintain its core focus on

job creation and tackling poverty as central pillars of the Programme for Government, linking effectively with other policy areas such as education and skills, health and social care.

7.3

With significant investment from European Structural and Investment Funds in employability and skills interventions, to complement mainstream government provision, the impact of any future withdrawal or regional development aid must be carefully assessed.

8. Do you feel that allocations made by the Welsh Government are sufficiently evidence based?

8.1

It is not always clear exactly what (or even whether) evidence is being used effectively in allocating budgets. Open government approaches can again improve the sector's ability to scrutinise budget decisions, and understand the evidence on which they are based.

9. What changes to allocations and priorities do you feel need to be reflected in the draft budget 2017-18 and subsequent years as a result of the vote to leave the EU?

9.1

Future funding arrangements beyond 2018 for the most vital EU funded interventions must be considered at an early stage to facilitate a smooth transition.

9.2

With reference to Q4, the impact of a potential withdrawal of regional development aid for investment in employment and skills must be carefully assessed to ensure that the added value generated by ESF becomes fully integrated and funded within any new approach.

10. How can good examples of service transformation and innovation be encouraged and shared nationally across key agencies and what is the role for the Welsh Government here?

10.1

Shared learning across organisations and sectors is crucial if innovation and service transformation is to be delivered at the pace that the Institute of Fiscal Studies report on [Welsh budgetary trade-offs to 2019-20](#) suggests is needed.

Digital approaches offer new ways of doing this more effectively.

10.2

Welsh Government has a key role to play in setting a clear expectation and framework for this shared learning. We believe WCVA can also play an important role in identifying examples of positive innovation in the third sector and sharing these across third sector, and with other sectors.

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