

## EXECUTIVE

Date: 6 December 2010

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Funding for the voluntary and community sector

Report of the Corporate Director of Adult Services

Executive Member: Councillor Roger Styring, Deputy Leader

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### **Purpose of report**

This report summarises current arrangements for funding voluntary and community sector (VCS) organisations, and issues for 2011/12 and future years. It recommends changes to funding from 2011/12.

### **Recommendations**

**The Executive is recommended:**

- 1. To note the information in this report about current use of the Council's £1.27m corporate budget for funding for VCS organisations.**
- 2. To agree a reduction in the £354K budget for "infrastructure" support for the voluntary sector of 10% in 2011/12 and 20% in a full year**
- 3. To request the Corporate Director Adult Services to oversee the production of service level agreements with organisations currently funded to provide "infrastructure" support, and a programme of evaluations of organisations against these SLAs, in preparation for decisions early in 2011/12 about future allocation of grant funding for infrastructure support**
- 4. To adopt as a provisional intention, to be reviewed during the budget process, the retention of the remaining £914K in the corporate VCS budget, administered and allocated as at present, with further work to take place during early 2011 in order to devise revised arrangements to be implemented in April 2012.**
- 5. To note that, should further reductions in funding be required, a reduction in Community Chest funding would, unlike most other options, have little or no impact on employment in the County.**
- 6. To confirm that the Council will not be able to provide additional funding to replace the national funding currently allocated to the VCS Consortium, and to request officers to discuss with the "infrastructure" organisations which it funds how the key elements of these projects can be taken forward within the revised funding levels.**

## Key issues

1. The County Council has a variety of relationships with VCS organisations, including contractual and quasi-contractual arrangements for providing mainstream services. The corporately-held VCS budget, which was created as a single pot at the point when the unitary Council came into being, is designed to ensure a consistent approach to VCS funding which is less directly connected to mainstream services, including “infrastructure” support to the VCS as a whole.
2. The Council’s corporately-held budget for VCS organisations is £1,268,292 in 2010/11, and the Council’s intention at the time when this figure was set was that it would remain the same in 2011/12. This position now needs to be reconsidered in the light of the current programme of reductions in public expenditure.
3. Since the Council does not yet know the precise scale of the overall budget reductions that will be necessary in 2011/12, any decisions taken at present must be provisional. However it is suggested that a reasonable initial position would be to seek significant savings in the cost of “infrastructure” organisations, while aiming if possible to avoid reductions in the remaining parts of the budget.

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## Funding for the voluntary and community sector

### BACKGROUND

#### 1. Introduction

- 1.1 When the new unitary County Council was created, most grant funding for voluntary organisations provided by precursor councils was brought together into a single budget. (Some service-specific grant funding which was particularly closely aligned to mainstream spending programmes, or which was allocated on the basis of a quasi-contractual agreement, was not included in this budget.)
- 1.2 The VCS budget for 2010/11 was £1,268,292. The allocation of this budget is set out in the following table, under the headings used in the budget report to the Council in February 2010. The budget report proposed that this allocation would also be continued into 2011/12.

Activity	Allocation	Notes
Community Chest	£300,000	Applications for community chest funding are considered by area committees, except that £30,000 of the total has been allocated to fund county-wide applications, considered by a Member Panel comprising the 3 Area Chairs and the Deputy Leader.
Citizens Advice Bureaux	£240,000	This sum is currently allocated as six separate grants, with each former district council area having a separate CAB.
Credit Unions	£10,000	This sum is split between the two credit unions in the County.
VCS infrastructure organisations	£354,190	This sum is split between eight organisations which provide "infrastructure" support to smaller voluntary organisations, either on a geographical or a specialist basis.
Community Hubs – Development Trusts	£100,000	This sum is allocated between local Development Trusts, on the basis of recommendations from the Federation of Northumberland Development Trusts (FONDT)
Welfare Centres	£62,005	There are a number of large allocations to Welfare Centres in South East Northumberland. Allocations will be considered by the South East Area Committee.
Culture, Heritage and Sport	£61,000	This budget has been transferred to the Council's Cultural Services function as part of its wider commissioning role.

