

## **Wiltshire Council**

### **Cabinet**

**24 May 2010**

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**Subject: Wiltshire Council Voluntary and Community Sector (VCS) Funding Framework**

**Cabinet Member: Councillor John Thomson, Deputy Leader and Cabinet Member for Adult Care, Communities and Libraries**

**Key Decision: No**

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### **Executive Summary**

1. The purpose of this report is to set out proposals on how the Council will support the Voluntary and Community Sector, (VCS) by clarifying its funding processes to ensure they are clear, equitable and accessible. Approval of the proposal will ensure that for the first time, a model of funding the VCS will be consistently applied across the Council. If Cabinet approve the recommendations in this report they will be put before the Board of NHS Wiltshire.
2. In 2008 the Council approved 13 recommendations made in the Council and NHS Wiltshire Review of Working with the Voluntary and Community Sector. An update on the recommendations is attached at Appendix 1. This report looks particularly at the development of Recommendation 5, which proposes that the Council and PCT jointly adopt the “shopping, giving and investing framework set out in the review report”. The VCS have requested a change of wording to grants, procurement, investing, (‘grants’ replacing ‘giving’ and ‘procurement’ replacing ‘shopping’) The report also considers recommendation 8 which proposes the implementation of the Full Cost Recovery framework.
3. This report describes how the work has been taken forward with the engagement of the Voluntary and Community Sector, (VCS), and identifies the major issues.
4. The potential concern for the Council is that without timely intervention to encourage collaborations and mergers, Wiltshire could lose small high quality organisations that have a real understanding of their communities and target groups.

They will not have the capacity or the evidence to tender to deliver services across Wiltshire by April 2011, nor will they be clear about the grant funding process.

5. The report identifies that many of the current Council procurement processes are being reviewed. As reviews of regulations, policies and procedures are being undertaken, they will need to take account of the impact on the VCS and some of our procurement practices will need to evolve in order to allow the Council to make best use of the resources available. This will include commissioning and decommissioning strategies.
6. The report accepts the principles of 'full cost recovery', which is a framework to enable the VCS to properly cost its services. This ensures the sector can tender and be certain that the budget covers all costs. The Council cannot be bound by full cost recovery principles where it awards a **grant** towards an activity or service, as opposed to **commissioning** a specific service.
7. The report identifies the process for taking forward the monitoring and evaluation of all resources provided to the VCS, where an organisation has funding from the Council. The performance assessment framework, which sits alongside the funding framework, is still being developed in partnership with the Wiltshire Infrastructure Consortium and a few small voluntary organisations.
8. The funding framework once agreed will form part of a suite of documents that will include the performance assessment framework (Recommendation 7) and a quality standard for the VCS (Recommendation 9).
9. The Council has recently participated in a government sponsored Partnership Improvement Programme (PIP), delivered through the IDeA (Improvement and Development Agency). As a result of this programme, it has been agreed that the Council and NHS Wiltshire will work with the Wiltshire Infrastructure Consortium (WIC)<sup>1</sup> to make agreements between those statutory organisations and the VCS, including negotiation on any changes to funding of the VCS that should arise.

## Proposal

Cabinet is asked to:

1. Agree to the arrangements set out in the report for adopting a 'grants, procurement and investing' model for funding the Voluntary and Community Sector, and to endorse that wording as the preferred option of the VCS in Wiltshire (it replaces the suggested wording of 'shopping, giving, investing')  
The full funding framework template is attached at Appendix 3;

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<sup>1</sup> Wiltshire Infrastructure Consortium is a partnership of generalist and specialist VCS infrastructure support organisations from across Wiltshire

2. Agree the application of the full cost recovery model set out in the report as it applies to commissioned services (excludes grant provision);
3. Agree to the principle of removing current more cumbersome arrangements for the award of grants so that arrangements for grants to VCS organisations up to a maximum of £25k can be awarded without the need for quotations that are more appropriate for procured services. A working group of relevant Council staff including procurement and legal representation could complete the necessary work on eligibility criteria and processes for implementation by 1<sup>st</sup> April 2011 and
4. Agree to delegate the responsibility for finalising the detail of the VCS Funding Framework to the Head of VCS Strategy in consultation with the portfolio holder for DCS. This will allow the Performance Framework and quality standard elements of the work to be incorporated into the Funding Framework prior to implementation from 1<sup>st</sup> April 2011.

