



# Welsh Government Draft Budget Proposals 2022-23

## A RESPONSE FROM WCVA

1. [Wales Council for Voluntary Action](#) (WCVA) is the national membership organisation for the voluntary sector in Wales. Our purpose is to enable voluntary organisations to make a bigger difference together.
2. We have consulted widely across the voluntary sector in drafting this response and are pleased to have the opportunity to feed a wide range of sectoral voices into planning for the draft Budget 2021-22. We thank a variety of organisations, including Children in Wales, Pembrokeshire Association of Voluntary Organisations, Builth Wells Community Support, Mudiad Meithrin, British Red Cross, Cytun, Age Well Hwyllog Mon, Welsh Refugee Council, Wales Coop Centre and others, as well as a number of individuals who responded privately.

## KEY POINTS

3. Although this response details a number of recommendations for the 2022-23 draft Budget, here are some we consider the most crucial. Each of these points is elaborated upon elsewhere.
  - Welsh Government should prioritise voluntary sector services in the next draft Budget and offer longer-term funding cycles of three or more years to help the sector be more secure and sustainable.
  - During the pandemic, funding reached those who needed it much more quickly. This must continue as we hopefully move on from COVID-19.
  - Combating climate change must be central to all Welsh Government policy-making going forwards. The green recovery will be essential in 'building back better'.
  - Service providers should seek to work co-productively with communities and the sector and Welsh Government should seek to support this wherever it can.
  - Further investment in social prescribing is essential.
  - Welsh Government must engage fully with the voluntary sector as European funding comes to an end.

- The Future Generations Act should anchor any plans to ‘build back better’

## **WHAT, IN YOUR OPINION, HAS BEEN THE IMPACT OF WELSH GOVERNMENT’S 20-21 BUDGET, INCLUDING FUNDING RELATED TO COVID-19**

4. The emergency funding streams such as the Third Sector Resilience Fund and the Voluntary Services Emergency Fund were lifesaving in their speed and flexibility. However, there is still an element of ‘cliff-edge’, where emergency funding has halted or been reduced, but ongoing restrictions around fundraising activity coupled with a lack of public confidence means that income generation has yet to return to pre-pandemic levels. Therefore, many organisations are still struggling, although there have been many fewer organisational closures than were expected at the start of the pandemic.
5. The streamlining of funding processes throughout the pandemic to ensure funds reached their destination quickly was very effective and welcomed across the sector. It is crucial that this continues and we do not go back to the more onerous processes that were in place previously.
6. However, the instability caused by single-year funding cycles continues, causing much uncertainty throughout the sector. These cycles make it hard to plan for the future, make it difficult to attract new staff, and create undue pressure on staff already working for organisations receiving this funding.
7. WCVA’s 2021 update on [Sustainable funding for the third sector](#) states that the pandemic cost the voluntary sector in Wales a loss of £620m in income. Many organisations have had to dig deeply into their reserves which in turn impacts on longer term sustainability. Those with multiple funding streams, such as retail and events, were hardest hit, while those with higher proportions of grant funding and contracts fared better.

## **HOW DO YOU THINK WELSH GOVERNMENT PRIORITIES FOR 2022-23 SHOULD CHANGE IN RESPONSE TO COVID-19?**

8. Welsh Government should prioritise funding services that are provided by voluntary sector organisations and small charities, [67% of which have seen an increase in demand since April 2021](#) across the UK. whilst their ability to raise funds has been stifled and not yet recovered to pre-pandemic levels. While the 2021-22 budget and supplementaries were largely reactive and focused on plugging gaps for core public and voluntary sector services needed for emergency response during the pandemic, the 2022-23 budget needs to be focused on the individuals affected by the health, social and economic implications of the pandemic who are seeking the specialised help our sector provides. This call has been echoed by last Senedd’s Equality, Local Government and Communities Committee in their report on

[‘Impact of Covid-19 on the voluntary sector’](#): ‘The Welsh Government should work with the voluntary sector to identify areas across its work where volunteering can support the post COVID-19 recovery, public services and well-being.’

