

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2024-25](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2024-25](#).

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Minister for Social Justice and Chief Whip  
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Wednesday 29<sup>th</sup> November 2023

Dear Peredur Owen Griffiths MS, Chair of the Finance Committee

I am writing on behalf of Lloyds Bank Foundation for England and Wales and our charity partners in Wales to provide insight and comment relevant to some aspects inquired about in question 7 of the current budget consultation. Our comments may be of interest to the Equality and Social Justice Committee and the Local Government and Housing Committee when they scrutinise the budget.

Lloyds Bank Foundation supports small and local charities that deliver vital work in local communities across Wales. In that capacity, we are concerned about these organisations' ability to keep meeting rising demand at the same time as they are seeing the costs of delivering services increase substantially. Our charity partners in Wales consistently report the increasing demands they are facing, with more people needing support and the complexity of need also growing as the cost-of-living crisis continues to most impact those already facing the greatest challenges. The recent closure of Chwarae Teg made headlines. Sadly, this may not be the last such story, unless action is taken now to sustainably support the sector.

We appreciate that this is a shared challenge experienced by the public sector too, and that some difficult choices may need to be made as Welsh Government allocates resources within a challenging fiscal environment. That said, progressive policy and legislation such as the Wellbeing of Future Generations Act, the Programme for Government and the Social Partnerships and Public Procurement Act, offer much to build on and it is clear that Welsh Government wants to ensure resilience and sustainability across sectors, in order to make Wales a more equal and more prosperous nation.

## **Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost-of-living crisis and the pandemic, sufficient?**

### **Positives**

- The Welsh Government's support to the sector during Covid and this year's proactive partnership with Community Foundation Wales were timely and welcome.
- The Third Sector team proactively and consistently engages with third sector organisations using a variety of methods, including via the WCVA and working closely with Funders through regular meetings and events. For example, there has been visible effort this year to engage relevant partners in shaping the revised Funding Code of Practice.
- It is positive that MSs hold funding surgeries and that many are actively engaged with charities providing valuable services in their constituencies. Several of our charity partners regularly connect with their elected constituency or regional representatives and this kind of relationship is beneficial for both parties. The Multi-bank partnership with Faith in Families in Swansea, and the Old Chapel Café in Saltney are examples of effective support leading to third sector doing what it does best.

### **Negatives**

- The reality is that most third sector organisations are small and local charities, who do not have capacity to engage with Welsh Government without sufficient support. Capacity costs money and core costs need to be covered before any grant funding to increase capacity can be accessed.
- The capacity of WCVA has been reduced post-Brexit, as has funding to support infrastructure organisations across Wales, which poses a real threat to the level of support that can be provided to the sector.

Whatever money Welsh Government finds or allocates to the third sector, needs to be distributed in a sustainable way that reflects inflation and any cost-of-living increases.

Of course, the challenge here is that inflation has reduced the budget this year, and finding new ways of working takes time. This links to the next question.

**Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning? Has there been adequate investment from the Welsh Government in basic public sector infrastructure?**

Agreeing to the local government pay award this year and not reducing local government budget wherever possible is a clear indicator that Welsh Government sees value in offering what it can to local government. Likewise, the continued, sizeable investment in the NHS shows where Welsh Government's priorities lie.

However, the reality is that there is increasing demand on services and paying public sector staff will need to come out of the stated budget. This could lead to a reduction in services or a temptation to in-source work as some public sector bodies may not feel able to sustain existing contracts with external delivery partners.

Part of the solution here, is not necessarily more money, but better collaboration and partnership with delivery partners, including third sector organisations, directly.

Audit Wales' Good Practice Exchange, and the National Commissioning Board coordinated by WLGA are doing excellent work to promote best practice and innovation that leads to increased impact and income maximisation. In some contexts, contract alliancing may offer a solution. For example, one of our charity partners is part of an alliance in Cardiff, which is building positive partnerships in health and social care within a complex context.

