Item No.	Classification: Open	Date: 15.7.03 29.7.03	Environment & Community Support Scrutiny Sub-Committee Executive
Report title:			*Fast Track Review of Voluntary sector funding*
Ward(s) or groups affected:			All Wards
From:			Assistant Chief Executive (Performance & Strategy)

RECOMMENDATIONS

1. That the Executive note that the recommendations fall into three areas:

➢ Policy recommendations
➢ Decision making arrangements
➢ Processes for commissioning services from the voluntary sector

Policy recommendations

2. The Executive adopt the policy objectives (a) – (f) below as the basis for aligning the resourcing of the voluntary sector with the Council's overall priorities and policy framework:

(a) The Council should adopt a formal overall commissioning approach to the voluntary sector. The framework needs to be cross-referenced with the procurement strategy so that the voluntary sector is recognised as part of the spectrum of service deliverers. The framework also needs to take into account the integrated commissioning that currently takes place within partnerships and in relation to external funding streams and the programmes of other agencies.

(b) The allocation of funding to the voluntary sector should be policy driven with specific outputs and outcomes explicitly linked to council priorities and service objectives. Departments should set the outputs and outcomes they require from funding provision and service providers should demonstrate in their applications how they meet those criteria.

(c) There needs to be a review of the current priorities across all programmes and a subsequent re-commissioning process across all services.

(d) The Council needs to ensure that the process of reviewing policy is sensitive enough to pick up new and emerging needs, such as targeting priority neighbourhoods, support for refugees, or the LGBT (lesbian, gay, bisexual and transgender) community, so they can be incorporated into priorities for funding the voluntary sector. Chief Officers should be required to include a specific

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mechanism for identifying new and emerging needs and including these within their commissioning arrangements.

(e) The current criteria for the Community Support programme should be realigned so as to more explicitly support the key corporate priorities of Equalities and Cohesion, Anti-Poverty, and Community Safety.

(f) Irrespective of the decision making option agreed, Members should be provided with a strategic overview of how the Council is using voluntary sector organisations. A report to Members on voluntary sector strategic issues should be produced annually.

Decision making recommendations

3. The Executive should revise the decision making process to ensure transparency and efficiency, by adopting one of the options set out below:

➢ Option A: Status quo.

➢ Option B: Policy led option.

➢ Option C: Financial threshold option.

   Option D: Full delegation option.

Process recommendations

4. The Executive agree that a formal commissioning framework be established for funding the voluntary sector that would:

➢ Set out the links and requirements between Council priorities and the allocation of funding.
➢ Include the commissioning framework as part of the Council's overall Procurement Strategy.
➢ Retain the mixed economy approach of grants, service level agreements and contracts, and provide clear guidance of the circumstances under which each should be used.
➢ Set out the advertising requirements for funding; grants should be advertised annually and service level agreements and contracts should be re-tendered every three years.

5. The Executive agrees that the Council develop an improved monitoring framework which is more in proportion with the levels of funding an organisation receives than at present.

BACKGROUND INFORMATION

6. The Council was scheduled to undertake a Best Value Review of its relationships with the voluntary sector commencing in September 2002. In the light of issues arising in the 2003/04 grant round, it became clear that the proposed terms of reference of the Best

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Value Review were over-complex and so wide-ranging that it would be difficult to obtain clear outcomes on all the issues within the next six months.

7. Therefore the remit of the original Best Value Review was split and is now being managed as two separate, but related activities. In terms of the Council's strategic relationship with the voluntary sector, the Council has already signed up in principle to the COMPACT, and on-going dialogue with the sector on improving relationships is being dealt with through the inter-agency COMPACT Working Group, chaired by the PCT.

8. The terms of reference for the fast track review set out the main issues to be addressed:

- Clarification of the policy priorities of the Council in respect of funding voluntary sector organisations and how far the existing service/departmental programmes are aligned to those priorities, including addressing new and emerging needs.

- The decision-making arrangements for funding, including the appropriate level of delegation to officers, and whether some elements of voluntary sector funding could be allocated through an appropriate external agency.

- Where the Council does continue itself to commission services from the voluntary sector, the appropriate form of agreement between the Council and individual voluntary sector organisations i.e. use and relative benefits of formal contracts, service agreements and conditions of grant aid.

9. The review was carried out by internal project team, supported by an external consultant who focused on the policy aspects of the review. This work comprised:

- An analysis of the current policy priorities for funding voluntary organisations, how these relate to the Council's corporate and departmental priorities, how emerging needs are assessed, and the mechanisms used to align funding with priorities.
- Comparison with best practice councils, those that have recently carried out a review of the voluntary sector and those that have adopted some form of outsourcing.
- Comparison with government best practice as set out in IDeA's publication 'Best Value and the voluntary sector'.
- Interviews with grants officers and heads of service within Southwark.
- Interview with members.
- Two workshops with key voluntary sector agencies.
- Analysis of the internal audit report on process of administering grants.

