



Public Expenditure 2011- 2014



Toward a strategy

June 2010

Introduction

The current three year comprehensive spending review finishes in March 2011.

The draft Welsh Assembly budget from April 2010-March 2011 was published in October and will be finalised in December. This budget includes a 2.1% increase (rather than a 2.75% increase) in overall Welsh Assembly Government expenditure (although this may not be spread evenly across all budget headings and some organisations may experience reductions in 2010-2011).

The UK government published a pre-budget statement in December and gave some general indications of its spending intentions.

Following the election in May it is anticipated that the new government will bring in a budget and 3 year comprehensive spending review that will include real cuts in public expenditure.

The exact depth of the cut and how it will fall are not known, although in recent weeks the coalition government has been quite clear in that the cuts will take place.

Calculations in Scotland have suggested that an **average** 3% cut in public expenditure can quickly become 40% for some budget headings if health and education spending are protected.

It is likely that third sector organisations in receipt of public funding will be affected in a variety of ways.

Most third sector voluntary organisations and social enterprises in Wales do not receive public funding, nor employ full time people, and will not experience any direct drop in income as a result of changes in public expenditure, although it may indirectly affect the activities and services of an organisation.

However, around 40% of the income of the sector in Wales does come from public expenditure, and although this only represents 2% of total public expenditure, any reduction will have a significant impact on many organisations in the sector.

Equally, changes in public expenditure may open new opportunities for the sector to deliver services in a different 'co-produced' way.

Opportunities exist at both local and national level to influence the design and methods of commissioning services. It is vital that these opportunities are seized and that well evidenced arguments and examples are produced which create a platform for

the ideas on alternative ways of delivering services based upon mutual co-production principles.

WCVA will assist this process by bringing together a 'co-production strategy' (copy available on request) which will set out how users and communities can be effectively involved in the design of the service and how that design can be translated into a commissioning process which:

- Facilitates whole service and integrated services.
- Encourages innovation and consortia within the sector.
- Demonstrates significant added value in service delivery.
- Extends user engagement and control of service decisions

WCVA has a strategic role in developing the dialogue with statutory partners at a national level in order to create a favorable climate for the co-production agenda to flourish. The fulfillment of this opportunity will rest with the CVCs such as DVSC; utilizing their position as local intermediary bodies to facilitate the practical development of co-production at community and county level.

This paper sets out a number of scenarios which organisations might face and suggests ways of responding and how the support structure might assist.

These will include a continuing commitment to existing work on:

- Publicising good and bad practice.
- Publicising the Code of practice on funding and encouraging implementation.
- Encouraging the referrals of non compliance of the Code to the Funding and Compliance committee.
- Helping organisations diversify their funding base.
- Freephone helpline.
- Learning and disseminating experience on influencing the budget.
- Promoting the economic contribution of the sector.

Scenario 1: Breaking or changing existing agreements

Some organisations will have contracts, grant offer letters, service level agreements, which run beyond 2011. If a funder wishes to change that agreement they should discuss this with the recipient, but the assumption is that, subject to performance and any other qualifying clauses, such agreements must be honored or only altered with the consent of the recipient.

- Assistance on this issue is available from Andrea Vaughan, WCVA Legal Services Officer, via WCVA's helpdesk.
- Advice on local arrangements and local Funding Codes of Practice (where these exist) is available from DVSC.

Scenario 2: A 'small' cut in funding

In this scenario, the funder continues to support the organisation, but introduces a 0% or single figure reduction in the amount. In this situation, there should have been some early dialogue on how this might affect services and outcomes and should not have been

imposed unilaterally.

Organisations may wish to:

- Publicly or privately point out the impact.
- Consider internal efficiencies.
- Seek guidance from DVSC
- Attend a WCVA 'how to become a leaner organisation' course.
- Consider the implications on staffing levels.

Scenario 3: A 'large' cut in funding

Some organisations may be faced with more significant reductions in funding. The preceding expectations and advice apply but, in addition, organisations may wish to consider:

- Joint working.
- Shared back office services, including premises sharing.
- Working with others in consortia.
- Full merger with another organisation.

Advice on legal and organisational aspects of these courses of action can be obtained via WCVA's helpdesk. DVSC can provide guidance and practical support to assist you with these processes, and also help facilitate the development of joint working arrangements and mergers between local Third Sector organisations.

Scenario 4: A total cut in funding

Some funders may withdraw funding completely. In this case all the above apply, but where the organisation feels that this is a short-sighted decision which will either lead to the closure of a community valued service and/or will lead to demonstrable increases in expenditure by public sector services in the near future, then the organisation might seek to campaign against the cut.

- Advice on campaigning can be obtained via WCVA's helpdesk (Voices for Change) and DVSC.
- They may also need to look at alternative ways of securing resources, and seek advice on winding up and seek support through this process from DVSC.

Scenario 5: Increase income through trading

Organisations may increase funding during this time, by increasing their income through trading.

- Advice on trading can be obtained from 'A guide to third sector trading' available via WCVA's helpdesk.
- Use the 3to3 free trading website.
- Trading courses run by WCVA (Sustainable Funding Cymru) and DVSC
- Advice from Wales Co-op Centre and support and information from DVSC.

- A loan from Communities Investment Fund.

Scenario 6: Increase Income through winning contracts

Some organisations may wish or have little option in bidding for public service contracts. Whether a service is outsourced varies from authority to authority, and service to service, but there will be opportunities.

Assistance in winning contracts can be obtained by:

- Attending Meet the Buyers events.
- Through Menter a Busnes' training events and Supplier Development service
- A (proposed) *How to Tender* guide.
- Attending WCVA *How to Tender* training.
- Accessing loan and bridging finance to assist successful tenders from WCVA's Communities Investment Fund and other loan providers.

With all these scenarios DVSC may as a result of its local contacts and working relationship with statutory partners be able to provide organisations with additional information and guidance about the local funding context and support them in their discussions with local funders.

Local CVC's often facilitate activities for third sector organisations in their area, such as a Service Providers Forum. These can act as a mechanism for individual organisations to receive regular information, guidance and support, as well as providing an opportunity to collectively influence the current and future funding arrangements of local statutory partners.

Although income can potentially be increased through trading and costs cut through increased collaborative working with other organisations, the opportunities to increase income and long term sustainability through more 'traditional' measures remain equally valid. This includes activities such as; Gift Aid registration, the acquisition of legacies, donors and sponsorship as well as community fundraising activities. Information on these topics is available from WCVA and DVSC whilst guidance and support to develop these activities can be obtained from DVSC.

Summary

Together these actions form the basis of a strategy to provide leadership and support to the sector during the next few difficult years.

The elements of this are:

- A co-production commissioning strategy with examples of user design and involvement.
- Highlighting good practice.

- Advice and help to organisations to pre-empt and react proportionally to bad practice.
- Legal advice on agreements.
- Training and information on trading, tendering, efficiencies, campaigning and engagement.
- A trading vehicle for small organisations.
- A 'campaign' to influence next year's WAG budget.
- A Public Service Conference.
- Invest to Serve/Invest to Save Schemes.

A template for a co-production strategy

Purpose The purpose of the 'strategy' is to assemble practical definitions, examples, and ways of delivering change which can assist the sector argue the co-production case in a variety of settings.

It must set out:

1. **A definition of co-production which can encompass:**
 - Personalised budgets.
 - Community led services.
 - Mixed volunteer and staffed services.
 - Integrated services.
2. **Examples of how users and communities can be involved in the design of services.**
3. **Examples of where and how this approach can deliver more citizen focused services.**
4. **Examples of how to commission in ways which lead to co-production.**