<b>Activity</b>	<b>Allocation</b>	<b>Notes</b>
Safer Northumberland	£30,000	This budget has been transferred to the Council's Community Safety function as part of its wider commissioning role.
Youth Service	£66,030	The intention at the time of the budget was that this would transfer to Children's Services, but a decision was taken to retain it corporately in 2010/11.
Contingency and shared activity with other services	£45,067	
<b>Total</b>	<b>£1,268,292</b>	

1.3 There is considerable overlap between the purposes of the budgets listed in this table, and some of them support spending with a variety of objectives. Excluding the two budgets which have already been transferred to be managed alongside mainstream Council programmes, the underlying purposes of funding can broadly be classified under the following headings:

- a) "Infrastructure" support for umbrella organisations which provide small voluntary and community organisations with practical advice and assistance with the "mechanics" of operating a VCS body (governance, fundraising, training, recruitment and vetting of volunteers, etc.)
- b) Support for organisations working with children and young people
- c) Support for organisations working with adults at risk of social exclusion (for instance because of disability, age, health problems or poverty)
- d) Support for advice services (primarily the Citizens' Advice Bureaux)
- e) Support for sporting, cultural and hobby organisations (community chest funding, in addition to the amount managed by Cultural Services)
- f) General support for community organisations in individual towns and parishes, including local development trusts and community groups, and community centres, village halls, and welfare centres

1.4 These headings overlap – for instance there have been community chest grants to organisations organising sport for children and young people, or cultural activities for disadvantaged groups. The bodies funded to provide "infrastructure" support also include bodies focusing specifically on supporting youth groups, or disability groups. However these headings provide a useful basic framework for considering future arrangements.

- 1.5 A rough analysis of current spending under each of these headings is shown in the table below.

<b>Infrastructure support</b>	
Support for general community/voluntary organisations	£302K
Support for disability organisations <sup>1</sup>	£32K
Support for youth/children's services organisations	£30K
<b>Children and young people</b>	
Revenue funding (mainly to pay for sessional youth workers)	£66K
Community chest funding <sup>2</sup>	£75K
<b>Adults at risk of social exclusion</b>	
Community chest funding <sup>2</sup>	£40K
<b>Culture, heritage and sport</b>	
Funding managed by Cultural Services	£61K
Community chest funding <sup>2</sup>	£125K
<b>Advice services</b>	
Citizens' Advice Bureaux	£240K
<b>Local community organisations</b>	
Development Trusts	£100K
Community chest funding <sup>2</sup>	£115K
<b>Other funding</b>	
Environmental projects (community chest funded) <sup>2</sup>	£11K
Victim Support (community chest funded) <sup>2</sup>	£10K

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<sup>1</sup> Includes £10K of funding for Blyth Valley Disabled Forum agreed for 2010/11 only.

<sup>2</sup> Figures for community chest funding are approximate, and are based on allocations made up to September 2010, with £53K of uncommitted funding (all in the West area) allocated pro-rata to the remainder. They include spending from the budget allocated for welfare centres in the South East.

## **2. Evaluation of current VCS spending**

- 2.1 The analysis in the previous section shows that a substantial proportion of VCS funding from the corporate budget is spent on activities which are closely related to other Council programmes. In particular:
- a) A total of approximately £170K is expected to be spent on organisations supporting children and young people (including £30K paid to organisations offering “infrastructure” support specifically for groups working with children and young people.)
  - b) A total of approximately £72K is spent on organisations supporting adults at risk of social exclusion (including “infrastructure” organisations) – many of which also have close relationships with Adult Services.
  - c) The £240K budget for advice services provided by Citizens’ Advice Bureaux, while it supports activity relevant to a number of Council services, could potentially be more closely linked to the welfare rights function managed by Adult Services on behalf of the Council
  - d) In addition to the £61K VCS budget already managed by Cultural Services, an estimated £125K from the Community Chest is expected to be allocated in 2010/11 to support cultural, sporting and leisure activities and events.
- 2.2 Detailed examination of funding allocations shows that in some cases, the same organisations receive support on a contractual basis from one Council service, and have also received grant funding for closely-related – or even the same – services from the VCS budget. In one case, an organisation repaid a Community Chest grant which it had been awarded, because the outcome of a procurement process had led to it losing its underlying contract for the service which it had bid to receive grant support for.
- 2.3 For some elements of the VCS budget, there is a strong case for transferring responsibility to mainstream services, to be managed alongside their other responsibilities. For instance this may apply to funding for the Citizens’ Advice Bureaux which could sit alongside the welfare rights function which Adult Services delivers on behalf of the Council.
- 2.4 In the case of other elements of the budget, the arguments are more balanced – in particular, there are potential drawbacks to splitting up the current Community Chest budget, and some organisations which have a specific focus on disability or on youth services also have a broader role in supporting the overall functioning of the VCS which means that there might be disadvantages in transferring responsibility for them to Adult Services and Children’s Services.
- 2.5 Further work is needed before final decisions about any reallocation of budgetary responsibilities – it is planned to carry this out in time for implementation of any changes from April 2012.

