
RESOURCING THE VOLUNTARY SECTOR 2006/2007 TO 2008/2009: PROGRESS REPORT AND RECOMMENDATIONS FOR CONTINUOUS IMPROVEMENT

1. Reason for Report

To provide Members with an overview of progress in relation to the development of systems for resourcing the voluntary sector, for the period 2006/2007 to 2008/2009, as well as recommendations for continuous improvement.

2. Background

The closing date for funding applications for the above period was 31 October 2005, with recommendations considered by Committee on 6 March 2006. Previously the closing date had been 31 January, with recommendations considered by Committee in March of the same year.

3. Voluntary Sector Feedback

At Resourcing the Voluntary Sector Ad Hoc Sub Committee on 6 March 2006, all three year awards were agreed on a reducing basis (5% per year and 2.2% inflationary uplift). The response from strategic partner organisations has been that the reducing levels of funding will cause severe difficulties in years 2 and 3. Indeed, some organisations have already reduced their services in Year 1. Not all organisations can guarantee that they are able to attract the levels of shortfall funding required to maintain and develop their services, and there is a high risk of loss of services and staff in the longer term. It has become apparent in some instances that the objective of funding key strategic partners to the level required, and the consequential cessation or reduction of funding to organisations that do not meet the Council's objectives, has not yet been achieved.

4. Lead Officer Feedback

4.1 **Initial Processing of Applications:** Although there was additional lead-in time provided by the change of closing date described at Section 2 of this report, Community Services Business Support (CSBS) was still faced with a considerable volume of information from 97 applicants. This, together with the nomination of Lead Officers (many of whom were dealing with this process for the first time), meant there was less time available than originally anticipated to undertake the scoring.

4.2 The main difficulty that Lead Officers experienced was the additional work necessitated by scoring applications and the ongoing development of Contracts or Service Agreements. Where the Lead Officer had no previous working relationship with an applicant, again there was less time than originally envisaged to engage with the applicant with a view to enhancing the Lead Officer's knowledge and understanding of the proposed services.

4.3 **Time Delay:** The gap between the closing date of 31 October 2005 and Resourcing the Voluntary Sector Ad Hoc Sub Committee on 6 March 2006 meant that applicants' accounts, alternative sources of funding and reported free reserves

were not as up to date as possible at the time of appraisal. By the time applications were appraised, Lead Officers had to approach applicants for updated information.

4.4 *Nomination of Lead Officers:* There were initial concerns as to which Service was best placed to provide Lead Officer support, and this took some time to negotiate given the appropriateness of historical allocations to Lead Officers.

4.5 *Lead Officers' Remit:* There were differing views from Lead Officers as to their role and level of responsibility. In consultation with Lead Officers, a summary of Lead Officers' duties and CSBS's duties was prepared and circulated by CSBS. Lead Officers continue to have concerns about the lack of time available to them to carry out monitoring duties, including those relating to financial monitoring. There is a need for some Service Managers to provide training for Lead Officers in respect of their remit, particularly in relation to the work of Community Services Business Support.

5. Community Services Business Support Feedback

5.1 *Scoring of Applications:* Lead Officers have differing perceptions about the organisations they have responsibility for, and in some instances initial recommendations were way beyond budget availability. If these recommendations had been approved, this would have resulted in many more nil awards and greatly reduced awards for other applicants who attained lower scores.

5.2 *Guiding Principles for Resourcing the Voluntary Sector:*

5.2.1 One of the guiding principles as agreed by Business Review and Performance Committee on 11 January 2005 is to "*make 3 year core funding available to support ...services carried out by voluntary and community sector organisations which demonstrably contribute to meeting the Council's approved objectives and priorities and will continue to contribute to them over the time period for which the funding is being offered*". Another guiding principle is "*the Council will seek to support, commission and invest in voluntary...services which can demonstrate added value in public service provision and are assessed as being needed to complement, supplement or replace mainstream service delivery and which can clearly demonstrate that it is meeting customer needs in line with the Council corporate value to put the customer first.*"

5.2.2 *Key Strategic Partners:* For the future there is a need for much greater prioritisation of key strategic partners. It would appear that most applicants who applied for 3 year funding, therefore presenting themselves as contenders for key strategic partner status, were awarded that status and funded at a similar level to that in the past. There still remains a need to identify key strategic partners delivering services that fit with the Council Corporate Plan and Dumfries and Galloway Community Plan. As Officers in Adult Services commission services that fit with the Health and Community Care Plan, this document requires to be incorporated within CSBS systems such as the scoring framework.