Summary of findings

10. Summary of review of policy.

- The links between corporate and strategic service priorities, and the funding priorities for the voluntary sector are not always explicit and do not appear to be driving funding decisions, which appear to be mainly historic.
- Allocation of funding should be policy driven with specific outputs and outcomes more explicitly linked to council priorities and service objectives.
- There needs to be a commissioning framework for buying services from the voluntary sector, cross referenced with the procurement strategy, so the voluntary sector is recognised as part of the spectrum of service deliverers across all parts of the Council. This should mean moving away from a fixed historic 'funding pot' for voluntary sector projects towards including voluntary sector provision as part of the core mechanism for delivering services.
- Grants programmes need to be publicly advertised annually, or where service agreements or contracts are in place, they should be re-tendered every three years.
- Gaps in policy need to be recognised and rectified. The Community Support programme policy drivers need to be realigned so they meet the key corporate priorities of Equalities and Cohesion, Anti-Poverty, and Community Safety.
- The Council's process of reviewing policy needs to be sensitive enough to pick up new and emerging needs, such as priority neighbourhoods, refugees, LBGT issues, so they can be incorporated into priorities for funding the voluntary sector.
- The monitoring framework needs to move from a one size fits all to one that better reflects the level of funding an organisation receives.

11. Comparison with other authorities

The table of findings from other authorities is attached in the Appendix.

- Best practice authorities are moving to a more business like approach to the voluntary sector, moving to contracts and multi year service agreements where appropriate. Southwark is behind the best practice authorities in adopting this approach.
- Only two authorities (Hackney and Waltham Forest) have outsourced the administration of grants, but decisions are still made by Members (or the Mayor).
- In the best practice authorities, decisions on service agreements with voluntary organisations are delegated to Chief Officers, with policy set by Members.
- In deciding grant allocation, there is a mixture of Member decision-making and delegation to Chief Officers. However, most authorities have a higher level of delegated authority around grants than the £2,500 adopted in Southwark.
- Several authorities have created a central strategic grant pot to meet the needs of new and emerging voluntary groups.

12. National best practice

- The IDeA suggests that authorities should adopt a commissioning strategy when purchasing services from the voluntary sector (this is set out in the flowchart in the Appendix).
- This commissioning strategy should be made up of a mixed economy approach of contracts, service agreements and grants, to reflect the diversity of the voluntary sector and the types of services to be provided.

13 Interviews with grants officers

- There is an inconsistent approach to funding the voluntary sector across the council. In some areas grants programmes have dedicated staff, in others voluntary sector funding is an add-on to other functions. There are different approaches to service agreements and contracts, and different rigour in monitoring.
- The annual grants allocation process was seen as time consuming and somewhat bureaucratic.
- There was unanimous view that the level of delegation should be raised, at least to £10,000.
- Several grants officers said that the monitoring regime should be proportionate to the amounts of funding.

14. Interview with Executive Members

The main issues raised by Executive Members were:

- Members expressed concern about the current cumbersome process of agreeing funding.
- There appeared to be little corporate consistency in the way organisations are funded.
- The same groups have been funded historically and there are gaps in provision, e.g. funding of disabilities, LBGT, domestic violence, new BME groups.
- Services purchased need to fit with corporate priorities.
- We should showcase good practice and performance, need to promote a more positive view of the Council. There is a need for a period of certainty, set criteria and effective monitoring.
- We should have multi year funding for service agreements and contracts, an annual bidding process for grants.
- More in-house quality assurance and more effective monitoring processes.

15.   Workshop with voluntary sector

- Two workshops were held with key voluntary sector bodies - the settlements, community centres and umbrella organisations. The main messages from the workshops were:
- There is a need for a more business like relationship, with a mixed economy of grant aid, SLAs and contracts.

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- The monitoring regime needs to be more relevant and tailored to the amounts of funding involved.
- There is a need for a corporate and consistent approach towards funding the voluntary sector from the council.
- There was support for a funding panel to be involved in the allocation of grant aid, in order to ensure a more transparent process.

16.   Internal audit report

An internal audit report has set out the issues that need to be improved in terms of the process of managing and administering grants. Some of these will be picked up as part of the recommendations in this report. The outstanding issues will need to be addressed through separate processes.   The recommendations that will be picked up as part of this review are set out in the Appendix.

KEY ISSUES FOR CONSIDERATION

Policy recommendations

17. Drawing on the range of information, there is a need to improve the alignment between the Council's policy priorities and the funding of voluntary sector organisations. This can be achieved by adopting the following practices.