9. The pandemic remains ongoing and people are still struggling with financial hardship, mental health, loneliness, unemployment, and with access to food. Further investment in the Discretionary Assistance Fund would help. It must also resource service providers to signpost people to their services. As noted by Red Cross, too many people still do not know where to go to access support. According to their research, 41 per cent of people in Wales would be unaware of how to access financial support.
10. Investment in social prescribing is vital to help those who are suffering from loneliness and isolation. Welsh Government should support the voluntary sector to help identify these at-risk individuals. Service providers and health boards must be supported to make the most of social prescribing
11. Funding for nature projects to meet national and international targets and address climate change is vital. COVID-19 offers opportunity to expand green jobs. All Welsh Government policy priorities should demonstrate their links to, and impact upon, climate change.
12. Continued investment in communities is vital, given the way communities across the country, supported by the voluntary sector, came together to help each other during the pandemic.
13. Organisations struggling to stay viable require support to continue delivering essential services. Sustainable funding should be embedded into this and all future budgets to ensure that nobody is left isolated by a vital service suddenly coming to an end with no replacement in sight.
14. The budget must provide clarity on the transition of the arrangements around ICF to the upcoming Revenue Investment Fund.
15. Rough sleepers should continue to be accommodated via the Everyone In Scheme until, at minimum, the pandemic is firmly behind us.
16. Welsh Government should continue to meet its commitments to refugees and asylum seekers, including around employability, quality of homes, and support to establish businesses.
17. Much European funding is about to end, with, as Wales Coop Centre note, ‘an inevitable loss of capacity and expertise from our sector’. It is especially likely to be deeply damaging to lose this funding as we attempt to recover from the pandemic. (Understanding also that

it looks like UK Government will retain control of the UK Shared Prosperity Fund.) Welsh Government should prioritise helping groups to start up and/or grow to further support our communities including exploring cooperative, community-led and social value models of economic transformation.

18. Youth work services were highlighted as a potential priority to enable young people to develop personal and social support skills. Children and young people more generally were also noted, with Children in Wales commenting on the need for sustained support and investment to help children and young people recover from the pandemic.
19. Many social enterprises have significantly depleted their reserves throughout the pandemic, leaving them less resilient than previously, and have had to reprioritise actions while lacking the capacity to think long-term for future projects and opportunities. It is important that the social enterprise sector is supported to rebuild.
20. The importance of core funding for organisations should not be overlooked. This allows organisations to cover running costs and invest in organisational development.

## **HOW FINANCIALLY PREPARED IS YOUR ORGANISATION FOR THE 2022-23 FINANCIAL YEAR? HOW CAN THE BUDGET GIVE YOU MORE CERTAINTY IN PLANNING AND MANAGING BUDGETS GIVEN THE ONGOING VOLATILITY AND UNCERTAINTY?**

21. One area of uncertainty that WCVA is managing, along with many other charities, is pension liabilities. Although WCVA held a reasonable level of reserves, due to COVID-19 and assumptions made by the actuaries, AON, the local government pension scheme liability increased even further from a liability of £100k in March 2019 to a liability of £3.35m in March this year. This further increase has had an impact on the level of general reserves. Looking towards 2022/23, WCVA is concerned that any further negative impact on the local government pension scheme could leave the charity without free reserves. Ensuring we hold a reasonable level of reserves is an important part of our organisational financial resilience and risk management.
22. The end of European funding schemes in 2023 will impact significantly on WCVA, given our long standing role in delivering European grants to voluntary organisations. Adapting to this is an important part of WCVA's planning for financial sustainability in the future.
23. WCVA has introduced five-year financial forecasts which is helping us to take early action to build our resilience where we can see potential issues on the horizon. Managing the risks above is part of that work.

