



Third Sector Budget Engagement

FAO: Minister for Finance and Local Government

24 OCTOBER 2023

Summary of recommendations

We would call on the Minister to use the influence and powers that she has to:

1. ensure that officials from across Welsh Government and the wider public service partners are using the Code of Practice for Funding the Third Sector when making any budgetary decisions
2. promote the implementation of a joined-up approach to making budgetary decisions across all ministerial portfolios affecting the sector
3. enable us to work with officials to improve the transparency of funding data across the Welsh public sector

The impact on the people we support

The impacts of the cost-of-living crisis are complex and all-encompassing but as we have observed during the Covid-19 pandemic, the extent, nature and severity of the impact is not the same for everyone.

While we know 52% of adults across Great Britain are spending more than usual to get what they normally buy when food shopping,¹ and private rent prices

¹ The Office for National Statistics (ONS), Cost of living insights: Food, 8 September 2023
<https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costoflivinginsights/food>

have increased by 6.5% across Wales in the 12 months leading to July 2023 (as compared to a 5.2% increase in England and 5.7% in Scotland),² this burden is not felt equally by all.

People in receipt of benefits are five times more likely to report that they struggle to afford basic necessities,³ disabled households need an additional £1,122 per month to have the same standard of living as a non-disabled households in 2022/2023,⁴ with a recent Disability Wales survey finding that disabled people in Wales are consistently spending more across Housing and Transport.⁵ Women's Aid reports that 15.4% of women supported by one of its main projects did not have enough money to pay for essentials on their own whilst waiting for a refuge space in 2023.⁶ The Bevan Foundation found that nearly half of parents of children under 18 have borrowed money between April and July 2023.⁷ A soon-to-be-published report by Children in Wales identifies a growing number of working adults cutting back on food in order to provide for their children, reflected in an increase in foodbank referrals and usage. Many of the individuals the voluntary sector supports fall within multiple categories that put them at a greater risk. In addition, within marginalised communities there is an established reliance on community support and volunteering. Worrying trends have been captured in a recent report by Human Appeal with 38% of surveyed Black, Asian and Minority Ethnic volunteers reporting volunteering less (as compared to 30% of non-Black, Asian and Minority Ethnic)⁸ – raising questions about the availability of community support with challenging times ahead.

The value of investing and working with the voluntary sector to reduce negative impacts

² The Office for National Statistics (ONS), Cost of living insights: Housing, 8 September 2023 <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costoflivinginsights/housing>

³ The Bevan Foundation, A snapshot of poverty in Winter 2023, February 2023 <https://www.bevanfoundation.org/resources/a-snapshot-of-poverty-in-winter-2023/>

⁴ Scope, Disability Price Tag 2023: the extra cost of disability, 2023 <https://www.scope.org.uk/campaigns/extra-costs/disability-price-tag-2023/#What-are-extra-costs>

⁵ Disability Wales, Barely Surviving: The Impact of the Cost-of-Living Crisis on Disabled People in Wales, July 2023 <https://www.disabilitywales.org/report-launch-barely-surviving-the-impact-of-the-cost-of-living-crisis-on-disabled-people-in-wales/>

⁶ Women's Aid, Cost of living crisis continues to bite as it prevents women from escaping abuse, 18 June 2023 <https://www.womensaid.org.uk/cost-of-living-crisis-continues-to-bite-as-it-prevents-women-from-escaping-abuse/#:~:text=Findings%20from%20a%20new%20Women's,transportation%20whilst%20waiting%20for%20a>

⁷ The Bevan Foundation, A snapshot of poverty in Summer 2023, September 2023 <https://www.bevanfoundation.org/resources/snapshot-of-poverty-summer-2023/>

⁸ Human Appeal, Diversity in UK Volunteering, August 2023 https://humanappeal.org.uk/media/230830153733/human%20appeal_2023_volunteering%20white%20paper%20study%20final.pdf

The latest Community Foundation Third Sector Trends report estimates the sector in Wales contributes around £6,630m to our nation's social and economic wellbeing.⁹

We are experts in converting relatively small investments into high social impact. In 2021-2022 Citizens Advice Cymru alone brought £53m in savings to government and public services, £374m in wider economic and social benefits and £224m in value to the people they advised.¹⁰

Care & Repair Cymru brings £7.50 worth of savings for health and social budgets for every £1 spent on their Rapid Response Adaptation Programme and £8.60 worth of savings for the Welsh NHS for every £1 spent on their Hospital to a Healthier Home service.¹¹

Social Value Cymru points to £3.71 return of social value (in the form of reduced feeling of isolation and loneliness, improved mental well-being and improved physical health for local beneficiaries) for every £1 invested in Felin Fach – a community hub in Pwllheli.¹²

Swansea Women's Aid's Domestic Abuse Information, Support & Empowerment Project (DAISE) Plus running between 2019-2020, brought £4.25 of social value for every £1 invested in the form of improved mental health, reduced isolation, anxiety and improved self-esteem of the women who used the service.¹³