### **Reason for the Proposal**

The proposal represents a clear and transparent process for setting out Council funding of the Voluntary and Community Sector. At present there is no unified Council process, but a number of arrangements brought together from five former councils.

**Niki Lewis, Service Director for Communities, Libraries, Heritage & Arts**

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**1. Purpose of the Report**

1. The purpose of this report is to set out how the Council will support the Voluntary and Community Sector (VCS), by clarifying its funding processes to ensure they are clear, equitable, accessible and consistently applied across the Council. This will enable the VCS to better support the Council to deliver its strategic objectives and to contribute to more resilient communities in Wiltshire. It will be the first time that there has been a clear model of Council funding that has been agreed with the voluntary sector.
2. This Funding Framework needs Cabinet approval in order to inform the funding arrangements for 2011 and beyond. If Cabinet approve the recommendations contained in this report, they will be put to the Board of NHS Wiltshire.

**2. Background and Context**

1. The Council recognises and acknowledges the 'added value' that the third sector can bring to service provision and the importance that the relationship with the third sector has on the quality of life for Wiltshire residents
2. Government coined the term 'Third Sector' to be of equal value, but different from, the statutory and business sectors. Generally the voluntary and community sector do not like the term 'Third Sector' as they feel it implies they are third ranking. Many authorities use the term Voluntary and Community Sector, (VCS), as interchangeable for third sector, as is the case in Wiltshire.

3. This Funding Framework has been developed in consultation with the VCS through a part time secondment of a Chief Officer from a support organisation, to Wiltshire Council.

It has also been progressed through the Corporate VCS Working Group which is responsible for ensuring consistency throughout the range of reviews that are being undertaken (including procurement and commissioning reviews), and links with the Corporate Procurement and Commissioning Board.

4. Any Funding Framework must meet the commitments of the Council to the Wiltshire Compact, the agreed set of principles within which the statutory agencies and the VCS work together. The Wiltshire Compact code of practice on funding and procurement will be revised and informed by this Voluntary and Community Sector Funding Framework.
5. The 'Working with the Third Sector' report produced by the Audit Commission 2005 said 'Funders need to be clearer about the purpose of funding, and decide for each funding programme whether they are engaged in supporting a worthy cause ('giving'), procuring services ('shopping') or in building capacity in the sector ('investing').'
6. Recommendation 5 of the Review to 'adopt the 'shopping, giving, investing' framework was informed by the above point 5. Recommendation 8 of the Review was to adopt the principles and practice of the full cost recovery framework covered later in this report.
7. The Review identified that in 2007/08, funding from the Council and NHS Wiltshire contributed to around 400 different organisations, mostly in Wiltshire, delivering more than 1100 different services or projects. It was identified that £18.1 m of council funding was received by the VCS excluding the contracts for residential and nursing care. It identified that the Council and VCS work closely together to deliver services for Wiltshire people. In 2009/10 the Council spent £25m with the VCS in Wiltshire, excluding residential and nursing care.
8. Consultation with the voluntary and community sector has demonstrated that they are keen to work with the Council and NHS but are opposed to the terms 'shopping, giving and investing'. Their preference is for 'grants, procurement and investing'. They understand that the Review stated that the funding framework must be aligned with strategic and corporate objectives so that the Council and NHS can meet performance objectives, achieve best value and ensure accountability for public funding. See tables 1 and 2 below.

