

WIRRAL COUNCIL

CABINET – 16 August 2007

REPORT OF THE DIRECTOR OF ADULT SOCIAL SERVICES

NEW VOLUNTARY AND COMMUNITY SECTOR FUNDING PROCESS

1. EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to provide members with an update of the work carried out by the council's Internal Funding Group (IFG) in reviewing the processes for Wirral's Voluntary and Community Sector (VCS) funding and to suggest a new approach, namely a "Single Application" process. The report is presented under the portfolio holder for Community and Customer Engagement but will be of interest to other portfolios.

2. BACKGROUND

- 2.1. The IFG has been conducting a review of the council's VCS funding with the aim of reducing bureaucracy, streamlining the process and providing the foundations for a longer-term, more sustainable relationship with the Wirral VCS. The IFG's main aim has been to develop a cross-council corporate "Single Application" funding process, to include a funding framework, application form, process, and publicity.
- 2.2. Historically, council funding to the VCS has been operated independently by the individual departments involved – these are Adult Social Services (ASS), Corporate Services and Children's Services. This has led to confusion between departments as to which organisations should be funded and what for. Also, different methods in appraising, approving and managing its funding allocation has impeded the council taking a more strategic view of its VCS funding and ensuring better value for money. The introduction of a Single Application process will provide an effective mechanism for streamlining this function.
- 2.3. This situation also hinders the Wirral VCS sector, as it makes it much more difficult to build up a sustainable, long-term relationship with the council. Added to this, the VCS is now playing an increasingly important role in the facilitation, design and delivery of services and therefore the time is right to take this more cohesive view of its funding.

3. SCOPE AND PROGRESS OF THE REVIEW

- 3.1. The IFG conducted a review of the current funding processes in place, considered the Wirral Compact Funding and Procurement Code, as well as looking at new guidance from a range of organisations, including the Charities Commission and the Association of Chief Executives of Voluntary Organisations (ACEVO) and also set up a spreadsheet to record all council funding to the VCS. The council's Economic Policy Team currently manages this on a temporary basis.
- 3.2. Funding provided to the Wirral VCS is used in a variety of ways. It can be 'core' funding e.g. it supports the costs of running an organisation, including management costs, rent, overheads etc. Funding can also directly purchase services, such as running care homes or advocacy services. This type of service may be procured through tendering or commissioning. Some funding, such as the council's Community Initiatives Fund (CIF), is made available for VCS groups to bid against and has a relatively open set of criteria for approving small projects.
- 3.3. DASS operates a commissioning process for their VCS expenditure. For the funding provided by Children's Services and Corporate Services, the current process is that an advert is placed in the local press in October asking for VCS organisations to apply. Applications are scrutinised by a panel of VCS representatives and council officers and recommendations made on the funding available. A report is then sent to cabinet for approval. This year, agreement was obtained to roll forward the organisations currently funded by six months to September 2007, to allow the new process to be developed.
- 3.4. After investigating the previous operating systems for council VCS funding, the IFG found the procedures in place require change. In the past, VCS organisations have sometimes been funded on a historical basis without this necessarily being the best option for the residents of Wirral. It is envisaged that the Single Application process will eliminate this.
- 3.5. Many authorities are in a similar position to Wirral and operate similar procedures. These bring the risk of a "silted up service with the grants pot being used for the same organisations each year without councils capturing in any organised or consistent way what the organisations were achieving" as the Audit Commission put it. Many authorities find themselves in a position where there is limited opportunity to award funding to new VCS organisations or to fund more innovative projects.

