



# A call for information: Welsh Government draft Budget proposals for 2019-20

## *A response from WCVA*

1. Wales Council for Voluntary Action (WCVA) is the national membership organisation for the third sector in Wales. Our vision is for a future where the third sector and volunteering thrive across Wales, improving wellbeing for all. Our mission is to be a catalyst for positive change by connecting, enabling and influencing.
2. WCVA works with a range of national specialist agencies, county voluntary councils and other development agencies, to provide a support structure for the third sector in Wales.
3. WCVA is pleased to respond to the Finance Committee's consultation on Welsh Government's draft Budget proposals. Our response is written following engagement with organisations from across the third sector in Wales. We would like to thank all those who contributed.

### Summary

4. Although this response details a number of recommendations for Welsh Government's 2019-20 draft Budget, here we present a summary of five that we consider the most crucial:
  - **Reverse the decline in Welsh Government funding of the third sector.** In 2010/11, Welsh Government funding made up 55% of the sector's income. This figure dropped to 49% in 2014-15 and 46% in 2015-16 (the latest figures available). These figures are available on the [Third Sector Data Hub](#).
  - **Enable collaboration and longer-term planning, fully embedding the Wellbeing of Future Generations Act into decision-making.** Short-term funding cycles are prohibiting the sector from planning and stunting sustainability, while we are not seeing enough evidence of the Future Generations Act being embedded into all policy decisions.
  - **Prevent the decline of social capital.** Building social capital combats isolation and loneliness and improves community cohesion, but the reduction of sector resources makes it harder for the sector to respond to problems.

- **Take steps to give communities a stronger voice in decisions about their services.** Communities who have a say in the decisions affecting them are more empowered and resilient.
  - **Promote the third sector's voice on replacement EU funding.** The sector must be able to make its voice heard regarding post-Brexit funding, including how Wales spends its share of the UK Shared Prosperity Fund.
5. The remainder of this response looks at each question asked in the consultation document.

**What, in your opinion, has been the impact of Welsh Government's 2018-19 budget?**

6. Many organisations who were receiving funding from the Supporting People budget stream are now feeling the pressure following the removal of its ringfenced status, with groups telling us they have lost important key members of their staff.
7. The removal of the ringfence is a cause of considerable concern. Cytun - Churches Together in Wales have voiced worries to us from their members who provide supported housing that it could 'decimate services for those in the most immediate need'.
8. Women's Equality Network Wales have noted that this decision may put organisations providing women's services at risk, thereby endangering those women and children who receive these services.
9. Budget cuts elsewhere have continued to affect third sector organisations. For example, Cynllun Cyfeirio Gwynedd have reported a reduction in the number of children they can support, while Race Council Cymru have told us that 'many race equality charities are on the brink of winding up due to a lack of resources'.
10. The environmental third sector is also concerned that a previously ring-fenced pot for core funding from the Communities and Environment division will be merged with a source of local authority funding from the same division from April 2019. Although the new fund will require cross-sector collaboration, there is concern that this will disadvantage third sector organisations that typically do not have the same levels of resource or capacity to plan for and write collaborative funding proposals as local authorities.
11. Yet despite these cuts to their funding, the third sector is still often expected to fill the gaps in services created by cuts to local authority funding. This continued increase in demand and decrease in resources is not sustainable in the long-term. We would expect an analysis of whether the third sector has been disproportionately affected by cuts compared to local authorities or other public bodies and, if there has been a disproportionate cut to the third sector, an explanation from ministers as to why this is felt to be appropriate, particularly in light of the sector's role in prevention and early action.

**What expectations do you have of the 2019-20 draft Budget proposals? How financially prepared is your organisation for the 2019-20 financial year and how robust is your ability to plan for future years?**

12. A number of different priorities arose during our engagement; however, a common thread is the need to prioritise spending on health, social care and wellbeing, with

tackling poverty also a popular response. We would encourage funding to be distributed in a way that prevents escalation of need in these areas, with the recognition that complex social problems often have multiple and inter-connecting causes and therefore an integrated approach may need to be taken covering other policy areas also.

13. It would be useful to see the draft Budget further encourage - but not impose - collaborative working between third sector organisations and between the sector and local authorities.
14. This could include reducing the competition for funding between third sector organisations - who are often asked to collaborate but are then forced to pitch against each other during funding bids - and establishing a pooled budget for projects with multiple outcomes from one activity (for instance, those impacting on health and the environment). The continued requirement for third sector organisations to compete against each other when tendering for contracts is unhelpful at a time when collaboration and cooperation are encouraged in legislation.
15. [Last year](#), we called for rolling three to five-year funding cycles and we repeat this call now. We would urge Welsh Government to commit to moving away from one or two-year funding cycles and towards to the longer-term view as demanded by the Wellbeing of Future Generations Act and establish funding cycles of a minimum of five years. The budget should use this Act, and the Social Services and Wellbeing Act, to drive forward the aim of citizen-centred co-productive public services. Longer-term funding cycles are a vital step towards this goal and will allow service providers to plan for the future and aid their resilience.
16. It should be noted that while figures for the most recent financial year are unavailable, Welsh Government grant funding of the sector decreased 27% from 2010-11 (£350 million) to 2016-17 (£257 million) according to the [Third Sector Data Hub](#). Such cuts have left an impact on the third sector, as discussed. We would urge Welsh Government to find a way in the draft Budget to make further resources available to the third sector.
17. Given the commitments to joined-up health and social care services found within A Healthier Wales, we would expect to see the draft Budget take steps towards further integrating health and social care to provide people with the 'seamless whole system approach' set out by the Cabinet Secretary for Health and Social Services.
18. Regarding WCVA, changing funding streams and pressures on public funding mean we are as prepared for 2018-19 as we can be. It would be helpful if funding cycles could be altered, as per point 12.

