

THIRD SECTOR FUNDING: FINANCIAL YEARS 2008/09 TO 2010/11

1. Reason for Report

To request Members' consideration of strategic recommendations in relation to the Third Sector Strategic Budget, prior to the annual decision making meeting on 6 March 2008.

2. Report Summary

2.1 This report excludes funding recommendations for individual applicants to the Third Sector Strategic Budget (TSSB) because these will be considered on 6 March 2008. The budgetary allocations for 2008/09 for Adult Services, Children's Services, Community Learning & Development (including Economic Regeneration), Cultural Services, Day Centres and Leisure & Sport are detailed in this report.

2.2 Due to lack of available budget for 2008/09, there was no call (advertisement) for applications to the Adult and Children's Services' allocations.

2.3 Budgetary implications due to the receipt of 1 year funding applications for financial year 2008/09 and 3 year applications for financial years 2008/09 to 2010/11 inclusive were discussed at Education and Community Services Committee on 29 January 2008.

2.4 There is insufficient budget available to fund all applications to the level requested by applicants.

2.5 The report recommends the application of a 3% inflationary uplift for each of the 3 years under consideration; and that awards for Years 2 and 3 of the 3 year awards commencing 2008/09 should be "in principle".

2.5 At the time of writing this report the Council's budgets for 2008/09 had not been finalised but a 3% inflationary uplift for the Third Sector funding budget for each of the next 3 years is reflected in the draft budget.

2.6 This report excludes funding awards made by Area Committees.

3. Glossary of Terms

AESLT	Annandale & Eskdale Sports & Leisure Trust
CSBS	Community Services Business Support
ECS	Education & Community Services
FES	Financial Efficiency Saving
Lead Officer	Officer designated as the first point of contact, on funding and other matters, between a Third Sector organisation and the Council. CSBS works with 50-60 Lead Officers across the Council.
Satisfactory	The responsibility for the production of monitoring reports

Monitoring Reports	lies with Lead Officers. For the purposes of releasing funding instalments it may not be necessary for CSBS to receive comprehensive monitoring reports.
Strategic Activities	Activities that contribute to the achievement of the Council's Corporate Plan objectives and support the delivery of essential front line services.
RVS	Resourcing the Voluntary Sector
TSSB	Third Sector Strategic Budget
Third Sector	The Government defines the Third Sector as non-governmental organisations that are value-driven and which principally reinvest their surpluses to further social, environmental or cultural objectives. It includes voluntary and community organisations, charities, social enterprises, co-operatives and mutuals.
Virement(s)	The authorised transfer of funds from one account to another.

4. Recommendations

Members are asked to agree:

- 4.1 that the balance of £3,592 from the Third Sector Strategic Budget 2007/08 (Community Learning & Development) be transferred into the Third Sector Strategic Budget 2008/09 (Community Learning & Development);
- 4.2 that the Working Group to identify strategic partners should change its focus to strategic activities, in order to assist in achieving the strategic objectives flowing down from the "Government Economic Strategy" (Scottish Government 2007);
- 4.3 that for 3 year funding awards commencing 2008/09, award levels for Years 2 and 3 are "in principle" so that the Council may reserve the right to increase or reduce these awards depending on the outcome of the ongoing work to identify strategic activities, appreciating that work on the identification of strategic activities is programmed for completion and reporting to Members prior to March 2009; and
- 4.4 the implementation of a more robust financial monitoring system (as detailed at Section 10.3) to be developed and continuously improved by Officers.

5. Corporate Plan Links and Contribution

Council Third Sector funding meets with the following aspects of the emerging Corporate Plan 2007/11.

5.1 Wealthier and Fairer – increase economic regeneration; reduce debt and financial exclusion; ensure key services are available across the region e.g. Dumfries & Galloway Citizens Advice; Community Initiatives.

5.2 Healthier - improve health, especially in disadvantaged groups and individuals; maintain or improve health and wellbeing services e.g. Day Centres for Older People; Couple Counselling & Family Mediation.

5.3 Safer and Stronger – make Dumfries and Galloway the safest place to live; provide facilities fit for purpose and accessible for all; make this an inclusive society e.g. tackling all forms of violence including domestic violence against women; support for the voluntary sector.

5.4 Smarter – provide lifelong learning opportunities; secure a higher skilled workforce; provide all children and young people with access to positive learning environments; remove barriers to education, training and employment e.g. Clip ICT and Castle Douglas IT Centre; independent Museums.