5.2.3 As a consequence for the current round of awards, there was no resulting decrease in, or cessation of, awards to those applicants whose service delivery does not fit so well with the selection criteria. This also resulted in a failure to make funding available for new applicants whose services fit with the selection criteria. A Consultant in the Policy and Performance Unit has suggested that as the Council is currently trying to identify the lowest 20% service priority in order to apply 25%

efficiency savings, the same approach could also be applied to voluntary organisations as a basis for redistribution of resources, in order to keep up investment levels to key strategic partners.

5.3 Mainstream Budget Incorporation: It was agreed by Business Review and Performance Committee on 11 January 2005 that consideration would be given to “*mainstream budget incorporation for some organisations to help reduce future pressure on the voluntary sector grants budget*”. At Resourcing the Voluntary Sector Ad Hoc Sub Committee on 15 July 2005 it was agreed to “*progress towards the identification of those organisations that should be mainstreamed into Service budgets*” and Lead Officers were informed of this decision. The only recommendations for mainstream budget incorporation so far have been:

- Advocacy Service (agreed by Education and Community Services Committee on 29 November 2005);
- the Day Centres (no decision was reached by Resourcing the Voluntary Sector Ad Hoc Sub Committee on 6 March 2006, but a separate report to this Committee readdresses this matter);
- Alcohol and Drugs Support SW Scotland would be mainstreamed to Adult Services or ADAT budgets from 2007/08 (agreed by Resourcing the Voluntary Sector Ad Hoc Sub Committee on 6 March 2006);
- Care at Home Training Consortium (agreed by Resourcing the Voluntary Sector Ad Hoc Sub Committee on 6 March 2006);
- Dumfries and Galloway Arts Association from 2007/08 (future report to Resourcing the Voluntary Sector Ad Hoc Sub Committee);
- Ice Sports Development (agreed by Resourcing the Voluntary Sector Ad Hoc Sub Committee on 6 March 2006);
- Rugby Development (agreed by Resourcing the Voluntary Sector Ad Hoc Sub Committee on 6 March 2006).

5.4 Lead Officer Training: In November 2005, the Voluntary Sector Funding Co-ordinator carried out Lead Officer training in relation to the new scoring framework. Since then, several requests have been made to Community Services Business Support for additional Lead Officer training in respect of the newly introduced systems, including appraisal and monitoring. Training is also considered at Section 5.5 of this report.

5.5 Best Practice Exchange:

5.5.1 Fife Council runs an annual training programme for officers who support the voluntary sector. Training covers all six principles of the Accounts Commission/CoSLA Code of Guidance on Funding External Bodies and Following the Public Pound, but focuses on the financial regime and monitoring. It provides officers with a greater understanding of what their support role entails; the Council's expectations of them; a grounding in implementing the monitoring and evaluation framework; a basic knowledge base for some of the issues they may encounter; and also provides an opportunity for officers to network and give feedback on their views and needs.

5.5.2 It is the intention of the Business Manager Community Services and the Voluntary Sector Funding Co-ordinator to visit Fife Council to learn more about this training programme. Such a programme could possibly be delivered at Beeswing

Training Centre in partnership with the Training and Development Manager, with an opportunity for all Lead Officers in Dumfries and Galloway Council to attend. This would be particularly helpful for Lead Officers who do not routinely conduct performance monitoring as part of their role.

5.5.3 The Principal Economic Regeneration Officer believes that there is expertise in this field (Lead Officers' training) at a local level, and has suggested that he and other colleagues could contribute to the discussion and development of a training package. This offer is welcomed by Community Services Business Support.

6. Performance Monitoring – Awards Less Than £10,000 in 2005/06

6.1 The first annual monitoring exercise using the standard monitoring form was carried out earlier this year. As funding awards vary in their scope and amounts, CSBS has made the monitoring process much less onerous for smaller awards, while endeavouring to comply with the requirements of Following the Public Pound. In March 2006, 31 forms were issued to organisations that received a single year funding award of less than £10,000 in 2005/06. One question posed to award recipients was "In order for Dumfries and Galloway Council to continually improve its service, please provide details on how you feel we could improve the Voluntary Sector Funding process."