24. WCVA is currently developing its 2022/27 five year strategy and will be looking specifically at its priorities and resources for 2022/23 and the following years. The more certainty there is around funding for 2022/23 onwards the less risk is involved in decision making and the better we can plan for effective spend.
25. Welsh Government's budget can help give more certainty in budget planning and managing budget in two key ways. Firstly, the earlier budget decisions can be made, the better able organisations are to plan. This should be before the end of the 2021, in line with the Code of Practice for Funding. This also avoids staff insecurity and having to begin redundancy processes needlessly. Secondly, longer term budgeting would also help with the budget process for WCVA - three or five year planning would be very helpful as our activities are not annual and cut across several years. This allows us to plan ahead to achieve better outcomes.
26. Voluntary organisations have once again highlighted the uncertain nature that single-year funding cycles forces upon them. There is an overwhelming demand for longer-term funding. Single-year funding impacts staffing levels, job security, the health and wellbeing of those involved, and the nature of projects that organisations feel able to take on. Multi-year budgets, ideally linked to the objectives of the Future Generations Act, are essential for stability and sustainability of voluntary sector organisations. We are encouraged by recent conversations with the Minister for Finance and Local Government, which suggested recognition of, and determination to, tackle this issue.
27. Recent [WCPP research](#) looks at the positive impact of the greater flexibility around funding during the pandemic. This should be continued.
28. Many organisations have posts tied into the likes of ICF and Transformation funding, and clarity is required as to replacements for these important funding streams.
29. The [Code of Practice for Funding the Third Sector](#) is a key document in providing principles and structure for how the voluntary sector is funded.

**GIVEN THE ONGOING UNCERTAINTY AND RAPIDLY CHANGING FUNDING ENVIRONMENT, DO YOU THINK THERE SHOULD BE CHANGES TO THE BUDGET AND SCRUTINY PROCESSES TO ENSURE SUFFICIENT TRANSPARENCY AND MINISTERIAL ACCOUNTABILITY?**

30. The Budget document should explicitly state how the seven Wellbeing Goals will benefit from the decisions made in compiling it. Future Budget documents should also state how

they will achieve the aims of the Race Equality Action Plan and LGBTQ+ Action Plan.

31. One option to increase scrutiny would be to embed Citizen's Assemblies into the political process in Wales. Rebuilding requires active communities and public participation in democracy. Citizen's Assemblies could play a role here. The voluntary sector is well-placed to signpost communities to information about these.

### **DOES THE FISCAL FRAMEWORK ADEQUATELY REFLECT THE IMPACT OF THE PUBLIC HEALTH EMERGENCY IN WALES COMPARED TO OTHER UK COUNTRIES? DO YOU SUPPORT INCREASING THE ANNUAL AND/OR OVERALL LIMITS TO WELSH GOVERNMENT BORROWING WITHIN THIS FRAMEWORK?**

32. The four nations should look once again at the Barnett Formula in the face of the loss of EU funding. This loss, along with the Levelling Up Fund being administered by UK Government, means that revisions should be considered to prevent potential funding gaps opening up, or being further exacerbated.

### **COMMENTS ON:**

### **HOW RESOURCES SHOULD BE TARGETED TO SUPPORT ECONOMIC RECOVERY AND WHAT SECTORS IN PARTICULAR NEED TO BE PRIORITISED.**

33. There are over 49,000 voluntary organisations in Wales, including over 6,600 registered charities. It accounts for 10% of employment in Wales. 26% of people volunteer at least one day a year. (Source: [The Voluntary Sector Data Hub.](#))
34. Resourcing the sector itself is a priority, given its role in service delivery in every community across Wales. This includes the social enterprise sector, which will be crucial in reviving local and hyperlocal economies.
35. Front line care and support services need easy-to-access, regular, long-term funding to ease pressure on the NHS and ensure people have access to the services they need whilst also being able to play their part in their communities.
36. The Foundational Economy should be considered at all times during the recovery. It requires Welsh Government to continue to look at supply chains, encouraging and supporting businesses of all kinds to buy local, thus ensuring that money stays within communities and the impact on climate change is minimal. Social enterprises are extremely

well placed to benefit communities.

37. There is a need to invest in skills and development opportunities for those young people who left full-time education during the pandemic and are struggling to find work or further training.
38. The Programme for Government made numerous commitments to the social enterprise sector, from community hubs to community recycling facilities, that will be harder to meet without specialist support from the voluntary sector and government.