18. The Council should adopt a formal overall commissioning approach to the voluntary sector.   The framework needs to be cross referenced with the procurement strategy so the voluntary sector is recognised as being part of the spectrum of service deliverers.   This should mean that voluntary sector funding is integral to the overall way services are delivered, and not subject to the constraints of a 'historic pot' of funding.   This would also do away with the annual grants round across all programmes. Departments should be able to demonstrate how they are supporting building the capacity of the sector to take on greater service delivery functions in key service areas.

19. The allocation of funding to the voluntary sector should be policy driven with specific outputs and outcomes explicitly linked to council priorities and service objectives. Departments should set the outputs and outcomes they require from funding provision (which could also include funding for capacity building) and service providers should be required to demonstrate how they are to meet those criteria.

20. There needs to be a review of the current priorities across all programmes and a subsequent re-commissioning process across all services.   This will include issuing clearer criteria under which organisations will apply for funding, and reassessing the organisations currently receiving grants or on service level agreements against these. This process may lead to some organisations being moved onto contracts or service agreements, or in some cases, where organisations are no longer providing a service that meets Council priorities, to termination of funding.

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21. The Council needs to ensure that the process of reviewing policy is sensitive enough to pick up new and emerging needs, such as support for targeted priority neighbourhoods, refugees, or the LGBT community. These need to be incorporated into priorities for funding the voluntary sector. Departments should be required to include a specific mechanism for identifying new and emerging needs and including these within their commissioning arrangements.

22. The current Community Support programme is different from the other service led programmes as it lies outside main service areas and supports the Council's overarching community leadership and cross-cutting social inclusion agenda. The policy drivers for this programme should be realigned so they more explicitly meet key corporate priorities around Equalities and Cohesion, Anti-Poverty, and Community Safety.

Recommendations for decision making

23. There are two main approaches to managing voluntary sector grants:

- Establish a single voluntary sector commissioning programme run centrally on behalf of all service areas OR
- Strengthen the existing devolved arrangements whereby commissioning the voluntary sector is integral to the delivery of each service.

24. Running the grants programmes centrally would mean that funding of voluntary sector organisations becomes separated from the overall approach to service delivery, as decisions are divorced from the analysis and management of the overall service priorities in that area. It also minimises Departments' scope to transfer more funding to external commissioning and makes an assumption that the voluntary sector is a single entity rather than a diverse sector that provides a range of services. It also ignores the current climate where Departments' grants programmes are becoming increasingly integrated with other funding streams and other agencies' programmes, such as Neighbourhood Renewal funding.

25. The alternative approach is to strengthen the existing arrangements of a devolved programme, where the voluntary sector becomes integral to the overall internal and external commissioning strategy of each service, and voluntary sector providers are considered alongside statutory and private sector providers. This approach fits with the overall commissioning approach being set out in the corporate procurement strategy, and the modernising agenda.

26. This report deals with decision-making options based on the current devolved structure. There are four options set out below for decision - making in respect of voluntary sector organisations. These range from the status quo to delegating all decisions to Chief Officers.

Options for the decision making process

Option A: Status quo option.

27. Under this model, Members would make the decisions on all voluntary sector grants over £2,500 and all service level agreements with the voluntary sector. Decisions under £2,500 would, as now, be made by Chief Officers. Decisions on contracts would be made under contract standing orders and would not come to Members for decision (unless specified under CSO).

Advantages of Option A	Disadvantages of Option A
Members retain full engagement in the decisions on voluntary sector funding (apart from where organisations are on contracts).	Out of line with best practice models and the modernising process being adopted in the majority of best practice authorities eg Camden.
Members have a fuller view of what the council funds in terms of the voluntary sector (apart from where organisations are on contracts).	Members have already expressed concerns about the current process.
	The process is out of step with the decision making process in every other area of service delivery.
	Members are asked to make operational decisions rather than strategic decisions.
	The process of agreeing over 200 grants in one session means that it is unlikely to be a rigorous process of decision making.
	The voluntary sector do not regard this as a transparent, fair process.

Option B: A policy led option (in the context of individual decision making)

28.   Under this model, decisions on the programmes with a direct link to service needs would be made through normal decision making processes, governed by Contract Standing Orders and matters delegated to Chief Officers.   The current proposals for individual decision making would also need to be taken into account. In the case of the current Community Support programme, which has a cross cutting corporate set of policy drivers, the funding decisions would be made by the Executive.   There would no longer be an annual grant allocation round, as not all grants would need to be allocated at the start of the financial year.

29.   As set out in the policy recommendations the current voluntary sector Community Support programme would be reconfigured to separate out the elements of community safety, which is driven by the Crime and Disorder Reduction Strategy, and the other elements, which are driven by the community leadership agenda. Decisions on the community safety element would be treated as service led activity and made through the

normal decision making process. Decisions on the cross-cutting corporate priorities of Equalities and Cohesion and Anti poverty would be taken by the Executive.