6.2 The following is a summary of responses:

- Happy with the current service.
- The process appears to be efficient and fair. The forms are easier to complete than many. Any answers to questions or support have always been efficiently offered.
- Application form is too long and too onerous... especially for [unpaid] volunteers and elderly members of management committees.
- As a volunteer I think there are far too many forms and too much paperwork; why does a copy of audited accounts not do the job?
- The voluntary sector funding process is working but the funding element is inadequate.
- We have always provided business plans/annual reports – financial and strategic - AND continually requested 3 year funding in order to better plan our activities and projects AND continually we receive 1 year and insufficient funding, no Service Level Agreements and NO support or communication.
- The process could be made simpler - however, the thoroughness is justified for public monies being spent.
- The time between application and decision seems to be growing longer, which does not enhance continuity and planning.
- The need from DGC to have applications submitted 6 months before the new financial year means there can be difficulties in estimating project costs correctly.
- DGC should provide additional funding to intermediary organisations to meet the increase in demand for assistance from community groups and the voluntary sector generated by the introduction of the new application and monitoring system.
- The new DGC system has an inherent flaw in that it penalises applicants who build reserves. If a contract culture as opposed to a service level agreement culture was promoted there would be an incentive for applicants to grow reserves (i.e. be able to retain any surpluses for re-investment) and therefore increase

sustainability over the longer term. *[The contract culture is discussed at Section 5.3 of this report – Mainstream Budget Incorporation].*

7. Performance Monitoring - Awards of £10,000 or More

7.1 At Resourcing the Voluntary Sector Ad Hoc Sub Committee on 16 June 2005 Members agreed that *“there should be consistency of approach and content across Council services... providing SLAs, Contracts or grant award letters and that standard models should be developed, agreed and issued for use; the development of a standard monitoring form for completion in respect of organisations in receipt of awards of under £10,000, who do not require to have a Service Level Agreement in place; that monitoring procedures being developed will include the final Business Review and Performance Committee approved Corporate Advice Note; and to receive a further report on Performance Monitoring as it relates to voluntary and community sector funding.”*

7.2 **Service Agreements/Contracts:** All organisations with awards of £10,000 or more are required to enter into a Service Agreement or Contract with Dumfries and Galloway Council. Lead Officers are currently developing these in respect of 2006/07 and 2006/09. Following recent requests from Lead Officers, it was clarified by Policy and Performance that where an award **totals** £10,000 over a 3 year period, there is a requirement for a Service Agreement to be put in place. This has created extra work for Lead Officers. However, it does impose a monitoring process on those 3 year funding applicants who may seek to avoid a Service Agreement by applying for £9,999 or less per annum.

7.3 **Three Year Funding Recipients:** All organisations in receipt of a 3 year funding agreement commencing 2006/2007 will be contacted by Lead Officers at the end of year 2 and requested to present an exit strategy or business plan.

7.4 Internal/External Audit:

7.4.1 It is a requirement of 'Following the Public Pound' that external organisations are aware of the requirement to provide access to the Council's internal and external auditors. In response to a recommendation for improvement following a Dumfries and Galloway Council audit carried out by Audit Scotland in early 2005, the following three paragraphs were agreed by Legal Services for insertion into funding award letters and Contracts/Service Agreements:

- The Provider will ensure that the Council's external and internal auditors have access to key records and, if appropriate, to its accounts and financial arrangements so that they may follow the trail of public money from the Council through the Provider to its destination.
- The Provider will ensure that the Council's external auditor is able to seek, through the Council, any explanations which s/he considers necessary from representatives of the Provider.
- The external auditor will have access, through the Council, to the Provider's external auditors.

These paragraphs have been included within the 2006/07 to 2008/09 award conditions letter, and widely disseminated to Lead Officers and to the Group Manager Policy and Improvement by Community Services Business Support.

7.4.2 A list of awards for 2006/07 to 2008/09 was forwarded to the Chief Internal Auditor in April 2006, together with a request for audits to be carried out on a random selection of voluntary sector awards. CSBS continues to liaise with Lead Officers as to recommendations for specific organisations to be audited, as a means of testing whether procedures are being adhered to and funds used as agreed.

7.5 Additional Funding Requests for Years 1, 2 or 3: Any organisation in receipt of a 3 year funding award who wishes to be considered for additional funding will require to contact their Lead Officer in order that a Committee Report may be presented by the Lead Officer to Resourcing the Voluntary Sector Ad Hoc Sub Committee in this respect. As these applicants have current 3 year funding awards, it will not be necessary for them to submit new application forms in respect of additional funding requests. A number of organisations have already indicated that they intend to take this action.

8. Payments

8.1 Following receipt from organisations of their signed award conditions by CSBS, payment requests are issued immediately.

8.2 **Awards of £10,000+:** Any organisation subject to a Service Agreement or Contract has been paid a maximum of 50%* of their Year 1 award at this stage, to be followed by one or two further instalments, each instalment being subject to CSBS receiving a satisfactory monitoring report. In some instances, the Service Agreement may stipulate four quarterly instalments instead of 50% followed by one or two further instalments. Legal Services have advised that the balance of any award cannot be released until the Service Agreement/Contract has been signed. In order to comply with 'Following the Public Pound', it is also essential that CSBS receives a satisfactory monitoring report plus written authority from the relevant Lead Officer prior to the release of any instalment payment.