4. CONCLUSIONS FROM THE REVIEW

- 4.1. The IFG review highlighted improvements needed in simplifying the council's funding processes and more work is needed to ensure that duplication of funding is avoided. Value for money should be a key factor when deciding how funding is awarded. Additionally, the council should identify the key partner VCS organisations it needs to achieve its priority outcomes and target limited resources toward those.
- 4.2. The principal funding gap within the VCS both locally and nationally is that of core funding. There are opportunities for project or "one-off" funding available, however core funding is more difficult to access. As a result VCS organisations may be forced to disguise running costs or continually re-invent themselves purely to access funding. This is not a cost effective situation for the VCS and is not in line with best practice principles adopted by the council.
- 4.3. Resources for core funding are critical, as the amount of this funding available within corporate services has been reduced for the last two years. Therefore, some difficult decisions have to be made regarding the cessation of funding to some existing organisations, which will clearly have a significant impact on them.
- 4.4. In a study commissioned by the Association of Chief Executives of Voluntary Organisations (ACEVO) – 'Funding Our Future – Core Costs Revisited', the main findings were that generally VCS organisations were not particularly skilled in calculating the true and full costs of projects – including overheads, and direct/indirect costs. As a result of this finding, a tool has been developed to assist VCS in addressing this issue. This is the Full Cost Recovery method and is recognised nationally as best practice model.
- 4.5. The report states that funders generally prefer to fund project costs to core costs as it is essentially less difficult to monitor and evaluate and project funding can be linked directly to qualitative outcomes or expenditure. It also recognised that funders fear 'funding capture', as it can be difficult to terminate long-term or long-standing commitments – this is clearly an issue for the council.
- 4.6. The report acknowledges that there is much work to be done on behalf of both parties for full cost recovery model to be successful. The report states:
- 4.7. Voluntary organisations must:
 - Improve internal accounting and financial management
 - Develop benchmarking on overhead costs
 - Innovate in order to drive down overhead costs

- Demonstrate effectiveness and capacity
- Develop their own ways of measuring effectiveness and organisational change.

4.8. Funding Organisations must;

- Meet the true overhead costs associated with managing a piece of work
- See their funding as part of a process of long term investment
- Support the development of the management of voluntary organisations
- Manage change within their portfolios of grants
- Develop new ways of evaluating effectiveness

4.9. The council now has the opportunity to support the local VCS through optimising the use of the resources available and taking a longer-term, more strategic view of the Wirral VCS.

5. THE NEW APPROACH

5.1. There are several fundamental assumptions that underpin the new Single Application process. These are:

- A more open, transparent and responsive programme that focuses on council priorities
- A more cohesive view of who is funded and what they deliver
- No duplication of funding for the same activities (whilst accepting that organisations in the VCS need to draw down funding from a wide variety of sources)
- Proportionate and effective administration (e.g. dependent on size / risk of grant)
- Clear processes for establishing value for money and monitoring delivery
- A move away from continuing to fund on an historical basis and towards shaping a sustainable Wirral VCS

5.2. The Audit Commission has identified a set of ideal, broad objectives that a user would expect from a council funded service:

- Clearly state the funds available
- Have clear, fair and transparent decision making
- Have clear assessment criteria, which meet the council's priorities
- Ensure funding provides value for money
- Ensure the council's money is used to generate additional funding where possible
- Clearly publish who receives the grants and for what projects
- Tell people what the funding is achieving in making the area a better place to live and work

- Work in partnership to ensure that the council are delivering what local people want
 - Enable new organisations to access funding
- 5.3. These principles have been captured through a comprehensive funding and procurement guidance document, created by staff in DASS, working with the IFG (See Appendix 1). The following steps are the key stages that are included in the new guidance document.
- Identifying priorities / needs / assessment criteria
 - Advertising funding opportunities – including what information we give potential applicants
 - Assessing and selecting bids / applications – who chooses / shortlists, who approves? Process for notification and challenge / feedback
 - Disbursing funding – financial and legal requirements, electronic banking, money up front or claim back etc.
 - Monitoring spend and delivery – including process for agreeing changes to specifications etc. and carry over
 - Processes and protocols in case of service / organisation failure
 - Enabling work around sustainability
- 5.4. A review of all VCS providers is also currently being undertaken by DASS in order to ensure that the services offered by VCS conform to the council's service requirements and provide value for money. This review has involved the drafting of a new VCS contract and service specifications in conjunction with the council's legal department as well as representatives from WIRED and Age Concern Wirral.