30.   While service programmes contribute to a number of priorities, other than Community Support, each has a core statutory framework that impacts on commissioning decisions. A number also link to formal partnerships and the development of joint commissioning arrangements. Under this option, the table below sets out this relationship and how it would relate to decision-making

Vol sector programme	Strategic policy drivers	Decision making process
Community Support	Community Strategy Neighbourhood Renewal Strategy Corporate Equalities Action Pan	Executive
Community Safety	Crime and Disorder Reduction strategy	Individual decision making process/Chief Officer/CSO
Early years (moving onto contract)	Early Years and Child care Development plan	Individual decision making process/Chief Officer/CSO
Play	Early Years and Child care Development plan	Individual decision making process/Chief Officer/CSO
After school	Early Years and Child care Development plan	Individual decision making process/Chief Officer/CSO
Advice (moving onto contracts)	Anti-poverty statement	Individual decision making process/Chief Officer/CSO
Supplementary Education	Education Development Plan	Individual decision making process/Chief Officer/CSO
Youth	Youth Service Plan	Individual decision making process/Chief Officer/CSO
Parks	Environment Strategy	Individual decision making process/Chief Officer/CSO
Sports Development	Local Cultural Strategy	Individual decision making process/Chief Officer/CSO
Arts	Local Cultural Strategy	Individual decision making process/Chief Officer/CSO
Planning	Unitary Development Plan	Individual decision making process/Chief Officer/CSO
Economic Development	Employment & Enterprise strategies	Individual decision making process/Chief Officer/CSO
Social services (adults)	Community Care plan	Individual decision making process/Chief Officer/CSO
Social services (children)	Children Services plan	Individual decision making process/Chief Officer/CSO

Advantages of Option B	Disadvantages of Option B
Brings decision making on voluntary sector organisations into line with all other decisions.	Members have less of a picture of the voluntary sector organisations being funded.
Members would have full responsibility for the cross cutting corporate programme, which attracts a high level of community interest.	Currently nearly two thirds of organisations in the Community Support programme receive under £25k. Members would therefore be making decisions on relatively small amounts of money.
This arrangement would support Members' community leadership role and partnership with communities of interest.	Would require changes to Constitution in relation to delegated powers. Would require consideration by Standards Committee (September) and decision by Council Assembly.
Chief Officers are engaged and have accountability for decisions on VS service delivery, in line with other service areas.	
Gives Departments responsibility for overall control of commissioning strategies and the balance of grants, service agreements and contracts and the balance of private sector and voluntary sector provision.	
This would be a more innovative approach and would support Southwark's position as good practice in working with the voluntary sector.	

Option C: Financial threshold option

31. Members delegate across all programme areas decisions on grants and service agreements below £25,000 to Chief Officers. Any grants or service agreements above this amount would be decided by Members in a block as a part of an annual grants round. The £25,000 threshold has been suggested following visits to best practice authorities (eg Camden), but this figure could be increased or revised in the light of the current review of CSO to ensure consistency. The table below sets out the number of decisions within each programme that Members would have taken for 2003/04 if decisions below £25k were delegated to Chief Officers. Where an organisation receives several smaller grants or a combination of grants and service agreements which equal more than £25k in one year, this decision would be taken by Members.

[The table below is indicative of the number of decisions to be made and would not be the same each year, but gives an indication of the volume of the shift in the number of decisions.]

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Programme	Current number of funding decisions taken by Members	Number of decisions for 2003/4 that would have been taken by Members if decisions under £25,000 delegated to Chief Officers
Arts	20	5
Early years	19 (moving to contracts)	Moving to contracts for 2004/05 so decisions covered by CSO
Play	8	4
After school	8	2
Supp Ed	28	1
Youth	27	12
Parks	4	4
Sports Devpt	13	None
Regeneration	5 grants Moving to contract	May be moving to contract None
Planning	5	None
Environment	2	None
SS adults	14	2
SS children	1	1
Advice	7	Moving to contracts so decisions covered by CSO
Community Support	45	18
Total	**201**	**49**

32. This would essentially remove several programmes from Members' decision on the current levels of grants allocated: Early Years, Supplementary Education (except one SLA), Sports Development, Regeneration, Planning, Environment and Advice.

Advantages of Option C	Disadvantages of Option C
Streamlines the decision making process. Chief Officers take decisions on smaller amounts of funding with Members playing a more strategic role in looking at the major funding decisions.	Members don't receive a comprehensive picture of which voluntary sector organisations are being funded.
Brings the Council into line with the modernising agenda and best practice councils.	Organisations that receive less than £25k could end up with less influence over the decisions. This is likely to be the smaller groups.
Would remove four programmes from Member decision making completely (sports development, planning, environment, and economic development).	The threshold is a financial one, rather than a strategic one, so Members will still take some service specific decisions in isolation from the overall service planning arrangements.