### **3. Infrastructure support for the VCS**

3.1 The four main generalist “infrastructure” organisations supported through the VCS budget are:

- a) Community Action Northumberland (£142,628)
- b) Wansbeck Centre for Voluntary Service (£66,088)
- c) Community and Voluntary Action Blyth Valley (£41,474)
- d) Northumberland Community Development Network (NCDN) (£39,000)

3.2 The first three organisations primarily provide general support to local voluntary and community organisations; NCDN provides specialist support with learning and training, and to address equalities issues.

3.3 There are additionally four organisations which receive some “infrastructure” funding, though their main focus is on a specific range of needs:

- a) Adapt – an organisation primarily focused on disability, which receives “infrastructure” funding of £25,000, made up of £12,000 towards on-going support costs for groups and organisations working with people with disabilities; £8000 to support a countywide service, run in partnership with Northumbria Youth, for carrying out Criminal Records Bureau checks on volunteers; and £5000 to support the Disabled & Deaf Network
- b) VoiCeS, which receives £22,000 towards on-going costs of support to VCOs working with children and young people
- c) Northumbria Youth, which receives £8000 towards on-going costs of specialist support to youth groups and organisations
- d) Blyth Valley Disabled Forum, which receives £5000 towards on-going costs of infrastructure support to orgs and groups

3.4 While there is considerable contact between the Council and these “infrastructure” organisations, the Council does not set out specific written expectations about what they will provide in return for this funding, nor does it currently have a systematic process for assessing how effective the organisations have been – though it has carried out an initial evaluation exercise aimed at

3.5 Through involvement in the Northern Rock Third Sector Trends Study (TSTS), the Corporate Policy Team has been working with Professor Tony Chapman from the Third sector Development Unit at Teesside University, who has been asked to carry out an evaluation of infrastructure organisations in Northumberland. A draft report is now available.

3.6 One message of this work is that the Council needs to set out more explicitly the functions which it is funding infrastructure organisations to carry out, and evaluate how well they are delivering these functions. For instance a key function is clearly to provide practical advice and technical help for small local CVS organisations, and the Council should spell out what it expects this to include, and could then evaluate

each organisation's effectiveness by surveying local organisations which it says it has supported to ask them how useful they have found this support.

- 3.7 A possible list of practical forms of support, suggested by Professor Chapman, includes:
- a) providing advice for start-ups and for organisations which are closing down;
  - b) backroom support (for example, communications support, printing, space for events, incubation space, payroll, etc.);
  - c) expertise on practice (legal, safeguarding, employment law, etc.);
  - d) fundraising information, guidance and practical support;
  - e) training and staff development;
  - f) supporting volunteers;
  - g) brokerage of relationships; and,
  - h) support for building of supply chains.
- 3.8 Infrastructure organisations also describe a range of other roles which they see themselves as having, including representing overall VCS interests and influencing policy. Professor Chapman suggests that it is the practical support which is “the most likely to improve the capability of the sector as a whole and thereby improve quality of provision to beneficiaries”.

### **The VCS Consortium**

- 3.9 The Northumberland VCS Consortium, hosted by Community Action Northumberland, was created in 2004, funded by the Government's ChangeUp programme, from a national budget which since 2006 has been managed by the national non-departmental public body Capacitybuilders, on behalf of the Office of the Third Sector.
- 3.10 The new Government has now confirmed that the ChangeUp funding programme will not be continued beyond March 2011<sup>3</sup>. This decision was made on the basis of a study by the National Audit Office, which failed to find clear evidence of the programme's strategic impact.
- 3.11 Given the overall financial pressures on local authorities, it does not realistically appear likely that the Council will be able to replace this funding from its own budget. Professor Chapman's research also found that those he spoke to locally did not feel that the current Consortium had worked well. It is therefore suggested that officers should discuss with the Consortium and the infrastructure organisations how any elements of the Consortium's work which the infrastructure organisations believe it is important to continue could be accommodated within their existing budgets.