**Do you have specific comments on any of the areas identified below?**

**The approach to preventative spending and how this is represented in resource allocation, particularly in relation to the financing of local health boards and health and social care services.**

19. It is difficult to find compelling evidence of a change towards preventative spending, as required by the Wellbeing of Future Generations Act. As noted above, cuts to third sector funding will result in fewer beneficiaries receiving services from third

sector providers, ultimately increasing costs for public bodies that may have to pick up the pieces when families or individuals fall through the gaps in both public sector and third sector service provision.

20. We believe that a thriving third sector plays a crucial role in the prevention agenda. This is not just because of the countless community groups and third sector organisations that have developed either to redress specific problems or to prevent them from getting worse or the positive impacts that these have on their beneficiaries. It is more about the benefits to individuals, communities and wider society gained through engagement with third sector groups, whatever their form or purpose, and the experiences of empowerment, cooperation and connection that they can offer.
21. [Numerous studies](#) have demonstrated the positive impacts that volunteering has on health and well-being through its role in increasing social connections, helping to combat isolation and loneliness, building trust and improving community cohesion. These are all factors that benefit individuals but they also help to build social capital - the term that is given to the social networks and relationships, and the shared values and behaviours, that help society to function effectively.
22. Social capital is recognised as a [driver for economic growth and sustainability](#) as well as for individual and community well-being. It is essential for a productive and cohesive society that has the resilience and capacity to respond to existing problems or prevent them getting worse. The Early Action Taskforce has highlighted that 'building relationships is central for effective early action, be that better connecting communities or increasing trust among services and the people who use them.' Many third sector groups contribute to this work and their local and specialist knowledge, their ability to act as a trusted intermediary, and the social networks that they facilitate, represent a huge resource that can enable more integrated, collaborative and preventative actions to be taken.
23. WCVA believes that preventing the decline of social capital should be a key priority for Welsh Government as part of the overall prevention agenda and clearly the presence of an active and thriving third sector is part of this. It seems therefore counter-intuitive that the third sector should be experiencing this level of resource reduction, as noted in p14 above.
24. A Healthier Wales outlines plans for Regional Partnership Boards to oversee the development or scaling up of two new models in each of their areas over 12 months. For the sector to maximise its role in this work, it must be properly resourced to fully play its part on these boards. Third sector organisations are not resourced effectively and are therefore unable to fully offer their expertise and services.
25. [Last year](#) we noted that third sector organisations taking social prescribing referrals are seeing a large increase in demand but are 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. This problem is no closer to being resolved. 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 to pay their bills.

26. Further, there is still often 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.

27. However, we are pleased that the commitment from Welsh Government to co-production has continued and we expect and recommend that to continue into the 2019-20 budget.

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

28. WCVA has, over the last 12 months, undertaken a lot of work around resilient communities with a variety of partners, including work with Carnegie UK Trust on our joint publication, [Supporting Local Places and Local People](#). Evidence from this work shows that there is an urgent need to give communities a stronger voice in decisions made about their public services. We would like to see the draft Budget take steps towards allowing the sector to further facilitate conversations between communities and those that provide their services, whether that be third sector or public organisations. We highlight the [National Principles for Public Engagement](#), as endorsed by Welsh Government.

29. We have also published a report, following engagement work with the sector, titled [Empowering Communities](#), outlining several actions to take to create empowered communities who have ownership of their services. These include promoting the role of Community Anchor Organisations; integrating community ownership and empowerment into commissioning processes; emphasising place-based approaches in policy and recognising the informal voluntary and community action that is the bedrock of empowered communities.

30. It is pleasing to note the contributions of third sector organisations to new, collaborative projects aimed at saving money to the public purse through the Innovate to Save programme. Such programmes should continue to be supported and emphasise the benefits that can be gained from cross sector working'

31. We would be interested to see a response from Welsh Government to last year's [Auditor General report on local authority funding of the third sector](#). We asked Welsh Government to remind local authorities of their responsibilities under the Code of Practice for Funding ahead of the next budget. We understand that this has taken place and would like to hear what has been done as a result of this.

### **Welsh Government policies to promote economic growth, reduce poverty, gender inequality and to mitigate welfare reform**

32. Although we welcome such initiatives as the Valleys Taskforce, we are still unclear as to how Welsh Government's new approach post-Communities First will prevent or alleviate poverty across all of Wales.