Gives Members an overview of the organisations receiving more than £25k funding in total from the council.	Divorces the direct link between voluntary sector commissioning and integrated planning of service delivery including the voluntary sector, where funding over £25k.
Brings the decision making process more into line with other decision-making processes within the council.	Would require changes to Constitution in relation to delegated powers. Would require consideration by Standards Committee (September) and decision by Council Assembly.

Option D: Full delegation option

33. Under this option, <u>all</u> decisions on grants and service level agreements would be delegated to Chief Officers, irrespective of the amount. Decisions would be made by Chief Officers, in consultation with the appropriate Executive Member and reported to the Executive for information.

Advantages of Option D	Disadvantages of Option D
Brings the decision making process into line with general decision making processes	Members lose direct engagement with decision making on all VS funding.
Members able to focus on strategic service planning rather operational delivery.	Voluntary sector lose access to decision making process
Chief Officers able to make integrated decisions that effect own service areas	Possible lack of transparency in process
Brings council in line with modernising agenda and approach in best practice councils.	No co-ordination of overall funding of voluntary sector
	Would require changes to Constitution in relation to delegated powers. Would require consideration by Standards Committee (September) and decision by Council Assembly.

<u>Recommendations on Process</u>

34. Southwark currently has a mixed economy approach of grants, service level agreements and contracts when funding the voluntary sector. Several Departments have moved or are moving their programmes onto contracts, which operate under the Councils Contract Standing Orders:

i) Regeneration – Economic Development
(ii) Social Services – Adults & Childrens Services
iii) Strategic Services – Advice & Legal Services
iv) Education & Culture – Early Years

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35. All other programmes operate a mixed economy of grants and service agreements. However, the process by which Departments have reached these decisions is not transparent and there has been no consistent approach around the use of contracts. Despite a framework, there is also no consistency around which organisations are on service agreements.

36. The IDeA set out best practice in its publication 'Partnerships for Best Value: Working with the voluntary sector'.   It suggests that councils should adopt a corporate approach to commissioning services from the voluntary sector. The external consultant report for this review recommends that funding services from the voluntary sector needs to be seen as part of the corporate procurement strategy, and Departments should consider the sector as an option alongside statutory and private sector providers.

37. For the purposes of this report, a commissioning framework is defined as one that sets out how the Council should enter into agreement with the voluntary sector organisations, which are funded through a range of arrangements to meet Council priorities. This includes a spectrum of funding arrangements from grant aid through to a service agreement or contract.

38. Once Departments have carried out the review of priorities across all programmes, a re-commissioning exercise will need to take place across all programme areas. The commissioning framework will set out the most appropriate funding mechanism to be used, based on the type of service to be provided, and the type of organisation being funded. Organisations should be moved onto the new funding mechanism for 2004-05. This process is set out in the flowchart in the Appendix .

39. The framework will set out the difference between grants, service level agreements and contracts, and the advantages and disadvantages of each and under what circumstances the different mechanisms should be used. Departments will also need to ensure they have a mechanism for identifying new and emerging needs and that the commissioning arrangements can respond to this (eg by retaining an annual grants pot where this is appropriate).

40. The sections below set out the main issues to be considered when commissioning services from the voluntary sector.

41. **Grant aid**

➢ Allows the council to provide <u>short term support and develop new and emerging areas of service</u> eg support to asylum seekers. It also allows the Council to develop the capacity of organisations as future suppliers and to fund certain niche and specialist providers.   <u>Grants should also be used for seed funding and one off projects.</u>

➢ <u>Grants should provide a flexible pot of funding that will change on an annual</u> (at least) basis to meet new and emerging needs.   Grants programmes should be advertised annually. There may be cases where an organisation might receive

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repeat funding over more than one year, such as building an organisation's capacity until they are ready to bid for a service level agreement or contract.

➢ Departments will set priorities for grants, and organisations will apply for grant funding under these priorities.

➢ Providers are bound by the conditions of grant aid and outcomes and outputs are monitored on a quarterly basis. This means that if an organisation is not performing, the grant can be withheld.

42. **Service level agreement**

➢ Service level agreements (SLAs) are generally used to provide longer term core funding to secure specific services to meet essential community need. SLAs are usually for three years which enables service providers to plan more strategically. This also enables voluntary organisations to bolster their independence because they can lever in funding from elsewhere.

➢ SLAs are not legally binding but provide greater precision than grants around what the council gets in terms of outcomes under its priorities. Legally therefore this type of funding therefore falls under grant funding. The constitution sets out that currently service agreements over £20,000 should be agreed by the Executive.

➢ Under the commissioning framework, service agreements should be re-advertised on a regular time frame, usually every three years.

➢ The way in which service agreements are agreed means that the council benefits from the 'value added' the organisation brings to the process. The voluntary organisation helps to build up specifications, identify local needs and ultimately may design and provide the service. There is also an ongoing dialogue about meeting emerging need and keeping the service responsive.