## Current Model

Table 1

Resource	Process
Small Grants of up to £5K	A simple application process via Area Boards or A non competitive process
Grants £5K - £25K	3 quotes required 2 must come from Buy Wiltshire*
Grants £25K - £100K	5 quotes required 3 must come from Buy Wiltshire
Over £100K Total Contract Value	A tender process required unless formal exception or exemption agreed

\* Buy Wiltshire is an initiative developed to promote local business trading and to facilitate networking

## Proposed Model 'Grants, Procurement and Investing'

(For Use on completion of Funding Framework application process

Table 2

<p><b>Grants up to £25k</b> - Funding to a VCS organisation that will not be subject to a competitive tendering process. Current arrangements for Area Board Grants (maximum £5k) are unaffected.</p> <p><b>Grants between £25k - £50k</b> will be subject either to a Service Level Agreement (SLA) or a Partnership Agreement</p> <p><b>Grants above £50k</b> will require formal exemption</p> <p><b>Procurement</b> - the purchase of a service through a tightly specified contract that will have been through commissioning, often a tendering process.</p> <p><b>Investing</b> - building the capacity of the VCS. This is often funding to an infrastructure (support) service to build skills and knowledge of front line organisations but could relate to a specialist organisation e.g. Citizens Advice Bureau.</p>
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(For use on completion of Funding Framework process)

## **1. Main Considerations for the Council**

### **VCS in Wiltshire 2011 and beyond**

1. To sustain a thriving voluntary and community sector the Council has a responsibility to ensure that they create an environment for a thriving voluntary and community sector. This is reported through National Indicator 7 and the Government seek feedback from the VCS (through Ipsos Mori) on the relevance of the Local Authority to the success of the VCS in each Local Authority area.
2. The Council aspiration to support the VCS makes sound business sense and accords with the corporate objectives in relation to resilient communities and in order to ensure this, it is essential that the VCS is clear about the circumstances under which they can apply for funding and understand the processes which determine funding decisions.
3. As part of the exercise to develop this framework it has become clear 'Buy Wiltshire' is not widely known within the voluntary and community sector. VCS organisations who may wish to do business with Wiltshire Council should register on 'Buy Wiltshire' ([www.buywiltshire.co.uk](http://www.buywiltshire.co.uk)) This will be promoted within the VCS by the Council funded support service, since it will be essential for tendering.
4. The VCS in Wiltshire is made up of many small organisations that either only offer a local service or very specialist provision. Without wishing to lose the unique contribution made by these providers, it is clear that there are benefits to be gained by collaborative working and mergers as well as the more obvious removal of duplication, if an organisation is looking for statutory funding.
5. As part of the consultation for this framework the VCS in Wiltshire was clearly becoming more aware of the need to explore collaborative and partnership working arrangements. However more still needs to be done and this is being discussed with the Council funded external support service.

### **Unified Funding Processes and Relationships**

6. Cabinet approved the current grant guidance on 18.11.2005. A revised procurement strategy is now being consulted on, the partnering protocol is being revised and many of the documents and processes that sit beneath these are also being reviewed to ensure they are up to date, robust and meet current standards for good practice.

The responsibility for ensuring that all revised procurement documentation takes account of the VCS, sits with the VCS Head of Strategy through chairing the Corporate VCS Working Group and membership of the Corporate Procurement and Commissioning Board.

7. Some funding awarded to the VCS is based on a partnership agreement and must be guided by the partnering protocol. The definition of a partnership agreement is an agreement between two or more organisations working collectively to achieve shared objectives and outcomes. The partnering protocol is clear about the process that must be undertaken as justification for such an agreement and it must be recorded in the Partnership Register.
8. A register of total Council funding with the VCS is being compiled from across the Council by the VCS Support Unit that will hold the overview of Council spend in the sector. This will include grant funding not described in either the register for contracts or for partnering agreements.

### **Full Cost Recovery**

9. The perception of the VCS is that the Council sometimes expects the voluntary sector to provide services at less than commercial cost price and in addition will deliver 'added value'.
10. In the Review's Recommendation 8, it was agreed that the Council would adopt the principles and practice of the full cost recovery framework. It was accepted that this needed further discussion before practical application could proceed. Full cost recovery ensures that a proportion of indirect costs, as well as the direct costs of running the service, are added to the cost of the project. Clarity was required about whether adopting these principles applies across the board or only to procured services as there is some concern within the Council that full cost recovery principles can lead to double funding aspects of VCS provision rather than extending services. An overview of grant funding is now held by the VCS Support Unit and this information can be seen alongside both the contract and partnership registers, to ensure that double funding does not occur, when full cost recovery principles are applied.
9. It also became clear during consultation that many VCS organisations do not fully understand the full cost recovery process and implications. A number of training courses have now been delivered and further courses are planned in order to improve understanding across the sector. This will ensure that the VCS are able to properly cost their services so that if they wish to enter a tender process they are clear about what is required from the tender specification.