5.5 Greener - work towards a cleaner, greener environment; positively address Climate Change; promote civic pride and appreciation of the environment e.g. Furniture Project Stranraer; Dumfries & Galloway Care Trust Forestry and Gardening.

5.6 The appraisal and monitoring systems now in place in terms of Third Sector funding assist in ensuring compliance with Audit Scotland's "Following the Public Pound" document.

6. Resources/Value for Money Assessment

6.1 **Human Resources:** There are no additional staffing implications for the Council arising from this report. However, implementation of the proposed financial monitoring system (Section 10.3) will reduce the work pressures on Lead Officers and provide for improved financial and performance monitoring and contract compliance.

6.2 **Value for Money Assessment:** Funding applications to the Third Sector Strategic Budget 2008/09 to 2010/11 are being scored by Lead Officers, scrutinised by Moderating Panels and funding awards will be agreed by elected Members. The performance of all recipients of TSSB funding is monitored to ensure Best Value. Funding awards of less than £10,000 do not require Contracts and these are monitored by the Voluntary Sector Funding Co-ordinator in liaison with Lead Officers. Awards of £10,000 or more do require Contracts and these are monitored by Lead Officers. A more robust financial monitoring system is proposed at Section 10.3.

7. Risk Assessment

7.1 **Reducing Levels of Funding:** Third Sector partner organisations and their service users (who may be vulnerable for a range of reasons) may be at risk if funding levels continue to decrease or cease altogether, because reduced funding levels will result in a reduction of the essential front line services delivered by the Third Sector on the Council's behalf. With regard to the transfer of £3,592 (Section 9.2) from the 2007/08 budget into the 2008/09 budget, the risk is low given the very limited sum involved.

7.2 **In Principle Awards:** It is proposed that a report on the identification of strategic activities is prepared for consideration at ECS Committee in September 2008. This would enable the "in principle" awards for 2009/10 to be considered 6 months prior to the first funding instalment which is due to be paid in April 2009, giving Third Sector organisations 6 months' notice of any increase or decrease to their awards.

7.3 **Reducing Dependency on Council Funding:** The 'Council Corporate Framework...to Guide the Award of 3 Year Core Funding Support...' contains a

paragraph that guides Lead Officers to “check that, where appropriate, other possible external funding support for the organisation has been fully explored prior to committing Council funding.” While there are few alternative sources for core funding apart from other public sector bodies such as the NHS, it is possible for Third Sector organisations to apply to other external funders for project funding and to legitimately charge a proportion of the organisation’s overheads to each project. This could help to reduce the ever-increasing demand on Council funding and free up Council resources for other and new applications.

7.4 Conditions of Award: All Third Sector applicants are required to sign and return Conditions of Award **before** funding awards are paid. This measure reduces the risk factor to the Council should an award be mis-used.

7.5 Contracts and Monitoring Reports: All contracts that were due to be signed by 30 September 2007 are in place, and monitoring reports have been submitted by Lead Officers throughout the financial year. For three year awards commencing 2006/07 or 2007/08, satisfactory monitoring reports are required from Lead Officers before the funding instalments due to be paid in April 2008 can be released. Annual monitoring forms for organisations receiving less than £10,000 will be issued during March 2008, for completion and return by May 2008.

7.6 Internal Audit of Organisations in Receipt of TSSB Funding: As per the Audit Plan for Funding Awards from the TSSB, eight organisations per financial year are scrutinised by the Council’s Internal Auditors. The audit list is compiled by the Voluntary Sector Funding Co-ordinator in consultation with the Group Manager Community Services, Lead Officers and Internal Audit. The results of the first 16 audits were reported to Governance and Audit Committee on 27 November 2007. No major issues arose from these audits, and the auditors’ recommendations are being followed up by Lead Officers. The Voluntary Sector Funding Co-ordinator will monitor to ensure that all actions and recommendations have been carried out.

8. Consultations

The following have been consulted in the preparation of this report and are in agreement with the contents: Corporate Director of Corporate Services; Acting Director of Finance; Service Director Social Work Services; Acting Head of Strategic Planning & Commissioning; Chief Social Work Officer; Chief Internal Auditor; Operations Manager Legal Services; Operations Manager, Cultural Services; Operations Manager Leisure & Sport; Operations Manager Regeneration & Europe; Area Manager Wigtown (representing all Area Managers and Community Learning & Development).