* With the exception of the Day Centres, who have received 75% of their Year 1 award to date and are the subject of a separate Sub-Committee report.

8.3 **Awards of less than £10,000:** The standard procedure is the issue of 100% payment on receipt of the signed award conditions by CSBS. These organisations are required to complete an annual monitoring form at the end of the financial year, as described in Section 6.1 of this report. Any organisation in receipt of 3 year funding totalling less than £10,000 (and therefore not subject to a Service Agreement) will be required to complete and return their annual monitoring form at the end of years 1 and 2 in order that the next year's payment may be released.

9. Way Forward

9.1 **Improvement of Application Pack including Appraisal/Scoring Framework and Annual Monitoring Form:** a short life Working Group is now in place, tasked with completing a fully consulted pack by the end of July 2006. In order to simplify the process for users, two separate application forms are to be developed: one three year and one single year. The three year application pack will be supplied electronically where requested, resulting in an efficiency saving. Printed

copies will be supplied where required to those organisations without access to the Internet.

9.2 CSBS Grants Miniweb: The Discussion Forum on this miniweb is being utilised for comments and suggestions on improving the application/scoring/monitoring systems. The Discussion Forum is accessible by voluntary organisations as well as Council staff. Members will be interested to learn that the Grants miniweb has been the subject of a considerable number of favourable comments from the voluntary sector.

9.3 Awareness Raising Roadshows: As per 2005, these will take place across the region during late August/early September 2006 prior to the application closing date of 31 October 2006, in order to provide advice and assistance to potential applicants for 2007/08 and beyond. The Roadshows will have a drop-in format and will be advertised in local Press in August.

9.4 Call for Applications 2007/2008 and 2007/2008 to 2009/2010: Advertisements will appear in the local Press across the region in early September 2006, with a follow-up advertisement in early October 2006. There will be a Press Release (also issued to Lead Officers, Councils of Voluntary Service and Community Planning Co-ordinators) as well as an advertisement on CSBS Grants miniweb.

9.5 Payments, Risk Assessment and Monitoring: Protocol requires to be refined, and this is detailed in the recommendations at Section 14 of this report.

10. Staffing Implications

10.1 While no additional staff require to be appointed to conduct this process, there is an implication on the use of Lead Officer time.

10.2 It is important to point out that there continues to be some misconception that Community Services Business Support is in fact undertaking the role of the Voluntary Sector Funding Unit originally identified by Business Review and Performance Committee, and yet to be developed.

10.3 Lead Officers' time has to be carefully considered and appropriately used. Lead Officers should be relied upon to determine the frequency of monitoring based on their professional risk assessment of each organisation for which they provide monitoring support.

11. Financial Implications

With the exception of human resources constraints and the need for officer training, there are no additional financial implications for the Council arising from this report.

12. Policy Implications

12.1 Allocation of funding to the voluntary sector in Dumfries and Galloway provides a major contribution to the Council Corporate Plan themes of Enterprising and Learning, Inclusive and Safe and Healthy Communities.

12.2 The appraisal and monitoring systems now in place also ensure compliance with the Audit Scotland/Accounts Commission "Following the Public Pound" document.

13. Consultation

13.1 The following have been consulted in the preparation of this report and comments incorporated: Corporate Director of Corporate Services; Director of Finance; Operations Manager, Legal Services; Head of Strategic Planning & Commissioning; Children's Corporate Co-ordinating Manager; Strategic Planning Manager; Operations Manager, Community Learning & Development; Operations Manager, Cultural Services; Operations Manager, Leisure & Sport; Operations Manager, Economic Regeneration & Europe; Chief Internal Auditor; Training and Development Manager; Consultant, Policy & Performance Unit.

13.2 The Operations Manager, Legal Services noted with concern that at Sections 14.3 and 14.4 of this report, money will be paid out for the sum of £10,000 and above without any signed Service Agreement or Contract. Ordinarily organisations receive up to 50% as a first instalment and after 6 months they receive another instalment, by which time they may have operated without any Contract being in place. The preferred route would be to release no money until a signed Contract is in place. Whilst that may prove difficult or impossible in relation to voluntary sector organisations, it is the safest option. If that is not feasible, the Council needs to be aware that there is no guarantee of getting a Contract in place that suits the Council. The Council could be faced with a situation where a large sum of money has been expended, there is failure to deliver the service that was expected, and it is not easy to terminate the arrangement. In relation to monitoring the arrangements/contracts, the frequency would depend upon the size or importance of the service being financially assisted.