The Outdoor Partnership – working with clubs and volunteers, supporting social prescribing projects, and enabling people to uptake activities outdoors across the country brings £7.12 return of social value for every £1 invested in the form of life-long and generational healthy lifestyle changes, improved club capacity, inclusivity and financial viability, increased volunteer confidence and

⁹ Community Foundation and Durham University, People, Places and Policy: Third Sector Trends 2023
<https://www.communityfoundation.org.uk/wp-content/uploads/2023/05/Third-Sector-Trends-2023-People-Places-and-Policy.pdf>

¹⁰ Citizens Advice Cymru, Making a difference in challenging times: Impact report 2021-2022
https://assets.ctfassets.net/mfz4nbgura3g/1IS9XoYJYJ0jia1uC33RI2/4dcbb799069147c90430baa94958d8d5/Wales_Impact_Report_2021-2.pdf

¹¹ Care & Repair Cymru, State of Older People's Housing in Wales: Improving Homes, Changing Lives, 2023
https://drive.google.com/file/d/1ugSG8FMznnYLAGA_tBnhySze9Jh8HzYN/view

¹² Social Value Cymru, Felin Fach Forecast Social Return on Investment Report, 2022
<https://mantellgwynedd.com/downloads/290922/felin-fach-kitchen-forecast-report-final.pdf>

¹³ Social Value Cymru, 'Daise Plus' project 2019-2020 Social Return on Investment (SROI) Forecast Analysis, 2020
<https://mantellgwynedd.com/downloads/210721-final-sroi-forecast-report-for-swa-daise-project.pdf>

prospects to explore a career in the industry, positive changes in the mental and physical well-being of participants, and reduction of social isolation.¹⁴

During the last financial year, the Local Nature Partnerships, via Welsh Government's Local Places for Nature programme, created over 70 new green spaces and significantly enhanced nearly 200, worked with local councils to change the mowing practices at 326 sites and increase wildflower planting in 276. Voluntary organisations do not only deliver for nature and help us meet our climate and biodiversity commitments as a nation, but they involve, inform and inspire communities to look after their local green spaces,¹⁵ gain new skills,¹⁶ spend time in nature and get behind environmental policies.¹⁷

We help bring communities together, look after nature, combat social isolation, introduce healthy habits, increase people's confidence, protect their rights, take them away from dangerous situations, bring them into the workforce, gather first-hand evidence and help amplify the voices of marginalised groups, among many other services. The voluntary sector provides a unique network of specialised support for people and communities across Wales in an easy and accessible way, close to their homes, playing a crucial role in prevention and taking its place as a complimentary wrap-around support for public services.

The state of the voluntary sector

The voluntary sector in Wales plays a crucial role in supporting individuals likely to suffer the most as a result of the concurrent crises we have experienced over the last four years. Voluntary sector organisations are seeing a high service demand and an increase of the complexity of service user needs. In many instances the complexity partially stems from pandemic backlogs, for example, Care & Repair Cymru report that the absence of visitors and reduced access to services during Covid-19 lockdowns has led to severe degradation of many older people's housing conditions, resulting in more difficult and costly housing repair needs.¹⁸

¹⁴ Social Value Cymru, The Social Impact of opening doors to the outdoors: enabling natural resources and well-being project, 2022 <https://mantellgwynedd.com/downloads/080823-opening-doors-to-the-outdoors-enraw-evaluation.pdf>

¹⁵ Community Action for Nature Group: Rhondda Cynon Taf LNP, 2022 <https://lnp.cymru/RCT-Community-Action-for-Nature-Group>

¹⁶ Kickstart your career: volunteer with your local LNP, 2021 <https://lnp.cymru/Kick-start-your-career>

¹⁷ BBC Wales, Wildflowers: Should grass cutting be stopped in summer?, 2022 <https://www.bbc.co.uk/news/uk-wales-61951378>

¹⁸ Care & Repair Cymru, State of Older People's Housing in Wales: Improving Homes, Changing Lives, 2023 https://drive.google.com/file/d/1ugSG8FMznnYLAGA_tBnhySze9Jh8HzYN/view

The role the voluntary sector plays in supporting our people and places is complex and does not sit neatly within one Ministerial portfolio. While the funding of the sector may be viewed to be the responsibility of the Minister for Social Justice the reality is the sectors work cuts across all portfolios and Government priorities. Decisions that affect the voluntary sector's ability to continue to deliver services would impact across government priorities and portfolios not just those with an obvious link to social justice.

Voluntary sector organisations are under a considerable amount of pressure due to:

- The effects of inflation on ongoing operational costs
- Lack of clarity and certainty from funders
- Funding freezes, lack of contract uplifting in line with inflation
- Severe staff and volunteer retention and recruitment challenges
- Reduction in public giving and income-generation capacity

The voluntary sector suffers the compounded impact of the end of European Union funding, the aftermath of the pandemic, cuts to public services, the deepening cost of living crisis and the climate and nature emergency. Voluntary sector organisations provide important preventative and support services across many different ministerial portfolios but there is a shared concern about the abrupt cessation of funding and a worry that reducing funding to the sector would be pursued as a cost-saving measure by a multitude of public bodies simultaneously. As we saw Chwarae Teg close doors,¹⁹ we wonder who is next, what will happen to the people we support, and what kind of society would we be a part of at the end of this crisis?