6. RECOMMENDATIONS FOR EACH FUNDING STREAM

- 6.1. The four main funding streams open to the Wirral VCS are:
- Adult Social Services commissioned funds
 - Community Initiatives Fund
 - Core funding – Corporate Services
 - Core funding – Children's Services
- 6.2. The new council funding and procurement guidance should be the core document for all VCS funding processes, and details the mechanics of each of the stages listed above.
- 6.3. Budgets for commissioned and core funding should be "pooled" and managed via the IFG, which should agree the list of priority organisations eligible for funding and the criteria for assessing applications.
- 6.4. A key element of the process is that the council should aim to fund a select number of VCS organisations that support the six strands of the

equality standard and / or provide essential infrastructure/support (i.e. Citizens' Advice Bureaux, Council for Voluntary Service and embedded Community Engagement Team/Network). The six strands are listed below;

- Age
- Disability
- Ethnicity
- Faith
- Gender
- Sexuality

- 6.5. This does not mean that organisations that fit into one of the categories will automatically be funded. The core funding resources the authority has to fund the VCS are limited and difficult decisions will need to be made on what is the most appropriate use of these resources. However, the new process will enable the council to link future funding to its corporate priorities, thus ensuring better use of its limited resources.
- 6.6. The council's CIF should continue to be managed by the Local Area Forums and continue with its current methods of monitoring. However, particular care needs to be taken to avoid duplication for activities funded via external grant making bodies.
- 6.7. Neighbourhood Renewal Funding has been excluded from this process, as this funding stream has a limited lifespan and specific process requirements set down by Government Office North West.
- 6.8. The IFG should widen its membership to include external key partners e.g. Big Lottery Fund, Connexions, and Community Foundation for Merseyside. This is to ensure the council are aware of the borough's/national wider funding picture and include this intelligence in its decision-making processes.
- 6.9. The IFG supports the concept of the Wirral 4 Community Funding Portal. This funding information portal was launched last year. The Portal is a single online access point that allows Wirral VCS organisations and other interested bodies, to research the diverse range of funding sources available to them free of charge to the end user. Member permission has already been sought and granted for this initiative and a hyperlink has been installed on the council's website from July 2006. The results of this initiative are regularly being monitored for usage and the results are fed back to IFG to review performance and effectiveness. Funding for this has been found until July 2008 only.
- 6.10. The IFG supports the notion of a cross council Big Lottery Strategy that takes a coherent approach to continually bring in further lottery

funding to Wirral both internally and in partnership with its VCS organisations. The council's Special Initiatives Team has produced a strategy that has been supported by the IFG. (See Appendix II)

- 6.11. The accountabilities for the three departmental funding streams have been maintained, with a recognition by the IFG of the benefits that accrue from a shared approach and process. Over time, this has the potential to enable a much clearer investment strategy for the third sector in line with the developing corporate priorities..
- 6.12. Each department would then be responsible for:
- Promoting the funding available
 - Setting own time table
 - Assessing applications forms
 - Making recommendations
 - Making decisions
 - Financial processes
 - Monitoring funding awarded
- 6.13. All council departments must ensure that their funding processes are robust and take account of corporate and partnership priorities. They should refer to their needs analyses, the council's Corporate Plan and Local Area Agreement where appropriate. The IFG/Single Application process would then provide a forum to share funding priorities and applications prior to decision making to identify any gaps and overlap in funding.
- 6.14. The CVS / Community Engagement Team/Network should also play a pivotal role in supporting and developing the Wirral VCS as part of its principal infrastructure. This can be developed through the new delivery plan for the community engagement team/network that is currently being rolled out.
- 6.15. Currently, the five local Councils for Voluntary Services are undergoing a process of coalescence. The new support organisation, Voluntary and Community Action Wirral (VCAW) will replace the other five and will provide a more cohesive and effective infrastructure/support organisation. VCAW has a management board made up from board members of the five organisations, has limited company status and is ready to recruit a chief executive. An application for charitable status is currently being fast-tracked and should be approved shortly.
- 6.16. If VCAW were fit for purpose by October 2007, it would be preferable that future funding for this work should be made to it. Should any of the individual CVS organisations choose to reject coalescence; the council will wait to review its funding to them on the grounds of

duplication of services. This was the same model used to assist with the recent successful coalescence of the newly formed Wirral CAB.