9. Background

9.1 Third Sector Strategic Budget 2008/09: Third Sector budgets form part of individual Service base revenue budgets. To date budgets have been allocated within these specific Service areas, with virements taking place as agreed by Members. A financial efficiency saving of £4,000 from the Leisure & Sport allocation in respect of support to local Sports Councils was agreed at ECS Committee on 29 January 2008, and the available budget for 2008/09 reflects this deduction. Available funding against the budget headings for 2008/09 and applicant requests are summarised as follows.

Service	Budget 2008/09	Existing Commitments*	Balance for Consideration on 06/03/08	New Requests 2008/09
Adult Services	£742,461	£739,720	£2,741	£0
Children's Services	£204,730	£204,729	£1	£0
Community Learning & Development (incl Economic Regener'n)	£369,917	£292,272	£77,645	£250,729
Cultural Services - Arts	£29,158	£19,859	£9,299	£11,510
Cultural Services - Museums	£137,592	£131,684	£5,908	£15,700
Day Centres for Older People	£457,316	£335,595	£121,721	£117,795
Leisure & Sport	£38,146	£0	£38,146	£38,146**
TOTALS:	£ 1,979,320	£1,723,839	£255,461	£433,880
			Shortfall	-£178,419

* Existing commitments are due to 3 year awards commencing 2006/07 or 2007/08.

** The 4 local Sports Councils (including AESLT) receive an agreed percentage split each year for distribution on behalf of the Council, and funding applications are not required from each Sports Council. CSBS co-ordinates the funding applications that are received from individuals and sports clubs; processing and forwarding the applications to the Sports Councils and logging the approved awards.

9.2 **Budget Shortfall:** The level of demand from new applications for 2008/09 is higher than the available budget i.e. there is a shortfall of £178,419. The Dornock, Eastriggs Creca Initiative Development Enterprise (DECIDE) has advised that their 2007/08 award of £3,592 is no longer required because the organisation has recently down-sized and "*the existing funds in our account were sufficient to finance the present structure, negating the necessity to draw on the funding award...available to DECIDE from TSSB for the year 2007/08*". Further, the need for their 2008/09 award of £3,488 will be considered at DECIDE's annual general meeting in July 2008. Due to the shortfall of £178,419 within the TSSB 2008/09, it is recommended that the balance of £3,592 is transferred from TSSB 2007/08 to TSSB 2008/09.

10. Key Issues

10.1 **Funding Recommendations:** At the time of writing, Officers are completing the scoring process, Moderating Panels are being convened and Council budgets have not been set therefore Officer recommendations will not be available until the special meeting of ECS Committee on 6 March 2008.

10.2 Identification of Strategic Partners/Activities:

10.2.1 At RVS Ad Hoc Sub Committee on 2 March 2007 it was agreed that "*for 3 year funding awards commencing 2007/08, award levels for Years 2 and 3 would be "in principle" due to the Council's requirement to reserve the right to increase or reduce these awards depending on the outcome of the comprehensive work required to identify strategic partners*". A progress report was presented to ECS Committee on 20 November 2007, when Members AGREED "*that...a further report will be received in financial year 2008/09.*"

10.2.2 As a result of comprehensive discussion the Working Group is now focussing on the identification of strategic **activities** rather than partners. The reason is to ensure that organisations receiving funding from the Third Sector Strategic Budget are delivering services that comply with the “golden thread” of strategic objectives flowing as follows:

“The Government Economic Strategy” (Scottish Government 2007)→
Dumfries and Galloway Council emerging Corporate Plan 2007-2011→
Strategic Service Plans→
Operational Plans.

This will result in Third Sector funding being targeted at those organisations that are delivering services which assist the Council to achieve its strategic objectives and each Service’s priority activities, ultimately contributing to the Scottish Government’s Economic Strategy. Officers representing each of the Services that receive funding allocations from TSSB have begun to identify the strategic activities for each Service; using the Council’s emerging Corporate Plan, Strategic and Operational Plans. Activities identified as ‘strategic’ will have to be incorporated within the Selection Criteria for Third Sector funding, and these Criteria include funding disbursed by Area Committees. This work will be completed and reported to ECS Committee before the annual decision making meeting for TSSB in March 2009. It is therefore recommended that Members agree the change in focus from strategic partners to strategic activities.