33. A survey undertaken by WCVA late last year shows that [issues around the role of Public Service Boards](#) (PSBs) remain. They require investment in skills and resources to effectively and meaningfully implement the principle of involvement, notably in respect of work to tackle poverty. It is vital that communities feel engaged and empowered as part of the change process.

34. Women's Equality Network Wales have commented that putting further investment into prevention of violence against women, domestic abuse and sexual violence will lead to savings in the future.

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

35. The sector remains worried about the withdrawal of EU funding, what will replace it and the impact on the areas that will be most affected by this loss of funding.

36. There are also ongoing concerns about how any successor funding for Wales will be devolved. While Welsh Government has appeared active in preparing for Brexit, transparency is needed to clarify what work is being done in this area and how it is preparing for undesirable outcomes such as a loss of control over the administration of future funding. UK Government has said the UK Shared Prosperity Fund will be devolved to local Enterprise Partnership (UKSPF) level in England; however, Wales has no LEPs so how devolution will take place is still in question.

37. Organisations' interpretation of [the written statement released by the Ministry for Housing, Communities and Local Government](#) and the [update before the House of Commons](#) has been that no firm commitment has been given to the level of devolution that is being sought in Wales.

38. While the UKSPF should foster economic prosperity, it is important that it also support a fairer and inclusive economy with social cohesion, equality and human rights at the fore. Citizens Advice Cymru reported that [incidents of hate crime rose by 28%](#) immediately following the EU Referendum and therefore we feel that the UKSPF has an urgent role to play in addressing this behaviour. We would like to hear Welsh Government speak about this in the upcoming Budget and/or in future Brexit announcements.

39. We would also like Welsh Government to

- support the third sector to have a voice in shaping the future of the UKSPF in Wales
- ensure the UKSPF invests in the third sector to coproduce activities that build resilience and prosperity in deprived communities

40. There is concern about reverse migration, with economic migrants - who often hold lower-paid jobs - leaving the country with a lack of 'local' people to replace them. The Association of Voluntary Organisations in Wrexham has suggested there may need to be financial incentives to support workers in these roles and encourage them to stay.

### How Welsh Government should use taxation and borrowing powers, particularly in relation to the Welsh Rate of Income Tax

41. We would like to see money raised go directly to frontline services.

42. Cytun highlight the need for Welsh Government to engage with the public in a conversation about these new taxes, how services will be paid for and the urgent need facing many of these services and the communities they serve.

## How evidence is driving Welsh Government priority setting and budget allocations

43. We would urge Welsh Government to set out clearly how evidence is used to decide the actions they take. Too often, policy documents are published with little evidence citation. Rectifying this is important for transparency. As an example, the [18-19 Budget document](#) often does not cite the evidence behind its reasoning, or simply offers 'research shows' without telling us what this research is and where it can be found. Hyperlinking from documents on Welsh Government's website to relevant evidence would help rectify this issue.
44. Our [survey on PSBs](#) showed that the sector felt they had a wealth of evidence to offer PSBs to facilitate their work. PSBs should engage with the third sector to find ways of third sector organisations to share evidence and data in a way that is useful and useable for local planning purposes.
45. WCVA has recently launched the [Third Sector Data Hub](#) which tracks data relating to the sector in a number of areas. We invite Welsh Government, the third sector and funders to make use of this resource.
46. WCVA has recently forged a partnership with the [Alliance 4 Useful Evidence](#). We hope to strengthen the ways in which the third sector uses evidence to demonstrate its impact. We will make the results of this partnership available.

## Welsh Government policies to strengthen the economy and promote innovation

47. The budget deal that Welsh Government previously made with Plaid Cymru included £1.5 million on a Foundational Economy Programme. We would appreciate an update on this in the upcoming draft Budget.
48. We would like Welsh Government to focus on growing an inclusive economy in Wales. The third sector has an important role in shaping and delivering this. It makes an important contribution to our economy:
  - The charity sector accounts for almost 10% of the employment in Wales.
  - Third sector organisations registered in Wales have an annual income of £1,196 million.
  - If the average hourly pay for people in Wales (£12.50) is applied to the 61 million hours people spent volunteering in Wales each year, then the country's volunteering time is worth around £757 million per annum.
49. The third sector should be enabled to further contribute to shaping an economy that benefits the people of Wales. Contributions can range from developing innovative approaches to finance, promoting social value and pushing for policy and regulatory decisions that can nurture different types of capital that support wellbeing in Wales.

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

50. There is not yet compelling evidence that the Wellbeing of Future Generations Act (WFG Act) has been embedded in Welsh Government decision making and has actively influenced policy-making. As noted by Wales Environment Link, some of the mechanisms to embed the Act into decision-making, through cross-cutting

strategies and wellbeing objectives, are still being developed.

51. The proposed changes to the funding available to the third sector from the Communities and Environment division in an example of where we feel an opportunity to embed the Act's Ways of Working has been missed. There should be full involvement of all stakeholders in the development of new funding streams, with public involvement facilitated. Again, we highlight the [National Principles for Public Engagement](#). In practice, third sector organisations do not feel that their input has been reflected in the final design of this new grant scheme and that this is likely to impact negatively on their ability to contribute to environmental and wellbeing goals.

## Discussion

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

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