14. Recommendations

Members are requested:

14.1 to agree that the financial threshold for a voluntary or community sector organisation to be given a Council Service Agreement is an award totalling £10,000 and above, including 3 year awards which may be less than £10,000 per annum but total £10,000 or more;

14.2 to agree that in respect of all awards of £10,000 or more, Lead Officers are required to carry out risk assessments to identify those organisations posing a high risk, in order to determine the nature and frequency of performance monitoring required before the signature of a Service Agreement or Contract;

14.3 to agree that in respect of awards of £10,000 or more per annum the maximum initial payment shall be 50% of the first year's award or less if a quarterly payment schedule has been negotiated by the Lead Officer and advised to Community Services Business Support;

14.4 to agree that the initial payment in respect of awards of £10,000 or more per annum is to be made as soon as the applicant submits signed conditions of acceptance. The initial payment to be followed by one or more instalments (according to the terms of the Service Agreement or Contract) conditional upon the receipt by Community Services Business Support of a signed Service Agreement or Contract, and a satisfactory monitoring report from the Lead Officer prior to the release of each instalment;

14.5 to agree that in respect of 3 year awards totalling £10,000 or more where each year's award is less than £10,000, each annual payment will comprise 100% of the funding award for that year, Year 1 payment to be made as soon as the applicant submits signed conditions of acceptance, and performance monitoring is to be undertaken by the Lead Officer according to the terms of the Service Agreement or Contract;

14.6 to agree that in respect of single year awards of less than £10,000, full payment will be made as soon as the applicant submits signed conditions of acceptance. Monitoring shall be by completion of an annual monitoring form issued at the end of the financial year to the applicant; this form also to be completed and signed by the Lead Officer and forwarded to Community Services Business Support;

14.7 to agree that in respect of 3 year awards totalling less than £10,000 (therefore not subject to a Service Agreement), the applicant will be required to complete and return an annual monitoring form at the end of years 1 and 2 in order that the next year's payment may be released, with a final monitoring form to be completed at the end of year 3;

14.8 to agree that in respect of 3 year awards totalling £10,000 or more, the second and third year payments would be conditional upon the receipt of a signed Service Agreement or Contract, as well as satisfactory monitoring reports from Years 1 and 2;

14.9 to agree that monitoring of 3 year awards is to be undertaken by the Lead Officer in accordance with the terms of the Service Agreement or Contract, and copies of the signed Service Agreement or Contract and monitoring reports must be forwarded to Community Services Business Support;

14.10 to note the requirement for certain Service Managers to undertake training of Lead Officers in respect of their duties as Lead Officers, particularly in respect of financial monitoring, and the Council's objective to identify and fund key strategic partners;

14.11 to note that where applicants wish to request additional funding and they are in receipt of current 3 year funding awards, it is not necessary for them to submit new application forms for Years 2 and 3;

14.12 to note that the Chief Internal Auditor will arrange for audits to be performed on a number of voluntary organisations in each financial year; and

14.13 to note that the Health and Community Care Plan will be incorporated into CSBS systems such as the scoring framework.

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Background Papers:

1. Committee Report dated 18 November 2005, "Proposal to Transfer Advocacy Funding from the Voluntary Sector Grant Budget to Adult Services Budget", considered by Education and Community Services Committee on 29 November 2005.
2. Committee Report dated 26 May 2005, "Resourcing the Voluntary and Community Sectors – Closing Date for Funding Applications", considered by Resourcing the Voluntary Sector Ad Hoc Sub Committee on 16 June 2005.
3. Committee Report dated 30 May 2005, "Resourcing the Voluntary and Community Sectors 2006/2008 – Application Form and Selection Criteria", considered by Resourcing the Voluntary Sector Ad Hoc Sub Committee on 16 June 2005.
4. Committee Report dated 27 May 2005, "Resourcing the Voluntary and Community Sectors 2006/2008 – Performance Monitoring", considered by Resourcing the Voluntary Sector Ad Hoc Sub Committee on 16 June 2005
5. Corporate Advice Note – Code of Guidance on Funding External Bodies and Following the Public Pound – Corporate Support and Governance
6. Accounts Commission Code of Guidance on Funding External Bodies and Following the Public Pound – May 1996
7. Following the Public Pound – Controller of Audit's Report and Accounts Commission's Findings – March 2004 – Audit Scotland
8. Dumfries and Galloway Council – Following the Public Pound – November 2005 – Audit Scotland
9. Following the Public Pound – A Follow-up Report prepared for the Accounts Commission – December 2005 – Audit Scotland