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<sup>3</sup> Supporting a Stronger Civil Society, Cabinet Office, October 2010

## **4. Citizens' Advice Bureaux**

- 4.1 There continue to be six Citizens' Advice Bureaux (CABx) in the County, based on the six former district council areas, though a single phone number for public contact with the six bureaux has recently been put in place.
- 4.2 While the six bureaux do valuable work, there is some evidence that their small size weakens their position in bidding for available funding from other sources, and leads to inflexible use of funding which does not become available, with under-used capacity in one bureau not necessarily available to support another.
- 4.3 The Corporate Director of Adult Services intends during the coming year to explore the potential to broker more integrated arrangements for citizens' advice, as well as introducing more formal arrangements for setting out the objectives of grant funding and monitoring the service provided.

## **5. Funding levels**

- 5.1 While the Council's intention when it set its 2010/11 budget was to provide two years of stability in VCS funding, the planned national reductions in public sector spending clearly create a new context in which all spending plans need to be reviewed.
- 5.2 Funding programmes not directly related to the Council's statutory responsibilities, such as much of the expenditure from the Community Chest, need to be considered carefully. (Members will also be aware that much of this spending does not directly support staffing, so a reduction would have little impact on local employment.)
- 5.3 There is an even stronger argument for looking closely at the cost of the "back office" services provided by the "infrastructure" organisations.
- 5.4 One option would be to invite proposals for a single provider of "infrastructure" support across the County, either through a formal tendering process or as expressions of interest leading to reallocation of grant funding. Possible outcomes of such a process might include allocation of the contract to a single organisation with a strong focus on businesslike operation, or award of a contract or grant to a consortium of existing organisations, who would make more modest changes to their existing methods of operating.
- 5.5 An alternative approach would be to agree with the current infrastructure organisations service level agreements setting out explicitly the practical support which they believe they are providing. During early 2011, the Council could then evaluate the evidence that each organisation is carrying out these functions effectively, and the value for money that each organisation is offering. Grant funding could be reallocated later in 2011/12, on the basis of the outcome of this evaluation.
- 5.6 The advantages of this second approach would be that there would be no automatic presumption that the configuration of organisations should change in any particular way. For instance evaluation might – or might not – provide evidence that the continuing existence of separate organisations supporting VCOs with a focus on disability, or on youth activities, was beneficial.

- 5.7 At this point, Members are asked to agree a target reduction in funding for infrastructure organisations of 20% in a full year, and 10% in 2011/12, and to request the Corporate Director Adult Services to oversee the preparation of service level agreements with each of the currently-funded organisations, and evaluations of each organisation against these, in preparation for decisions early in 2011/12 about the allocation of a reduced grant budget, to take effect during 2011/12.

## BACKGROUND PAPERS

Professor Tony Chapman and Dr Victoria Bell, *Report on a Consultation Exercise on Future Infrastructure Support Investment for the Third Sector by Northumberland County Council*, Third Sector Development Unit, Teeside University, November 2010.

## IMPLICATIONS ARISING OUT OF THE REPORT

<b>Policy</b>	VCS funding supports the Council's policies of working in partnership with the third sector and supporting local communities. Funding also supports a number of mainstream Council programmes, as analysed in the report.
<b>Finance and value for money</b>	There is currently no systematic process for considering the value for money secured from VCS organisations; the report suggests introducing a more formal approach for larger grants.
<b>Human Resources</b>	VCS funding has no direct HR implications for the Council, except that administration of the community chest bidding process is a significant element in the work of one of the Council's Locality Officers.
<b>Property</b>	This report has no direct implications for use of Council premises or former Council premises by VCS organisations.
<b>Equalities</b>	If any reductions to Council funding for VCS organisations are considered, the equalities implications of these will need to be considered.
<b>Risk Assessment</b>	No risk assessment is required at this stage.
<b>Sustainability</b>	There are no direct implications.
<b>Crime &amp; Disorder</b>	Addressing the causes of crime and disorder is one objective of many VCS organisations.
<b>Customer Considerations</b>	Local VCS organisations provide valued services and opportunities to many people in the County.

<b>Consultation</b>	The Compact with third sector organisations states that the Council will aim to give three months' notice of any reduction in funding.
<b>Wards</b>	All