➢ Service agreements are monitored through an annual review process. If the organisation does not perform, service agreements are covered by conditions of grant aid and funding can be withheld by the Council. Service agreements can be terminated with three months notice. This offers little security for organisations.

➢ There is no rationale behind the £20,000 figure that Southwark currently uses to determine which organisations should be on a service agreement. The decision on the type of funding should be made on the type of service being provided rather than the amount of funding received.

43. **Contracts**

➢ Contracts are the most robust funding mechanism for achieving outcomes, as the agreement is legally binding.   The Council invites organisations to bid to provide the service or activity and defines the goods or service to be delivered.   Contracts enable the council to set clear outcomes and outputs that they want organisations to deliver, and there are financial penalties if these are not delivered.

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➢ However, contracts may not be appropriate for some service areas where the expertise of a voluntary sector organisation would be useful in determining the specification for the service. Some small or medium organisations may also not have the expertise or capacity to cope with formal contracting arrangements, as they may need to purchase legal advice on entering a legally binding commitment, and may not have the sort of resources to deal with defaults. Where service outcomes are more difficult to define, a contract may also not be appropriate.

➢ Under the commissioning framework, contracts should be re-tendered at regular intervals, usually every three years (though in many cases contracts may not be this long).

44. **Monitoring framework**

➢ This proposed new commissioning framework will pick up the recommendations in the internal audit report. It will also amend the monitoring process so that it is proportional to the amounts of funding received by organisations.

➢ For groups in receipt of grants under £25,000 it is proposed that there be a self-evaluation framework where the group will be required to submit quarterly reports and financial returns showing actual spend.

➢ For those organisations receiving over £25,000, we recommend that a new framework is adopted that has a more rigorous framework of monitoring This will involve agreeing outputs and outcomes from the outset, structured monitoring visits and spot checks. Groups will be required to complete risk assessments and monitoring officers will be required to sweep relevant websites to confirm governance of the organisation, analyse financial returns and confirm the status of the auditor or independent examiner.

➢ The monitoring standards set out in the 'Managing Voluntary Sector Grants in Southwark Handbook would be revised to reflect these changes.

Other issues for consideration

Options for the role of the Central Grants Unit and Grants Officers

45. Depending on the decision-making option agreed by Members, we may need to review the role of the Central Grants Unit. If Members agree to a commissioning framework, there will be a need for some corporate rigour to this process, which could be overseen by the Central Procurement Unit or the current Central Grants Unit.

46. There will be a need for a continual corporate role to provide a strategic overview of voluntary sector issues, including an annual review of the scale of commissioning of voluntary sector organisations, gaps in the capacity of providers, advice on capacity building, and to support the development of the strategic relationship with the voluntary sector through the Compact.

47. There will be a need to ensure that Grants Officers in Departments have the capacity to carry out the commissioning function under the framework.

Outsourcing the allocation of grants administration

47. As part of the review, Officers were asked to consider the possibility of outsourcing the allocation of grant aid to an external organisation.   However, legal advice is that although the administration of assessing grant applications could be outsourced to an external organisation or a funding panel, the actual decision-making has to be made by the Accountable Body, in this case the local authority. This would be Members, or Chief Officers, if Members agree to delegate the decisions.

48.   We have therefore looked at the options of outsourcing the allocation process to an external organisation (such as South East London Community Foundation) or a funding panel. The organisation or panel would make the recommendations to the decision making body (whether this is the Executive, or Chief Officers).   The funding panel could be made up of voluntary sector groups, officers from across the Council, and possibly Members.

External organisation

49.   If the allocation process was outsourced to an external organisation, this could provide an 'independent' assessment against the published priorities on which Members could make decisions. It may also lead to savings as there could be a reduction in the number of grant officers in the council.

However, it would increase the separation between the strategic decision-making on service priorities across the Council as a whole, and the management of resources where services were commissioned in the voluntary sector. It would be an additional cost to the Council, plus the cost of managing the contract. There is also the issue of who would monitor the organisations being funded the external organisation or council officers?   Voluntary organisations were also opposed to this arrangement.

 Funding panel

50. The voluntary sector suggested that to assist the Council to make decisions on which organisations to fund, a local Advisory Panel could be set up. The advantages of the funding panel would be:

• Voluntary sector involvement in decisions
• Voluntary sector supports this approach
• Clarity of decision making based on published priorities
• Provides clarity and consistency of decision making
• Able to take a strategic view of provision across all service areas
• May lead to savings due to reduction in number of grants officers

51. However, there would be several disadvantages:

- Added layer of bureaucracy
- Likely to be conflicts of interest for the voluntary organisations on the panel
- Over complicated process
- Cost implications of running and supporting panel
- May not fit the decision making options

52. In the light of this, it is not recommended that the allocation of grants be outsourced to an external organisation or a funding panel.