- 6.17. In the interim period, the existing funding for the councils VCS grants budget in Corporate Services was rolled forward for six months (until September 2007). The Wirral Voluntary and Community Sector Compact, which the council has signed up to, asks funding bodies to give 90 days notice period for funding changes. As the new funding process has not been approved by cabinet or implemented by the IFG, it is recommended that the existing funding allocation be extended at current levels to the end of the financial year. This will allow the new process to give sufficient notice and comply with the Compact. This will give a financial pressure of £0.060m as the budget for 2007/8 was reduced by this amount. The shortfall will be found from within existing resources.

7. RISK MANAGEMENT

- 7.1. It is essential that in making changes to the funding process that risk to both the council and the stability and infrastructure of the VCS in Wirral is minimised. It will also be essential to give a sufficient notice period for renewal / non-renewal of grants. This is set out in the attached guidance, but should aim to give at least three months notice where possible. For smaller grants, this would be more easily achieved if delegated authority were extended in some cases.
- 7.2. There is a risk that if the status quo remains, the same organisations will continue to receive the same funding for the same activities which will not only encourage dependence on the council but will also contribute to more stagnant services within the Wirral VCS.
- 7.3. In the council's commitment to supporting the Wirral VCS, it needs to work directly with them to support organisations in accessing funding from other sources. This has partly been addressed by entering into an agreement with J4b (Wirral 4 Community) to provide a search engine facility in support of improving accessibility of funding information to the Wirral VCS. It also happens through partnership working with the Community Foundation for Merseyside via its funding programmes. The council also offer a dedicated council officer resource via its VCS Liaison Officer and 1.5 Lottery Project officers.

8. CONCLUSIONS

- 8.1. In assessing the previous processes and in making recommendations for future improvements it is essential to acknowledge the value that the council VCS funding has contributed to Wirral over the years. Whilst the systems and processes have become out-dated, the funding has been awarded with the best of intentions and the work of the Wirral VCS has been long recognised by the council.

- 8.2. One of the most important factors in this review is that members have requested a review of all council VCS funding. There are many other ways that the council supports the Wirral VCS that have not been covered in this report, which has essentially focused on the VCS funding element.
- 8.3. If the new Single Application process is approved, the council may certainly go a long way in meeting the Audit Commission guidelines. It is within the council's best interests to implement such a programme that promotes a much more transparent process with a fair decision making process.
- 8.4. As with any changes made, it is crucial that people are kept informed throughout and given support to cope with such change. For any funding programme to be truly successful it must continue to be responsive to need and must continually evaluate the service it is intended to provide, a philosophy that the council are keen to embrace in terms of funding Wirral's VCS.
- 8.5. Ideally, there would be sufficient funding to support all the excellent and well-meaning work undertaken by the Wirral VCS. However; the harsh reality of budget restrictions necessitates change. This will involve more difficult decisions by officers and members that will not always be well received. The benefits of this new process is that it will ensure a more transparent, cost effective and better value for money VCS funding programme that will quantifiably assist in making Wirral a better place to live, work or volunteer.

9. Financial and Staffing Implications

- 9.1. There are no direct staffing implications for the authority arising from this report.
- 9.2. The decision to roll forward the current core funding from Corporate Services' grant budget will create a financial pressure of £0.060m. This will be found from within existing resources.

10. Other implications

- 10.1. There are no direct equal opportunities, human rights, LA21, community safety, or local member implications arising as a result of this report

11. Recommendations

That

(1) the attached guidance and the guiding principals of funding on a basis of need, value for money and longer-term sustainable development of the Wirral VCS be approved;

(2) the process for managing the Wirral VCS funding process through the use of the guidance and the IFG the co-ordinating body be approved;

(3) the decision to fund only a coalesced Council for Voluntary Service organisation, Voluntary and Community Action Wirral (VCAW), from whenever they satisfy the legal requirements for merger as detailed in paragraph 6.16 be approved;

(4) the extension of the current voluntary and community sector grant budget in corporate services until the end of the current financial year be approved; and

(5) the cross-council Big Lottery Strategy produced by its Special Initiatives Team be approved and adopted.

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