The impacts of short-term funding on the voluntary sector in Wales

Introduction

Single-year funding cycles are having a significant and negative impact on voluntary organisations in receipt of public funding. Organisations and services that people rely on are being endangered by the current reliance on such short-term cycles. These issues are described in more detail below.

We understand that Welsh Government faces unprecedented uncertainty in relation to its budget. Wales is still suffering the impacts of a decade of austerity and UK Government has not undertaken its promised Comprehensive Spending Review, despite the fact that the period covered by the 2015 Comprehensive Spending Review has now ended. We recognise that this makes it difficult for Welsh Government to budget long-term and urge it to keep pressuring UK Government to undertake the Review. Continued flux surrounding Brexit and arrangement for the UK Shared Prosperity Fund is also creating a lack of stability.

However, we need to find solutions to an increasingly urgent situation for many voluntary organisations in Wales. Welsh Government grant funding decreased from £350million in 2010 to £278 million in 2017-18, a decrease of around 21% in 7 financial years and total Welsh Government expenditure on voluntary sector represents only 1.9% of Welsh Government's annual expenditure (Source: Third Sector Data Hub).

The recent prevalence of short-term funding cycles is making a difficult situation almost impossible. If the sector is unable to provide services, this will directly and negatively impact the vision set out for it in a number of pieces of Welsh Government legislation and strategic documentation – for example, A Healthier Wales, the Social Services and Wellbeing (Wales) Act and the Volunteering Policy, to name just a few.

The Code of Practice for Funding the Third Sector sets out key principles for Welsh Government funding of the sector. It is essential that this continues, despite the uncertainty. We would ask Welsh Government to stress the importance of this to all external bodies it funds who also fund the sector. The Funding and Compliance Sub-Committee, which holds government to account on all aspects of the Code and promotes good practice, has recently been revived. It is chaired by Jane Hutt AM, Deputy Minister.

A number of voluntary sector organisations sit on the third sector finance network, which meets biannually with the Minister for Finance. The organisations who are part of the network have fed their points into this paper.

Problems with short-term funding

- The investment in setting up a project can be considerable, and short-term funding allows only a small window of opportunity to demonstrate a project's value before funding concludes. This makes seeking further funding challenging, and a project may only be able to demonstrate its full impact some while after funding has ceased.
- It can create a market where an unequal portion of funding is targeted at 'innovative' services, leading to more established projects missing out. There's nothing wrong with funding services that are proven to work.
- Staffing resource is hard to secure with time-limited funding and can lead to a loss of staff towards the end of a funding period. Replacing them on very short-term contracts is extremely difficult.
- The loss of staffing resource can then lead to a dip in quality of service towards the end of the contract. This in turn impacts on ability to demonstrate value and impact, making it all the harder to secure new funding.
- Just as with staff, it is easy to lose volunteers towards the end of a service's contract if it appears it will not be renewed. Volunteers, like staff, prefer more stable options.
- Constantly applying for short-term funding pots is time-consuming and resource intensive, particularly for smaller organisations, who end up spending a disproportionate amount of time identifying potential funding at the expense of running their projects. The time and resource required for the process can dissuade some organisations from bidding at all.
- Short-term funding provides little time for co-productive planning – the Wales Audit Office report on the ICF has already highlighted this issue.
- 12-month funding cycles that don't match the financial year can create extra work for management staff and makes planning difficult.
- Large scale capital projects take considerable time to develop, yet funding is short-term and expected to be spent in-year. This prevents good planning and prevents organisations from looking to maximise opportunities by bringing in other resources.
- Funding agreements are often only made well into the financial year, leaving organisations expected to spend their funding and deliver results in a highly compressed time period.
- Partnership work is particularly adversely affected by short term funding arrangements, as success relies heavily on regular relationship management and the trust built up between individuals within partner organisations over time.
- Innovation is also less likely when time and resource is in short supply.
- Organisations who deal with referrals have reported that, in cases where future funding is doubtful, they have been unable to accept new referrals towards the end of a contract to avoid having to withdraw a service from a user before completion.

- Welsh Government's move from core funding to project funding has created a problem for umbrella organisations. One umbrella organisation reported that it had to recast its entire organisation as a project and bid for funding under the Sustainable Social Services Third Sector Grant – but this is not a sustainable position. Long-term core funding is needed to allow umbrella organisations to ensure the voices beneath their umbrellas are heard by policy-makers in a coordinated fashion.
- Core funding would also allow sector organisations to meet costs such as IT systems more effectively. Short-term project funding doesn't enable this.
- Given all the above, achieving long-term benefits for people's wellbeing is next to impossible.

Longer-term funding of three to five years would significantly ease the issues described above, making the voluntary sector far more resilient than it currently is and more able to continue to deliver services on which so many individuals and communities rely. The Third Sector Sustainable Social Services Grant offers three-year funding. As this has proved possible with this particular funding stream, we believe it should be possible with others.

Case study
[Details have been anonymised at the request of the organisation]
"Procurement processes remain a challenge for third sector organisations, in particular via Health Boards. The process is often lengthy, even if for a relatively small sum of money, and is often delayed, with few or no explanations as to why this is. Our experience is that the more we chase up delays the less likely we are to get a response, unless we ask a senior manager within the Health Board to help us speed up the process.

"If ICF or Transformation Funding is allocated to a service which is proposed to be delivered by a third sector organisation, and this is then procured via Sell2 Wales, delays can mean that over half a year of funding may be 'lost' to the service. We are usually informed that this resulting 'underspend' will then go into a central pot and that, possibly, 20% of this underspend will be returned to the third sector. Procurement delays therefore mean that there is a loss of funding to the service specified and a loss of funding to the third sector, whilst third sector organisations which have put in tenders are waiting too long to find out if they have been successful or not and implementation of services is delayed.

"We understand that procurement staff may be working under pressure, but processes which appear to be inefficient or overly bureaucratic will only add to the pressure on these staff, as well as putting pressure on the third sector.

"On occasion, we have found it difficult to obtain payment when invoicing the Health Board and have had to ask senior Health Board staff to help us chase up payment. This has resulted in delays in grant schemes whereby we have been allocated ICF funding to run a grant scheme, but faced delays in obtaining the funding despite invoicing and sending reminders. The result is that third sector organisations which have been awarded funding from the grant scheme may end up with only two or three months in which to spend it. Perhaps Welsh Government could consider providing guidance or direction to public sector organisations to ensure prompt payment against invoices from the third sector. There is a risk that third sector organisations will use reserves temporarily whilst waiting for the funding."

The group can provide more case studies.

Solutions
Welsh Government has set out the context of uncertainty in the narrative accompanying its draft budget. This is likely to remain. We need to find solutions that enable voluntary organisations to create a bigger difference to people's wellbeing, within the confines of this context of uncertainty and change.

We would ask the Minister to work with the sector and other partners to find solutions to minimize the negative impacts of the current environment. For example, we know that only 1.9% of Welsh Government's annual expenditure is spent on the voluntary sector. Ideally this would be considerably increased, but at least knowing that this is the total it spends on the sector each year should give Welsh Government some scope to plan its spending on the sector strategically, effectively and longer-term.

We would also like to offer to work with officials on potential scenario planning so that we are better prepared to deal with the current and future uncertainty.

The Third Sector Finance Network
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