EFFECT OF PROPOSED CHANGES

53. The policy recommendations would assist in ensuring that new community needs are better reflected in funding decisions, and that voluntary sector organisations are commissioned to deliver in line with overall priorities. Agreeing a grants programme that is re-advertised annually and focused on seed funding, new and emerging needs and capacity building for small organisations will ensure that smaller groups, such as BME groups or LGBT groups will be able to access funding from the council.

54. At the same time, redirection of resources to meet new needs may impact on funding for existing organisations.

RESOURCE IMPLICATIONS

53. The overall level of resources for each voluntary sector programme area will be determined by Members as part of the budget setting process, taking into account the specific priorities for that area of service.   The budget available for the voluntary sector could vary each year depending on how much of their overall service provision Departments need to commission from voluntary organisations.

54. In terms of the Community Support programme, as a cross-cutting programme tackling social exclusion, this is not linked to any specific service delivery area with major mainstream budgets. There is therefore limited ability to shift resources between Council and voluntary sector delivery. The current budget is historical and not based on any rigorous assessment of need, and further work is required to improve the information base for commissioning this programme. As part of the budget setting process, Members would need to determine the scale of resources to be targeted at commissioning this programme.

CONSULTATION

55. Key voluntary sector organisations were invited to attend one of two workshops to discuss the issues set out in the Terms of Reference for the review. The recommendations set out in this report have been sent to the same organisations for their comment.   Officers have also met with the Chief Executive of SAVO to discuss the recommendations.

LEGAL ADVICE

56.   Any change in delegated authority will require a change to the Constitution. The Council will need to be careful to ensure compliance with the requirements of the Local

Government Act 2000 and attendant Regulations.

57.   Whilst the administration could be externalised, the decision on whether or not to fund a particular voluntary sector organisation is one that should be retained by the Council (particularly as such a decision could from time to time be classified as a "key decision") and can not be delegated to an external organisation (s101 Local Government Act 1972 and of the Local Government Act 2000 and attendant Regulations).

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Chief Finance Officer

Other Officers

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Title of document(s)	*Title of department / unit Address*	*Name Phone number*
Southwark Fast Track Review of the Voluntary Sector: Policy Priority and Need (mba)	Central Grants Unit, Town Hall	Bonnie Royal x57389
Managing Voluntary Sector Grants in Southwark	Central Grants Unit, Town Hall	Bonnie Royal x57389

APPENDIX A

Audit Trail

32. This section must be included in all reports.

Lead Officer	Nathalie Hadjifotiou, Head of Social Inclusion	
Report Author	*Catherine Mangan, Stan Dubeck*	
Version	*Draft (10th July)*	
Dated	*10. July 2003*	
Key Decision?	*Yes*	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	**Comments Sought**	**Comments included**
Borough Solicitor & Secretary	Yes/No	Yes/No
Chief Finance Officer	Yes/No	Yes/No
List other Officers here		
Executive Member	Yes/No	Yes/No
Date final report sent to Constitutional Support Services		

Identify needs of community

Community strategy
EYCDP, Employment and Enterprise strategy, UDP, EDP, Culture & Heritage strategy, Youth service plan, CDR strategy etc

Set Departmental priorities

What kind of services are needed to meet these priorities?

- Specific statutory service delivery?
- Specific community interests?
- Non statutory aspirational need?

What kind of organisation is best placed to deliver these services?

- Statutory?
- Voluntary sector?
- Private sector?

What funding mechanism would best suit this service?

Contract
- Legally binding
- Specific service to be delivered
- Clear outcomes/outputs set by Council

<u>Service level agreement</u>
Outputs/outcomes jointly agreed
Recognises VS added value
Greater precision over outcomes than with grant
Longer term funding

<u>Grant</u>
Seed funding, one off projects, Develop new and emerging areas through pump priming

Tender (under CSO)
- Open bidding
- Preferred bidders
- Exemptions (ie approach one provider)

- Publicly advertised
- Preferred organisations approached
- Exemption (ie approach one provider)

- Publicly advertised programmes
- VS applies under Council set priorities

Fixed term contract

Multi year SLA

One year grant

Re-tender at least every three years

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Programmes re-advertised annually

MONITORING ARRANGEMENTS

Model based on IDeA spectrum of commissioning

This commissioning continuum recognises the breadth and diversity of the voluntary sector.