They need to assure themselves the service they are planning to deliver can be afforded within the Council's available budget.



12. Some organisations may decide to tender at a reduced price to get market advantage but that would be the organisation's commercial decision and not a matter for the Council.
13. It is proposed that where the Council awards a grant it should not be bound by 'full cost recovery' as Council funding will only be a contribution towards the service (or activity) and not the total cost. Only where the Council is buying a whole service from a VCS organisation should the Council's commitment to full cost recovery be implemented.
14. A brief summary of full cost recovery principles is attached at Appendix 2
15. The Corporate Funding Framework template can be found at Appendix 3.

### **Monitoring and Evaluation**

16. In Service Level Agreements (SLAs) and contracts between the Council and the VCS there must be clarity about the required outputs<sup>2</sup> and outcomes<sup>3</sup> and how the effectiveness of the contract will be monitored.
17. It will be important to monitor the soft outcomes (qualitative) as well as statistical information (quantitative). This will help the sector identify how they contribute to tackling exclusion, inequality and disadvantage. In partnership with the Council and other statutory partners this can contribute to making communities much stronger and more self-reliant.
18. The monitoring and evaluation process, whilst essential must be proportionate to the money being awarded. An agreed performance framework, to include a VCS quality mark for Wiltshire, is currently being developed by the Council in partnership with the VCS and the Wiltshire Infrastructure Consortium<sup>4</sup>.
19. The quality mark will enable organisations to be fast tracked through some of the Council funding processes. The quality mark will show that an organisation has been deemed 'fit for purpose', demonstrating all the hallmarks of a good charity or 'not for profit' business. National quality marks will also be evidence of the quality of an organisation

## **4. Environmental Impact of the Proposal**

1. There is no negative environmental impact associated with the VCS funding framework. By openly supporting a range of organisations

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<sup>2</sup> Outputs are activities / actions / targets to be achieved

<sup>3</sup> Outcomes are the difference the outputs have made.

<sup>4</sup> Wiltshire Infrastructure Consortium is a partnership of generalist and specialist VCS infrastructure support organisations from across Wiltshire

through the model of grants, procurement and investing, Council funding is clearly made available for small and innovative projects at the local level.

## **5. Equalities Impact**

1. The Funding Framework is designed to ensure it is inclusive of all voluntary and community organisations including very small and specialist providers and community groups. A transparent funding framework supports the Council's objective of open decision making.

## **6. Risk Assessment**

1. The risk of not implementing a new framework is that the VCS in Wiltshire would be likely to decline in a challenging financial environment.
2. If the VCS is not clear how funding decisions are made when financial restrictions are necessary the Council could lose the recent improvements in the relationship with the VCS.
3. There is a risk of confusion both internally and externally if the Council does not bring together past good practice from the 5 former councils into one harmonised framework.

## **7. Financial Implications**

1. There are no additional cost implications to the Council in implementing the proposed VCS Funding Framework.
2. Decisions about funding the VCS for 2011 will be made during 2010 – 2011 and discussed with the sector. They are being encouraged to consider their future priorities to ensure they survive and thrive.
3. Funding decisions made through the funding framework will be within budget availability. I.e. the Funding Framework is a decision-making framework.

## **8 Legal Implications**

1. All commissioning must comply with the Council's Financial Regulations and Standing Orders in relation to Contracts.
2. The EC Procurement Directives are applicable to all procurements.
3. All activity must comply with the requirements of the Data Protection Act 1998 and Freedom of information Act 2000.

**Niki Lewis, Service Director for Communities, Libraries, Heritage & Arts**

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27th April 2010

### **Background Papers**

- The Wiltshire Council and PCT Review of its relationship with the VCS
- Cabinet minute 164 18/11/2005
- Working with the Third Sector National Audit Commission 2005

### **Appendices**

1. An update on progress against each of the recommendations in the Review of Working with the Voluntary and Community Sector.
2. A brief summary of full cost recovery principles
3. The Corporate Funding Framework template