

**Welsh Government draft budget
proposals for 2015/16
Submission to Finance Committee
September 2014**



1. Wales Council for Voluntary Action (WCVA) is a registered charity and umbrella body working to support, develop and represent Wales' third sector at UK and national level. We have over 3,350 organisations in direct membership, and are in touch with many more organisations through a wide range of national and local networks. WCVA's mission is to provide excellent support, leadership and an influential voice for the third sector and volunteering in Wales.
2. WCVA is committed to a strong and active third sector building resilient, cohesive and inclusive communities, giving people a stake in their future through their own actions and services, creating a strong, healthy and fair society and demonstrating the value of volunteering and community engagement.
3. We welcome the opportunity to submit initial information to the Finance Committee to help support its scrutiny of the Welsh Government's 2015-16 Draft Budget Proposals, and will be pleased to provide further analysis after the publication of the Draft Budget.

General comments

4. Although the Welsh Government is an important funder of the third sector in Wales (the Welsh Government and UK Government together provide 18% of the Welsh third sector's funding), the third sector only receives a tiny proportion of the Welsh Government's budget. WCVA's *Third sector statistical resource 2014* reveals that in 2012-13 Welsh Government's funding to the third sector represented only 2.2% of its entire budget. Local Authorities contributed 2.6% of their budgets to the third sector, and Local Health Boards contributed a mere 0.4%.
5. WCVA maintains that it is a false economy to cut third sector services: such cuts would not realise notable savings, and retained investment will help to deliver considerable added value through the sector's ability to lever in additional resources and deploy volunteers. At times of financial pressure it is important to consider how to make the Welsh budget go further and if properly engaged and supported the third sector can play a key role in achieving this and in working with Welsh Government to deliver its aims.
6. It should therefore 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.

7. The Programme for Government recognised the third sector as a key partner in the delivery of the Welsh Government's agenda. More recently, the Welsh Government's document *Improving public services for people in Wales*, explicitly includes the third sector in its vision for public services: "Our public services are delivered through public sector bodies working with partners – in particular the third sector, and in some circumstances the private sector – to provide the best possible services." (p.11)
8. The document further states that Welsh Government "...will therefore continue to work with partners in the third sector and more broadly to this end, and make further announcements on supporting the development of co-production in Wales later this year." [...] "We will also continue to encourage the third sector to realise its full potential in supporting public services, recognising that there is a wide range of organisations which are covered within a broad definition of the third sector." (p.22)
9. This puts the third sector in a pivotal position in delivering this vision because it is the way communities organise, express collective concerns and give people the confidence and skills to challenge, and create change. The third sector works to enthuse, motivate and organise people and create community ownership and structures. This requires investment (grants and core funding), and volatility of funding severely weakens the sector's potential contribution to this agenda.

Analysing the Budget

10. The third sector is funded from a range of budget Actions across all Major Expenditure Groups, but apart from a few exceptions, in the majority of cases the detail is not visible at Action level. This has been a perennial problem. We would therefore like to remind the Committee that it is very difficult for third sector organisations to analyse and understand the implications of the figures in the published draft Budget due to the lack of detail below the Action level.
11. Providing more detailed information at as early a stage as possible is essential, whether in the Budget or the accompanying narrative, for the sector to be able to understand, scrutinise and prepare for the potential consequences of the Budget on their funding.
12. Nevertheless, it is clear that the third sector has suffered significant funding reductions in the current financial year, at national and local level.
13. In order for third sector organisations to be able to plan, access to relevant budgetary information and advanced notice of any changes are vital. We would highlight that 'Early and constructive dialogue', 'Timely decisions' and 'Security of funding' remain principles of the Welsh Government's revised *Code of Practice for Funding the Third Sector* (2014). Existing commitments and budget lines should be honoured; and Welsh

Government should enter into early dialogue, as required by its Code of Practice, about its funding for next year.

14. The third sector is a key strategic partner for tackling poverty, developing and delivering innovative anti-poverty services and programmes. Whilst the sector plays an important role in emergency relief, mitigating and alleviating poverty and its effects in the short and medium term, the sector is also in the vanguard of developing medium to long term and preventive anti-poverty approaches and interventions which tackle poverty and social exclusion at source, and treats people as assets. This approach requires financial investment in the sector and its capacities, investment which will pay off in the long term.

Funding mechanisms

15. We would like to draw the Committee's attention to the importance of choosing the appropriate method to distribute funds. Although the Budget is silent on the funding mechanisms used, in order to enable the full contribution of the third sector to public service delivery, it is important that the funding mechanisms are appropriate and proportionate to the activities.
16. In recent years, funding from contracts has increasingly become the default position, while grant funding has diminished rapidly. Where procurement is not legally necessary however, WCVA strongly advocates for the use of grants as the primary mechanism for funding the third sector. Grants can provide the basis for partnership with the third sector in service development and delivery, and can be used to invest in local organisations, communities and economies, thereby retaining resources in Wales. Furthermore, grants are exempt from VAT, whereas contracts for services may be subject to VAT, therefore a grant retains investment in Wales.
17. While WCVA welcomes initiatives by Value Wales to improve procurement policy in Wales, it remains the case that procurement practice often lags behind. Too often procurement is used as a blunt tool to deliver short term cost savings, looking to the competitive market for solutions, and moves towards fewer, larger and more generic contracts effectively exclude almost all third sector organisations from being potential partners in delivering public services.
18. The 2013 *Welsh Government Annual Report on Grants Management*, which sets out the Welsh Government's direct grants to the public, private and third sector, revealed that the third sector has taken the biggest cut in grant funding. Although superficially showing a significant drop in funding, further exploration and discussions with Welsh Government has revealed that the figures were distorted by funding being re-routed through Local Government. We look forward to the next report providing a firmer baseline on which to measure any variations in funding to the third sector.
19. A number of our members have however experienced a shift from core funding to project funding. The erosion of core funding has profound

consequences for third sector organisations, limiting their ability to operate flexibly and maximise the value of the investment by leveraging in additional resources.

20. Welsh Government's vision recognises the role of the third sector in delivering preventative services: "A key principle for developing and encouraging innovation in public services is prevention. [...] Crucially, it relies on effective integration of services between public service partners, including the third sector and the public themselves, wrapping their support around a person or a family rather than each organisation focusing solely on specific issues."
21. Whereas policy (e.g. *Improving public services for people in Wales*) and proposed legislation (e.g. the Well-being of Future Generations (Wales) Bill) emphasise a long-term approach to decision-making, there needs to be a corresponding long-term approach to funding the third sector.

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