### **...TO WHAT EXTENT ALLEVIATING CLIMATE CHANGE SHOULD BE PRIORITISED IN SUPPORTING ECONOMIC RECOVERY**

39. All plans and policy decisions Welsh Government make from this point forward must have environmental and climate change concerns embedded within them and, as far as possible, seek to sustain and encourage the new positive community and individual behaviours that have emerged during lockdown.
40. All local and national government plans and policies must closely examine the potential impacts on climate change before being initiated. This is legislated for under the Future Generations Act.
41. Continued investment should be made in community energy projects, which not only help climate change, but create jobs and benefit local economies.
42. Wales resilience to future shocks depends on communities' ability and confidence to prepare for, respond to and recover from local emergencies. The voluntary sector is ideally positioned to report on these issues to their Local Resilience Forum and to co-produce improved solutions.

### **...HOW RESOURCES SHOULD BE PRIORITISED TO ADDRESS THE PRESSURES FELT IN SECTORS THAT NEED TO 'CATCH-UP', SUCH AS HEALTH AND EDUCATION**

43. We would be interested to hear the Committee's definition of 'catch-up' and how it has been decided which sectors this applies to.
44. Early intervention and support services should be priorities, alongside innovative cross-policy programmes spanning, for example, health and social care, or social care and education, and so on. These services must be co-produced to allow communities to feel ownership over the services they receive. The voluntary sector has a key role to play in this, working with community members to identify their needs. However, it must be emphasised

the sector should not be looked to in order to replace already-existing, local authority-run public services.

45. Further investment in the sector will alleviate pressure on the NHS, improving patient outcomes. Red Cross have highlighted their emotional support work with patients as an example, reducing pressure on medical staff who can then attend to patients' medical needs. Additional investment in pastoral care would also be beneficial. Resource should be ringfenced for non-NHS care to ensure vital social services are able to continue.

### **...WELSH GOVERNMENT POLICIES TO REDUCE POVERTY AND GENDER INEQUALITY**

46. The socio-economic duty should be at the forefront of budget decision making. Poorest people have arguably been the hardest hit by the pandemic, with low earners three times more likely to have lost their job or been furloughed than high earners (Resolution Foundation, 2020).

47. The Budget should target resources at initiatives supporting child poverty - for example, expansion of the free school meals programme and investment in early intervention support services. However, as we stated last year, the aim should be to prevent poverty altogether, not simply reduce it.

48. Investment in community services helps bring people together, including those members of society are harder to reach. However, as noted earlier, these services must be co-produced for communities to take ownership of said services and gain maximum benefits.

49. More investment in the Discretionary Assistance Fund would be hugely beneficial in mitigating the impacts of poverty. Targeted awareness raising of the DAF is vital to ensure that as many people as possible who need this Fund are able to access it.

50. There is still a housing crisis, with Shelter Cymru research showing that one in three people in Wales live in unsafe or unaffordable housing, often choosing between paying rent and buying food. One in four people live in homes with damp, mould or condensation problems, and around 315,000 people say their housing situation harms their mental health. Investment must be made to alleviate this problem. Not doing so will simply see pressures increase on frontline medical services.

51. Sufficient investment must be made to ensure that the actions of the LGBTQ+ Action Plan and Race Equality Action Plan are progressed and the best outcomes achieved.

52. Digital poverty is an ongoing concern – households during the pandemic often struggled to engage online, due to lack of suitable broadband, lack of skills, or inability to acquire the

electronic devices required to go online. Wales Coop Centre have called for a minimum digital living standard for Wales, and we would back this.

53. Quality childcare can help alleviate poverty, through early interventions, as well as gender inequality, due to the childcaring burden overwhelmingly falling on women. Investment here would be hugely beneficial. Mudiad Meithrin have also called for encouragement for more men to work in childcare.
54. Each year, we ask why other potential areas of inequality – race, religion, age, sexuality, etc – are not included within the remit of this question? These are all areas in which the Budget could and should make a legitimate difference. It would be invaluable to hear the Committee’s thinking on this.
55. We again ask Welsh Government to commit that a proportion of the overall skills and employability budget should be ringfenced for harder-to-reach groups, with an acknowledgement that voluntary sector agencies are a key part of achieving this.