Type of need	Non statutory Aspirational need	Specific community interest	Specific service/function	Specific service/function	*Developmental service based on desired outcome*
Examples	Eg toy library, local trust/societies	Tacking DV Racial inequality	Mediation service Local CVS	Meals on wheels Community transport	*Home care*
Funding application	Expression of interest Community chest	Specialist single provider	Specialist single provider Multi year funding programme	Invited to tender Fixed length contract	*Negotiate partnership/fixed term partnership*
Funding mechanism	Grant	Grant	Service level agreement	Contract	*Strategic partnering agreement*

Comparator Authorities

	Funding mechanism	Decisions made?	What do they fund?	Council structure	New and emerging needs
Islington	All on 3 year SLAs Moving to contract with IVAC and advice centres	Decisions delegated to chief officers	Fund strategic services	De-centralised process (but in effect only regeneration and education fund vol sector)	Rely on other funding streams to meet new and emerging needs
Newham	Main grants in culture and community, leisure and Royal Docks trust. Social services on 3 year SLAs.	Delegated to chief officers (corporate assessment panel) but recommendations agreed by Cabinet.	Only fund projects, not core costs or capacity building	De-centralised but looking to pull grants into central budget	Have ongoing small grants pot up to £2k decided by officer panel in central team. Has pulled all small grants together. Pays for core costs of new groups.
Kingston	Central grants budget for strategic, developmental and projects.	Decisions made by members over £750.	3 categories of grant: - strategic long term funding on 3 year grants - developmental – core funding on one year grants - project grants for one year, capped at £5k	Combined corporate grants budget	Have small grants and neighbourhood budgets up to £750.
Tower Hamlets	Have mixed economy but SLAs not seen as part of grants. SLAs are 3 year and legally binding.	Contracts and SLAs decided by commissioning managers. Grants decided by members.	Policy of all departments analysing what can be commissioned from 3rd sector.	Devolved grants structure. Have outsourced some small social services grants to local CVS.	Looking to vol sector to deliver capacity building/community support.

Brent	Grants only but considering moving to SLAs only.	Central grants decided by members. Under £5k decision made by Chief Officer.	Don't fund core costs	Centralised grants function (in Education)	No way of funding emerging needs

Issues from internal audit report that need to be incorporated into review recommendations

Matter arising	Recommendation	Action	How incorporated
1.1 Promotion and advertising of grant schemes is not required to be undertaken.	Decision to pursue open or closed application process should be documented and approved for each department. New applications for funds should be invited at regular intervals	Each dept to review benefits and value of approach to funding. Approach to be approved by Exec.	As part of new framework.
2.1 Funding information package not provided to applicants.	Funding package should be provided.	Corporate package to be developed incorporating Departmental priorities.	As part of new framework.
3.1 Grant recipients are not required to submit applications for funds when subject to annual review or renewal.	Full application should be completed at commencement of application process, at least every 3 years.	Orgs to acknowledge and agree factual accuracy of information.	New process for administering grants.
4.1 Assessment criteria have not been identified and applications are not scored or prioritised.	Key assessment criteria should be identified for all Southwark applications.	Agree assessment criteria.	As part of new framework.
5.1 Same grants officer is responsible for assessing applications and monitoring performance.	Assessment reports should be reviewed by independent officer. Should be lead person in each Dept.	Investigate potential departmental role.	As part of new monitoring regime.
5.2 Not all concerns raised are presented to Exec.	Assessment against criteria should be provided to Exec.	Exec to be made aware of concerns throughout year.	Addressed through commissioning model.
5.3 Vol orgs are not required to submit detailed budget breakdown of proposed levels of	Orgs to provide financial information.	Budget provided on original form and info collected during the year.	As part of new monitoring regime.

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revenue and expenditure.			
6.1 Risk analysis not carried out for application, decision making or monitoring process.	Develop risk analysis tools including ratings to determine level of monitoring.		Addressed through new grants administering process
7.2 Vol orgs not required to sign acceptance of special conditions of grant aid.	Orgs should be required to sign acceptance.		Addressed through new grants administering process.
8.1 Payments not linked to achievement of outcomes.	Terms and outputs should be identified for all awards and payment milestones identified.		New monitoring regime and move to commissioning.
9.1 Outcome focused performance measures not set for all grants.	Perf measures should be set for all grants.		New monitoring regime and move to commissioning.
10.1 Monitoring activity not consistent.	Monitoring should be undertaken in line with risk assessment.	Depts to be reminded of need to monitor regularly.	New monitoring regime and move to commissioning.
11.1 Lack of analysis of funding re VFM.	Review effectiveness of funding.		Addressed through more consistent corporate approach.
12.1 Financial skills of officers carrying out analysis of information varies across council.	Financial training needs to be analysed.		Addressed through more consistent corporate approach.
12.2 Skills and experience to be a link officer is not documented and role varies across council.	Key competencies to be documented.	Core competencies to be in handbook.	Addressed through more consistent corporate approach.
13.1 No formal process for escalating issues and problems.	Formal protocols to be developed.	Documented in handbook.	Addressed through commissioning

			approach.
14.1 Staff not required to make declarations of interest.	Annual declarations of interest to be made.		Pick up through new framework.
15.1 Lack of guidance on what form of funding should be used when.	Clear guidelines as to which funding arrangement is appropriate.	Update grants handbook.	Commissioning model sets this out.