

**DRAFT TERMS OF REFERENCE FOR REVIEW OF THE COUNCIL'S
ARRANGEMENTS FOR FUNDING VOLUNTARY SECTOR ORGANISATIONS**

A: AIMS OF THE REVIEW

The aim of this review is to:

- 1. Clarify the policy priorities of the Council in respect of funding voluntary sector organisations, to inform the 2004/5 funding cycle**
- 2. Assess how far the existing programmes operated within individual departments/service areas are aligned with those priorities, including the ability to address the needs of new and emerging groups**
- 3. Come forward with arrangements for streamlining the allocation of grant-aid resources that are part of the Council's core service provision, including a review of levels of delegation to officers and the transfer to contracts of voluntary sector provision that directly relates to specific service areas such as social services, youth, play, early years, arts and culture, parks, environment, etc.**
- 4. Come forward with options for the allocation, management and monitoring of Council resources for voluntary organisations and small community groups that contribute to addressing social inclusion, including the Community Support programme, that provide support for infrastructure and umbrella organisations, community and social action centres, small grants for a variety of purposes, and groups that support specific communities of interest (e.g. related to age, ethnicity, culture, etc).**
- 5. For grants falling within 4 & 5, to examine the potential of implementing formula funding where this has not already been subject to review**
- 6. For 4, examine options for outsourcing the allocation process and decision-making to a third party agency or agencies, operating within broad policy parameters set by the Council.**

B: BACKGROUND

The voluntary sector in Southwark covers a multiplicity of groups. Of the 1000 plus organisations in the borough that define themselves as being part of the voluntary sector, 201 will receive some direct funding from the Council in 2003/4 (excluding those who run services through formal contracts).

The sector is increasingly complex, covering many different not for profit organisations. A broad categorisation is:

1. **Umbrella and infrastructure support** with a co-ordinating / representative role and a focus on capacity building other groups within the sector to deliver grant funded and self-help services to local people
2. **Multi-functional social action centres / community centres** usually with a geographical focus, offering a range of resources and activities, providing a base and capacity-building for smaller groups, and a local self-help focus
3. **Service-based organisations** e.g. advice, arts and culture, early years, youth, sports, supplementary education, services for older people, employment training, which deliver specific statutory and discretionary services in a community setting run by local people
4. **Groups targeting socially excluded communities / communities of interest**, including groups targeting hard to reach groups, BME communities, older people, those from a specific culture
5. **Newly emerging self-help volunteer based groups** who receive almost no ongoing funding and rely on their own fundraising activities.

C: COUNCIL FUNDING OF THE VOLUNTARY SECTOR

1. Over the last few years, the Council has increasingly aligned its funding of voluntary sector organisations to individual service priorities, with just over 80% of grant funding for 2003/4 coming within Category 3 above. A number of these programmes have been subject to Best Value or other reviews as part of the service to which they relate.

Department	Programme	Grant-aid	Service Agreement	Best Value /Service Review
Education and Culture	Arts, Culture, Heritage	50,534	303,677	
	Early Years	1,237,158		2002/3
	Play	111,242	148,422	2001/2
	After-School	76,057	64,956	2001/2
	Supplementary Education	210,237	81,009	
	Youth	150,327	666,372	2001/2
Environment & Leisure	Parks		220,822	
	Sports Development	46,722		
	Environment	22,000		
Regeneration	Employment Training		To be finalised – subject to contracts	

Department	Programme	Grant-aid	Service Agreement	Best Value /Service Review
	Various	103,020		
Social Services	Adults	260,190	691,422	Current
	Children	97,612		
Strategic Services	Advice Agencies		1,068,716	2001/2
	Community Support	588,338	738,312	
Total		2,953,437	4,204,580	

2. The scale of resources provided varies considerably between programmes and between groups. A banding of the 2003/4 grant-aid shows the following pattern:

		Up to £5000	£5001- £10,000	£10,001- £50,000	£50,001 - £100,000	>£100,000
Arts, Culture, Heritage	No. £	8 22,258	4 40,373	6 163,535	2 128,018	
Early Years	No. £	1 3,500	5 35,103	3 77,782	3 253,870	7 866,903
Play	No. £			5 89,434	3 170,230	
After-School	No. £	2 2,170	3 22,741	2 60,228	1 55,874	
Supplementary Education	No. £	10 37,929	10 64,055	7 121,378	1 67,884	
Youth	No. £	3 12,363	1 9,515	19 513,444	4 281,377	
Parks	No. £			3 123,164	1 97,658	
Sports Development	No. £	10 28,890	3 17,832			
Environment	No. £			2 22,000		
Employment Training (contracts)	No. £	Not yet agreed	Not yet agreed	Not yet agreed	Not yet agreed	Not yet agreed
Regeneration (various)	No. £			5 103,020		
SS Adults	No. £	3 6,761	2 13,815	2 54,932	2 136,926	5 739,178
SS Children	No. £				1 97,612	
Advice Agencies	No. £			3 102,533	1 84,071	3 882,112
Community Support	No. £	6 12,999	5 35,024	24 574,653	9 591,169	1 112,855

Total	No.	43	33	81	28	16
	£	126,879	238,458	2,006,103	1,964,689	2,601,048

D: ISSUES FOR THE REVIEW

1. While the Council's arrangements for allocating, managing and monitoring voluntary sector grants have been changing over the years, there remain a number of 'historic' elements that need to be addressed.