## **...APPROACH TO PREVENTATIVE SPENDING AND HOW THIS IS REPRESENTED IN RESOURCE ALLOCATIONS**

56. The sector is agreed on the importance of preventative spending as a means of reducing later primary care costs.
57. Welsh Government should focus on preventative spending in the form of investing in communities and wellbeing. The voluntary sector has proven during the pandemic, and for many years prior, how volunteering and early light-touch intervention from charities has been instrumental in reducing harm and preventing deterioration of mental and physical health in individuals. Community building and regeneration programmes help many of the most marginalised members of society to make important connections, gain valuable skills and have better prospects from an early age. County Voluntary Council (CVC) partners are well-placed to assist with this work.
58. A great number of people are coming out of the pandemic worse-off – financially, mentally, physically, and socially, than they were before. The provision of varied and flexible early support from our sector will be critical in preventing unmanageable pressure on public services.
59. The Connected Communities strategy sets out the importance of social prescribing to Welsh Government, but significant resource must go to community groups, sports clubs and so on in order for it to deal effectively and efficiently with an increase in prescribed activities.

60. A significant proportion of public spending should ensure the Wellbeing of Future Generations Act is implemented, ensuring Wales is on a sound footing for future generations, mitigating against flood risk, poverty, inequalities, climate change and more.
61. Red Cross suggest that Welsh Government invest more in funding for schemes which help people develop coping strategies in the face of future crises. The voluntary sector could be a key partner in such a scheme, with knowledge of local communities and support services to help people build their own resilience.
62. The draft Budget should enable the priorities coming out of Population Needs Assessments and Market Stability Statements to be tackled.
63. WCVA and the 19 CVCs work on and promote [Infoengine](#), a database of voluntary sector services, as a vital search tool for citizens, public and third sector services. We would welcome the opportunity to work with government to promote this portal to local authorities and health boards to assist with the preventative agenda.

## **...SUSTAINABILITY OF PUBLIC SERVICES, INNOVATION AND SERVICE TRANSFORMATION**

64. The sector's role in transformative public services should not be underestimated, and it should be resourced and supported – including to have an effective voice at PSB and RPB level – to continue and strengthen the crucial work it offers.
65. While organisations that are successful in bids for funding for services should be allowed to undertake a level of innovation in order to test new ideas, this is not to say that tried and tested approaches should be discarded. Services that are already working well should be scaled up where appropriate.
66. Work must continue to ensure health and social care continue to become integrated and that services are 'joined up', as set out in A Healthier Wales.
67. WCVA, Wales Coop Centre and ProMo-Cymru have launched the [Newid project](#), which aims to ensure the Welsh voluntary sector takes advantage of the opportunities from digital approaches. Digital is becoming ever more important in service delivery, and forms a significant part of the Welsh economy. Continued investment in digital inclusion is essential. It will help people manage their health and access relevant information, so it can also be seen to be investing in prevention.
68. Welsh Government should pay close attention to grassroots service delivery to avoid accidental duplication of existing services.

69. Corporate Joint Committees will be introduced in 2022. New mechanisms such as CJsCs must work to benefit community services, not hinder or suffocate them with extra bureaucracy.
70. The [National Principles for Public Engagement](#), endorsed by Welsh Government, are designed to help service providers engage effectively with the public. We recommend all public service providers use them to help with their work.
71. WCVA is a partner in the Co-Production Network for Wales. The Network's [Knowledge Base](#) is a hugely useful resource for service deliverers.

### **...HOW EVIDENCE IS DRIVING WELSH GOVERNMENT PRIORITY SETTING AND BUDGET ALLOCATION**

72. Each year, we receive comments from the sector that Welsh Government does not effectively communicate how it considers evidence during budgeting decisions. This has happened again this year. It would be worth Welsh Government holding a webinar or similar session specifically for the voluntary sector to show how evidence informs its budgeting decisions.
73. It would be useful to see a document setting out how decision-making has taken into account the demands of the Future Generations Act and, although they are still not published in final forms, those of the LGBTQ+ Action Plan and the Race Equality Action Plan.
74. Our [Voluntary Sector Data Hub](#) tracks data relating to the voluntary sector in a number of areas. We invite Welsh Government, the sector, funders and researchers to continue to make use of this resource.

