

Our ref WG/GB/KT

20 October 2010

Dear Colleague

Earlier in the year WCVA and Welsh Ministers wrote to you about the Assembly Government budget to explain the assumptions Ministers were making about likely spending reductions, and their commitment to engage with the third sector as the decisions about the budget for the next four years are finalised.

Since then, there has been an opportunity to discuss these issues with a large number of organisations across Wales at WCVA's regional policy events, and we are now writing to provide an update on the budget position.

We now know the outcome of the UK Government's Comprehensive Spending Review. Based on the Treasury's figures, the actual cash reduction is 0.7% per year for the next four years. This represents 2.6% reduction over the four years, which is better than the planning assumption of 3% per year. However, once inflation is taken into account, the Welsh Assembly Government indicates that it will have a 12% reduction in revenue funding over the next four years. The capital reduction at 41% is in line with previous assumptions.

The Assembly Government's draft budget will be published on 17 November, and should be published on the National Assembly for Wales website www.assemblywales.org and the Assembly Government website www.wales.gov.uk. WCVA will put a link to the budget on its website www.wcva.org.uk as soon as it is available.

The draft settlement for local government will be published a week after the draft budget, on 23 November.

The draft budget, and the anticipated effects on policies and services, will then be examined by the Assembly Finance Committee and Scrutiny Committees. The budget proposals will also be the subject of Equality Impact Assessments by each spending department, and these are likely to be scrutinised by the Assembly's Equality of Opportunity Committee. Once these committees have reported a final budget will be put before the National Assembly for approval, probably in late January or early February 2011.

In our earlier joint letter Ministers expressed their commitment to ensuring that there is active engagement between the third sector and the Welsh Assembly Government in budget planning at all levels, and this will be especially important in the period between the Comprehensive Spending Review and the adoption of the final budget.



Supporting charities
volunteers and communities

Yn cefnogi elusennau,
gwirfoddolwyr a chymunedau

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**Swyddfeydd hefyd yn y Rhyl,
ac y Drenewydd a Llanbedr
Pont Steffan**



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Organisations funded by the Assembly Government will need to know how the draft budget might affect them, and will need to act quickly to find out. WCVA has published a briefing paper on our website www.wcva.org.uk that explains how the budget is structured, and giving advice to organisations on how to engage with the budget process.

There are a number of steps organisations can take:

- Identify where in the draft budget your particular funding sits; WCVA's briefing paper explains how the budget is laid out, but you may need to ask your funding contact for this information.
- Ask your funding contact what assumptions are in the draft budget about your particular funding, or the overall allocation for the grant or funding programme that applies to you
- Make sure that your funding contact understands the implications of any funding changes for your services and activities
- Consider any representations you may want to make in relation to the Equality Impact Assessments - these can be raised with your normal funding contact
- Identify which Scrutiny Committee will examine that part of the budget from which you are funded, and when they will meet to do this. You may want to provide a briefing to members of the Committee, or ask members to raise questions about the implications for your funding and services: we will publish further information and committee dates on our website www.wcva.org.uk.

We know that engagement is equally important between the sector and local government, health boards and other public bodies, and we are pleased that this is taking place in a number of areas.

A number of local authorities are entering into discussions with the sector in their area about the funding situation, not only to keep organisations informed, but also to discuss options for service delivery and new ways of working together. For example, through the compact with the third sector, some local authorities have established joint third sector/local government working groups, or have agreed to a cycle of meetings with the sector, to discuss the impact of the budget.

There is similar joint working within health. For example, Hywel Dda Health Board is working collaboratively with the county voluntary councils in its area to 'co-design' what the third sector role can become as part of the whole health, social care and wellbeing system. They are exploring how to maximise the third sector's role and that of carers and volunteers. They are also exploring a procurement portal across the Hywel Dda area in partnership with Local Authorities and the CVCs in order to generate more appropriate service specifications which can be met by collaborative tenders from a cohort of third sector organisations from the large national charities to the small local groups. Hywel Dda believes this co-design, if it is to be done well and really deliver better services within the reducing financial envelope, will need twelve to eighteen months and therefore will aim to roll forward existing contracts into next financial year to allow this development work to be done, prevent service gaps and if necessary enable organisations to have sufficient time for a planned exit strategy.

Finally, it will be important for organisations to be able to evidence the wider impact of service that are supported by public sector funding and the implications of any cuts, and challenge unreasonable decisions. Public funding is vital for some organisations, but it is worth remembering that the Welsh Assembly Government only spent 2.8% of its total budget on the sector in 2008-09; local government spends only 3% of their total expenditure; and health bodies spend 0.3%.

Although this is a tiny proportion of public spending, it provides vital support for services that are hugely important to people and communities. In particular it supports services that:

- Focus on prevention or early intervention, avoiding or reducing much greater public expense over a relatively short period of time
- Draw in additional resources (financial and human) to provide more value for people and communities
- Build capacity in communities to take their own action and enable people to support each other and promote well-being
- Are indispensable in that no other agency or group of agencies could credibly provide the service offered

Organisations need to make sure that their funders understand the total value and impact of the services they are funding, for example by:

- *Quantifying the additional funds they draw in from other sources*
- How much money from other sources might be lost as a result of a funding cut? What other services might be lost as a result? How many people would be affected?
- *Quantifying and costing the contribution of volunteer time*
- How many hours are worked by volunteers? What is the value of volunteer time based at least on the minimum wages, or a more appropriate rate? What are the additional services made available as a result of volunteers?
- *Demonstrating the savings made by other public bodies as a result of preventative work*
What costs are avoided by your services, for example, by helping older people remain in their homes and avoiding the cost of residential care, keeping young people out of the criminal justice system?

If there are cuts, organisations may want to raise any of the following questions with officials:

- How was the decision made? What evidence was considered?
- What are the opportunity costs of the decision? Will it end up costing more in the longer term?
- How many people will be affected?
- Do the people likely to be affected come from a vulnerable or disadvantaged group?
- Will the service continue to be provided in-house? If so, is there a business case to support this as the most efficient and effective means of delivery, and the best option for citizens who use the service?
- Has an objective decision been made in order of priority based on outcomes and value for money?

In conclusion, we would encourage organisations to engage with their normal funding contact during this challenging period, as well as the county voluntary council for your area and/or WCVA if you wish to discuss the issues outlined in this letter.

Yours sincerely



Win Griffiths
WCVA Chair



Graham Benfield OBE
WCVA Chief Executive