Third Sector Support Wales has recorded 27,925 interactions up until 26th September this year, a 6% increase as compared to the same period in 2022, but more significantly the time spent on each case has gone up by 22% (from an average of 38min to 46min) - indicating the increased complexity of issues organisations are facing.

¹⁹ Chwarae Teg, Chwarae Teg closure statement, 20 September 2023 <https://chwaraeteg.com/news/chwarae-teg-closure-statement/>

A recent survey of over 300 prior Third Sector Resilience Fund recipients found that the majority of respondents expect staff recruitment and generating trading income in the next 12 months will be highly challenging, with increases in salary and staff costs described as 'extremely challenging'.²⁰

Besides the impact on service users, the voluntary sector accounts for 10% of employment in Wales.²¹ There is an urgent concern that the combination of loss of European Union funding and the volatility and under-pricing of public contracts has resulted in voluntary sector staff in specialised services increasingly working on short-term contracts and being paid less for the same work as staff in the statutory sector. This not only results in high staff turnover and increased training costs but there is a more profound question about the implications of insecure employment and funding cuts in a sector that employs predominantly women.²²

Long-standing financial uncertainty and the case for culture change

Many of the funding difficulties experienced in the sector are not new, but rather exacerbated by the crisis.

Menter Iaith reports the majority of Welsh Language promoting organisations have not seen an increase in funding for the past 14 years and continue being asked to re-apply for funding on an annual basis despite promises for a more stable three-year funding solution. Similar disparities exist in the environmental sub-sector, where successful applicants for three-year contracts were asked to re-apply after year one for a chance to continue receiving funding. Disability Wales' core funding has not increased in six years and while they were able to supplement their income through producing research and delivering services for Welsh Government and other public bodies in the past, they have now been told not to expect any commissions soon.

Many organisations go through considerable financial uncertainty annually with funding for the new financial year not being confirmed until mid-March. The sector has adapted to this financial uncertainty by relying on verbal confirmation and reassurance from government departments. To ensure the

²⁰ Wales Council for Voluntary Action, Third Sector Resilience Fund (TSRF) 1,2 AND 3 Annual Review , August 2023

²¹ Wales Council for Voluntary Action, The Voluntary Sector Data Hub, 2019 <https://wcva.cymru/the-voluntary-sector-in-wales/>

²² Welsh Women's Aid, A Perfect Storm: The Funding Crisis Pushing the Welsh VAWDASV Sector to the Brink, 2022 <https://welshwomensaid.org.uk/wp-content/uploads/2022/11/Perfect-Storm-Report-ENG-compressed.pdf>

continuous running of services and staff retention, organisations would use reserves to bridge gaps of funding until formal confirmation and funding for projects is received. Worryingly, the International Education Programme, which has been delivered annually by a number of voluntary sector organisations for nine years, was recently frozen. This happened despite the organisations running it receiving verbal reassurances last March, like they did every year, that formal letters confirming the continuous funding would be received in September 2023. Naturally, these organisations already spent money and dedicated staff resource, in good faith, making sure all necessary preparations are in place for the new cycle, only to learn the programme will not be going ahead.

What can the Minister for Finance and Local Government do?

We understand the difficult financial position Welsh Government is in and the inevitability of impending funding cuts to the public and voluntary sectors. We want to emphasise the additional value that can be gained from working alongside the voluntary sector, as equal partners, in delivering public services and building a true well-being economy.

We already have in place the framework to achieve the above in the existing funding code of practice. Whilst we are currently refreshing the code the existing code provides a clear framework that all public bodies in Wales should use when reviewing budgets.

We would call on the Minister to use the influence and powers that she has, to ensure that officials from across Welsh Government and the wider public service partners are using this code and implementing a joined-up approach to making budgetary decisions affecting the sector. This will help prevent overlapping funding cuts affecting the same parts of the sector and putting organisations under extreme pressure at short notice.

If the current code is used it will provide transparency of process for all, through these difficult times. However, we need greater transparency of outcome linked to funding decisions in Wales. As we saw in the recent research by the Directory of Social Change, response to calls for funding information from

Local Authorities were the lowest in Wales compared to the rest of the UK. Over 40% of Welsh Local Authorities either did not respond or denied the request²³.

This lack of transparency inhibits the ability to understand the situation and monitor trends over time. We ask the Minister to enable us to work with officials to improve the transparency of funding data across the Welsh public sector.

These asks, if implemented, will help us make better strategic and financial decisions, and ensure we are able to support as many of the most vulnerable in society as we can.

²³ Directory of Social Change, Grants for Good: Exploring local authority grant-making to the VCSE sector, July 2023
<https://www.dsc.org.uk/publication/grants-for-good-exploring-local-authority-grant-making-to-the-vcse/>