10.3 Funding Levels for 3 Year Applications Commencing 2008/09:

10.3.1 Usually Officers would recommend “final” rather than “in principle” funding decisions for the duration of a Contract. However, to maintain consistency with the decision regarding “in principle” awards as detailed in Section 10.2.1 and the ongoing work to identify strategic activities, it is recommended that for 3 year funding awards commencing 2008/09, award levels for Years 2 and 3 should be “in principle”, appreciating that officers will be reporting on the outcomes of the review in September 2008, after which time it is envisaged that Members will be in a position to move fully to a three year funding cycle for providers.

10.3.2 For “in principle” awards, within each organisation’s Contract the Council would reserve the right to increase or decrease these awards depending on the outcome of the ongoing work to identify strategic activities. In order to reduce the effect on Third Sector funding recipients, it is envisaged that recommendations relating to any increases or decreases would be phased in.

10.3.3 For those organisations in receipt of 3 year funding that totals less than £10,000 there is no requirement to sign a Contract. The “in principle” nature of these awards would be explained within the award letters and accompanying Award Conditions.

10.4 Financial Monitoring:

10.4.1 Discussions at the Lead Officer Forum, the results of Internal Audits and recent cases of alleged fraud experienced by some Third Sector organisations have highlighted the need for more robust financial monitoring. It is proposed that a system is developed to harness the expertise of Financial Services. The system would evolve through partnership working between Financial Services and Community Services Business Support, and a very positive initial discussion has been held. The system would have to be tailored to suit differing levels of funding/income and may involve the development of a monitoring pro forma, to be issued by CSBS and returned to Financial Services along with extracts from the organisation's accounts.

10.4.2 The award letter and accompanying Award Conditions would emphasise not only that second and future funding instalments depend on the Contract being signed, but they would also depend on receipt of the specifically required financial reports in the correct format with all the detail included. If these financial reports are not lodged in sufficient time for their contents to be considered and any supplementary questions answered, then payments of funding instalments would be delayed. This is of paramount importance to ensure Best Value and the provision of quality services to service users.

10.4.3 A generic action plan would be developed to deal with any concerns arising from this financial monitoring e.g. it may be necessary to commission an audit by the Council's Internal Auditors. It is recommended that Members agree to remit delegated authority to Officers to develop and implement this financial monitoring system.

10.5 **Decision Making:** Decisions on awards are for Members to make at Committee meetings called for this purpose. Officers make recommendations and give reasons for their recommendations. If Members decide not to accept Officer recommendations, their reasons for doing so must be given at Committee and recorded in the minutes. Decisions regarding awards may be challenged therefore decision making processes must be robust.

<p>Sheila B Armstrong Business Manager – Community Services</p> <p>Date of Report: 19 February 2008</p>	<p>Stewart S Atkinson Group Manager Community Services Education, Social Work and Community Services Woodbank, 30 Edinburgh Road DUMFRIES, DG1 1NW</p>
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Background Papers

1. Committee Report dated 13/12/04, "Review of Council Funding for the Voluntary Sector – Phase 3", considered by Business Review & Performance Committee on 11/01/05
2. Committee Report dated 08/01/07, "Resourcing the Voluntary Sector 2007/08 to 2009/10", considered by RVS Ad Hoc Sub Committee on 30/01/07
3. Committee Report dated 05/02/07, "Resourcing the Voluntary Sector: Financial Years 2007/08, 2008/09 and 2009/10 – Overview of Budgetary Implications", considered by RVS Ad Hoc Sub Committee on 02/03/07
4. Committee Report dated 22/10/07, "Third Sector Funding 2007/08 to 2009/10: Progress Report", considered by ECS Committee on 20/11/07

5. Committee Report dated 06/11/07, "Findings from Audits of Third Sector Organisations", considered by Governance & Audit Committee on 27/11/07
6. The Government Economic Strategy (Scottish Government 2007)
7. Committee Report dated 23/01/08, "Community Services Budget Savings Proposals 2008/09", considered by ECS Committee on 29/01/08
8. Audit Scotland "Following the Public Pound" – Controller of Audit's report and Accounts Commission's findings, March 2004
9. Audit Scotland "Following the Public Pound" – Dumfries & Galloway Council, November 2005