Priorities

2. Where programmes have been subject to a Best Value Review, the outcome of the review has included securing alignment between voluntary sector funding and the Council's service priorities. Where as yet, there has not been a Best Value Review, the relationship between funding and priorities may be less clear. In addition, the Community Strategy priorities and Council corporate priorities have been refined over the last six months.

3. There is therefore a need to evaluate whether the programme areas adequately reflect these priorities, how far the funding priorities within each programme area are now aligned with the Council's policy priorities, and if not what changes need to be made. This needs to take account of the changing population of the borough and how far the needs of new and emerging communities are being addressed through services commissioned from the voluntary sector.

4. A draft specification for this part of the review has already been sent to external agencies, and expressions of interest are awaited. The purpose of externalising this element of the review is to ensure the assessment is objective and commands the confidence of the voluntary sector.

Commissioning arrangements

5. Currently, a voluntary sector organisation may be funded by the Council in one of three ways:

- Through a formal contract, setting a legally binding agreement between the Council and the voluntary organisation as a third party provider. Allocation of resources is subject to Contract Standing Orders. Services are subject to tendering arrangements, and awarding decisions are taken by officers under delegated powers. Contracts tend to be used for the delivery of statutory services. Existing contracts with the voluntary sector are now included in the tables above.
- Through Service Level Agreement, setting out a formal agreement between the Council and the voluntary organisations, which while not legally binding, involves commitments by both parties. The agreement includes specific outputs and outcome measures, and an in-principle commitment by the Council to provide three year funding with inflation increases. SLAs have been introduced progressively for funding over £20,000.

- Through general Conditions of Grant Aid, setting out the minimum expectations on a funded organisation. They are mainly used for groups receiving less than £20,000. Under current financial regulations, all grants of £1000 or more are subject to decision of the Executive.

6. In terms of commissioning arrangements, there are a number of issues that need reviewing in order to operate a consistent and efficient commissioning process.

7. At present there is no overall policy for when voluntary sector funding should be subject to contract as opposed to grant-aid. Whilst in principle SLAs are to apply to all groups with £20,000 plus funding, this has not yet been fully implemented. The benefit of SLAs as compared to contracts is also not well evidenced. With the threshold for delegation at £1000, there is considerable cost in time and resources in processing small grants under £10,000 through the Executive decision-making process.

8. Recommendations are therefore needed on:

- Whether Contracts rather than SLA's are a more appropriate mechanism for funding all voluntary sector organisations that deliver services above a certain value threshold or within specific programme areas
- How to ensure that any contracting/grant funding arrangements enable new providers to come forward when services are re-commissioned, whilst at the same time maintaining service continuity
- Whether there is a minimum level of funding below which a contracting arrangement would be inappropriate or over burdensome for either the Council or individual organisations
- Whether decisions on funding voluntary sector organisations below a certain value threshold, or within certain programme areas should be undertaken for the Council by a third party agency or agencies. Potential benefits of this could be to strengthen community perceptions of objectivity and fairness, reduce bureaucracy for both the Council and the individual groups, and secure greater flexibility in aligning funding with need. While there would be a management fee involved, this could also result in reduced overheads for the Council. Policy priorities would need to be attached to any outsourced process. The implications for monitoring of delivery would need to be addressed in any outsourced option.

Funding mechanisms

9. The Best Value Reviews of individual programme areas has included the development of new funding mechanisms, and particularly the introduction of formula or fixed rate funding where this has proved appropriate. This usually relates to analysis of unit costs, opportunities for leveraging in funding from elsewhere and opportunities to charge fees. The Council is operating formula or fixed rate funding arrangement for Advice Services, the Settlements, and Early Years providers. (*check others?*)

10. Other programmes continue to provide funding for specific costed activities. This may be appropriate, but historically it has led to similar activities receiving very different levels of funding. One example is community centres.

11. There is a need therefore to review the basis for funding different organisations within a programme area where this has not already taken place. A formula approach could apply whether or not the management of the allocation process was outsourced to an external agency.

Review process and timetable

12. The review will be undertaken by a small in-house team supplemented by external support where necessary. They will gather evidence from councillors, departments, voluntary sector organisations, potential commissioning agencies, and regional bodies.

13. The aim will be to have an interim report by the end of May and final recommendations an Executive meeting in July 2003, in order to inform the 2004/5 grant-giving process.

14. Any arrangements to outsource the allocation of grants for 2004/5 would need to be completed by the end of September 2003, including agreeing the sum of money available for distribution. This would be to give sufficient time for a third party agency to advertise and allocate grants in time for organisations to be informed of their funding with sufficient notice before the start of the 2004/5 financial year.