

Achieving shared ambitions: relationships between public bodies and the third sector

Partnership Council

1 February, 2018

1. Context

- 1.1 The invitation to attend this meeting stems from the joint action plan between the previous Cabinet Secretary for Finance and Local Government and the third sector under the Third Sector Scheme. A priority of the action plan is:

Relationships with local government, PSBs and the new regional services

- a) More effective funding relationships between local government and the third sector;
- b) Improve third sector engagement in the key public sector structures.

- 1.2 The Cabinet Secretary requested an item at the Partnership Council to discuss how we might take forward the joint outcomes sought above.

2. Valuing the third sector in Wales

- 2.1 Wales benefits from the third sector and volunteering in many ways. According to the National Survey for Wales, 28% of people volunteered in 2016-17. This contribution is the equivalent of £757m. With over 32,000 organisations, the third sector accounts for almost 10% of employment in Wales, with 116,600 people employed in third sector organisations.
- 2.2 The sector has an estimated income of £1,092 million per annum (excluding Housing Associations) of which 35% comes from the public giving. Welsh Government spending on the third sector is estimated at £289m per annum an equivalent to 1.9% of total government expenditure.
- 2.3 Third sector organisations are independent value-driven organisations, committed to reinvesting surpluses to further their mission and provide public benefit. In the face of significant challenges ahead - from the impact of austerity to climate change and globalisation - a strong third sector in Wales has a vital role to play in increasing wellbeing in Wales. A healthy and active third sector should be at the forefront of responding positively to these big societal challenges, whether it be speaking out for the most marginalised, driving local solutions or contributing to a fairer economy.
- 2.4 However, research by Wales Council for Voluntary Action (WCVA) and County Voluntary Councils (CVC'S) (see the [Shape Your Future](#) reports, November 2016)

also warns that the third sector also faces an uncertain future. Action is needed across all sectors to prevent a weaker and more fragmented third sector in future years.

3. Relationships between the third sector and public bodies: what is and isn't working

3.1 A number of recent reports have significant concerns about the relationships between the third sector and public bodies in Wales, as well as opportunities and good practice. This includes a Wales Audit Office report on [Local Government Funding for Third Sector Services](#) (January 2017). Some of the key findings reinforce research undertaken by Lloyds Bank Foundation on [Championing Small but Vital Charities](#), particularly the negative impact that public sector commissioning practice is having on small and medium sized charities. Ongoing dialogue WCVA has with its members and wider third sector networks (including in developing this paper) reinforce similar concerns.

3.2 Key concerns are:

- Local authorities mostly do not have an effective strategic approach to working with the third sector;
- Inconsistencies in local authorities' arrangements for funding the third sector make it difficult to demonstrate value for money;
- Local authorities are unable to consistently evidence the impact of their work with the third sector;
- Trends in public sector commissioning are damaging for small and medium-sized organisations, particularly the shift away from grants and to large contracts that can be very hard for small charities to compete fairly for and win;
- Non-compliance with the Code of Practice for Funding the Third Sector; and
- Short-term funding agreements.

4. Building more effective relationships

4.1 If third sector organisations are to play their full role in improving wellbeing in Wales, there is an urgent need to address these issues. There are already a number of proposals on how this might be done, as highlighted below. Some of these are largely in place, but need updating or amending. Resources are increasingly stretched across the public and third sector. Progressing this work will demand a clear commitment from Welsh Government and public bodies, as well as key third sector organisations.

Compacts

4.2 Welsh Government (Third Sector Unit) is leading a working group to refresh the current guidance for compact arrangements at local level. The aim is to streamline the guidance, emphasise some key principles and refer to source documents including the Funding Code of Practice, the checklist in the WAO report and the [National Principles for Public Engagement](#) and the Welsh Government's [Principles for Working with Communities](#).

Code of Practice for Funding

- 4.3 Many of the concerns that third sector organisations have raised are breaches of the existing Code of Practice for Funding the Third Sector. For example, late funding agreements, late payments and changes to funding agreements mid-year. We have examples of quarter one payments not paid until September. It means public sector funding is too risky for Trustees to agree to take on public contracts. These breaches present real practical barriers to third sector organisations and can threaten viability altogether.
- 4.4 Mechanisms for reviewing the Code of Practice for Funding and non-compliance needs to be updated and reinforced.

Good practice commissioning guidelines

- 4.5 Several reports have identified current commissioning practice having a detrimental impact on the third sector, particularly small and medium sized organisations. The Wales Audit Office report provides further evidence. Concerns about commissioning have also been highlighted in WCVA's work on resilient communities. As well as strong evidence on the negative implications of current practice, there are also work that we can draw on that highlights better practice, such as the [Collaborative Commissioning Toolkit for Service in Wales](#) that Welsh Women's Aid and partners have developed.
- 4.6 WCVA recommends a cross-sector working group is established to update commissioning guidelines and drive improvements in commission practice.

Longer term funding agreements

- 4.7 Annual grant funding agreements make it difficult to recruit and retain skilled staff in the short to medium term, and impossible to plan for the longer term, in line with the principles of the Well-being of Future Generations Act (Wales). Third sector organisations can deliver greater impact with longer term funding agreements.

Wales Audit Office checklist

- 4.8 In its report on local government funding for the third sector in Wales, the Wales Audit Office proposed a checklist for local authorities to help gain clarity on their strategic relationship with the sector, whether the funding models were appropriate and how they evidence impact of their work with the third sector.

New models of funding

- 4.9 Organisations have provided some examples of emerging models of more collaborative, co-designed funding practice, which can help third sector organisations to lever funding for non-statutory services from other sources that may not be accessible to public bodies.
- 4.10 One example is the Pembrokeshire Preventions Steering Group which brings together key partners including health, local authority, public health, housing and the third sector. The group has developed a vision for preventative services in Pembrokeshire. Through discussion and collaboration, the group developed a third sector-led preventions service. This was developed by Pembrokeshire Association

of Voluntary Services (PAVS) into a bid to the LEADER programme, which provides 35% of funding (approximately £75,000 per annum). The remainder of the funding comes from adult social care, ICF, health board and Volunteering Matters (a project delivery partner).

Third sector engagement in the key public sector structures

- 4.11 [Third Sector Support Wales](#) (TSSW) is a network of support organisations for the whole of the third sector in Wales. It consists of the 19 local and regional support bodies across Wales, the County Voluntary Councils (CVCs) and the national support body, Wales Council for Voluntary Action (WCVA). Our shared goal is to enable the third sector and volunteers across Wales to contribute fully to individual and community well-being, now and for the future. TSSW partners have a role to play in providing *a voice* for the sector in public sector governance arrangements and in providing information and feedback mechanisms for the sector via networks.
- 4.12 There is willingness for third sector organisations to be involved in work with public bodies via the Public Service Boards (PSBs), however feedback suggests information gaps exist regarding the role and remit of the PSBs and their memberships. Whilst the focus of PSBs to date has understandably been on developing local well-being plans, it is recommended that each PSB should publish details of its plans and membership, to support the engagement of the wider third sector. Suggestions have also been made by the sector to include more than one third sector representative in order to ensure the wide range of subject matters are addressed and the information and messages from the PSBs achieve broad engagement.
- 4.13 There are also opportunities to explore how to make better use of third sector data to inform local strategic planning.

5. Next steps

- 5.1 This paper outlines the importance of the third sector and public sector working together to achieve shared goals around improving wellbeing in Wales, as well as immediate challenges to achieving this. The Partnership Council is asked to consider the options for improving strategic and funding relationships between the third sector in Wales and next steps.