**What are the key opportunities for the Welsh Government to invest in supporting an economy and public services that better deliver against the well-being goals in the Wellbeing of Future Generations Act?**

**1) The new Ways of Working strategy is a chance to do things differently**

The five-fold increase in budget for Senedd reform and the increased focus on regional working offer the Welsh Government a chance to connect more directly with people across communities in Wales. Assuming that improved dialogue leads to improved understanding, the success of this increased engagement and representation will be measured in better decision-making at regional and national levels.

Crucial to successful implementation and development of a Wellbeing Economy, will be the third sector. People working for or accessing services from small and local charities rooted in their communities will be key voices to listen to.

The Third Sector Partnership Council and the Third Sector Support Wales goes some way to promoting dialogue between Welsh Government and the sector, however the vast majority (over 96 per cent) of the sector are small and local organisations, whose voice is not directly represented by the Council.

Lloyds Bank Foundation is currently hosting a Welsh Small Charities Forum that has proved a valuable space for discussion on issues of shared concern to small charities working across diverse local communities in Wales. Sadly, many report that they do not feel they are treated as equal partners when it comes to decision-making, and they describe complex challenges with how commissioning and procurement works.

We look forward to the establishment of the Social Partnerships Council and expect that the Third Sector representative will offer a crucial perspective.

## **2) Procurement reform**

The comprehensive set of procurement policy changes currently being undertaken by Welsh Government are a key lever to drive successful implementation and impact. As a Foundation, we are pleased to see a shift to funding the Most Advantageous Tender (as opposed to the former ‘most *economically* advantageous tender’), as this allows for a more comprehensive valuing of services.

Currently, however, not all public sector commissioning bodies fully understand the additionality offered by small charities, particularly when it comes to prevention (and cost savings). This is where funders such as Lloyds Bank Foundation can support Welsh Government in developing stronger data and evidence related to social value and national objectives such as wellbeing outcomes linked to the Future Generations Act.

The essential work provided by charities merits support not only because of the essential services they provide, but also because they take resource pressure off the public sector. We know from independent research commissioned by the Foundation, [‘Value of Small’](#) and [‘Value of Small in a Big Crisis’](#), how important small and local charities are. The research shows that small and local charities are a vital and distinctive component of the social and economic fabric of communities across England and Wales. Their

distinctiveness, trustworthiness, and adaptability make them especially well-placed to respond to crisis which makes it particularly important to ensure they are supported at this time. At Lloyds Bank Foundation, we provided additional funding to our charity partners to try and help them meet rising costs, but the level of rising costs facing charities is not something we can address alone. More support is needed from Welsh Government. Without adequate funding, there is a danger that vital services may be lost.

### **3) Bring money into Wales – and keep it in Wales**

The UK Shared Prosperity Fund, Levelling Up funds, dormant assets and a fair portion of the consequential from DCMS funding should all be tapped in to in order to support the voluntary sector as a key component of the Wellbeing Economy, stated as a Future Generations mission for 2023 – 2030.

In England, much of the funding announced in the 2023/24 Budget was allocated to a new [Community Organisations Cost of Living Fund](#) and we are keen to support Welsh Government to find its own way to ensure similar organisations in Wales can benefit from any funding available at this challenging time.

In addition to calls for a Community Wealth Fund for Wales and upcoming opportunities to use dormant assets across Wales, there is an urgent need to ensure that any available funds can reach those charities that need additional funding now. The consequential funding via DCMS offers a vital opportunity. Consistently allocating a sufficient portion of the DCMS consequential towards charities, particularly those that are small and local, would help to ensure that charities supporting people affected by domestic abuse, facing homelessness or at risk of modern slavery for example, can access support to help them meet rising costs and provide ongoing support in the community.

Encouraging longer-term, sustainable funding of essential services provided by small and local delivery partners will also help to keep jobs in a local area and through this employment, keep money moving in Wales.

We would be pleased to support and would appreciate the opportunity to discuss how we might work with you to secure additional funding for charities in Wales.

Yours sincerely,  
Kelly Huxley-Roberts  
Wales, Policy and Partnerships Manager