### **...HOW WELSH GOVERNMENT SHOULD USE TAXATION POWERS AND BORROWING**

75. As noted last year, money raised from taxation and borrowing should go towards combating the climate and ecological crises, investment in preventative services and help guide us towards making a success of the Foundational Economy. Those suffering from poverty should not be made to suffer disproportionately by additional taxation.
76. We would like to see Welsh Government engage more widely with the public as to how they are using the taxes they currently receive.

### **...SUPPORT FOR BUSINESSES, ECONOMIC GROWTH AND AGRICULTURE AFTER EU TRANSITION ENDS**

77. Engagement with the voluntary sector as EU-funded activity ends is critical. Sector organisations in receipt of EU Structural Funds met essential needs for many people. For example, the social enterprise business support project delivered by Wales Co-op Centre ends in December 2022 and Agile Nation 2 (delivered by Chwarae Teg) which supports SMEs and individual women ends in East Wales in 2022, and West Wales and Valleys in early 2023. EYST's very successful BME Invest programme, which provides paid work placements to young Black, Asian and Minority Ethnic people, hosted by community groups in Swansea, Cardiff, Newport and Wrexham, and delivered with Active Inclusion Funds, will end in June 2022. WCVA's Active Inclusion Fund that will support 40000 people furthest from the labour market in Wales will end next year.
78. We are aware that the loss of EU funding will leave a huge hole in Welsh Government's budget, including for business support generally, apprenticeships and skills, employability and infrastructure. We understand that Welsh Government will need to take difficult decisions about the future of many of these services, but we are concerned that those decisions may be made without adequate engagement with the voluntary sector, which has a closer understanding of the needs of individuals and communities across Wales currently. If the UK had not left the EU, and previous funding continued, we would be engaged in meaningful dialogue with officials and Ministers at this stage about identifying priorities and need - as was the case in preparation for Objective 1 & 2 funding, Convergence & Competitiveness as well as the current programmes.
79. Given the central role of voluntary sector organisations in supporting the implementation and delivery of many Welsh Government priorities, meaningful engagement is needed to ensure that when difficult decisions are made about prioritising funding, they reflect the needs of Welsh communities.

### **...WHAT ARE THE KEY OPPORTUNITIES FOR GOVERNMENT INVESTMENT TO SUPPORT 'BUILDING BACK BETTER'**

80. Continued, genuine engagement with the voluntary sector, which has unrivalled knowledge of local communities, will be vital to build back better than before. The fantastic community response to the pandemic, in which people helped others out with shopping, hospital appointments, prescription deliveries and much more, shows what communities can do. Communities must be encouraged and invested in to help maintain the momentum as we emerge from the pandemic.
81. Welsh Government must use the Future Generations Act as an anchor to any plans to build back better. The Wellbeing Goals, if achieved, would represent a Wales that has truly been built back better.

82. Investment to encourage people to work in social care will help the care sector move forward in line with Welsh Government's commitment to taking private profit out of care. It will also offer long-term benefit to those in receipt of care, ease the burden on the care sector and its staff, and provide a network of support to communities.
83. The green recovery will be essential in 'building back better', and the Local Nature Partnerships have a significant role to play in this, for instance in working with partners to identify nature-based activities and developing green skills and jobs strategies with apprenticeship schemes. However, to do this effectively, they will require resource and support
84. The Equality, Local Government and Communities report, [The Impact of COVID-19 on the voluntary sector](#), noted: 'Welsh Government should develop a programme of empowering communities across Wales with the voluntary sector, acting as an enabling state for community action. We support the WCVA's call for this to include a Community Wealth Fund and legislation to provide greater ability for communities to be involved in local action.' The Budget should follow this recommendation and further invest in the voluntary sector, including the volunteering infrastructure, and seek to facilitate a Community Wealth Fund. It could also help support the sector to diversify its income away from reliance on the public sector to a greater mix of streams.
85. The Budget should also explore how to further improve relationships between the voluntary and public sectors. [WCPP has noted that](#): 'over time, the interactions between public sector and community sector developed, "drawing strength from their difference, with the benefits of community action often stemming directly from its separation from the state, and vice versa".'

## DISCUSSION

86. WCVA will be pleased to discuss these or any other points relating to this consultation response with officials, committees, Members of the Senedd or Ministers if requested.

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*November 2021*