



REVIEW OF GRANTS TO VOLUNTARY ORGANISATIONS

SUMMARY

- 1.1 In 2009, Leadership agreed that there was a need to restate the Council's policies and practices on grants to voluntary and community organisations – VCOs. A Review Team was established to complete this work. This report outlines the key findings from the review and makes a number of recommendations. These recommendations are subject to consultation with the voluntary sector in line with the Derby Compact Agreement.
- 1.2 It was agreed at the start of the review as part of the Terms of Reference that the final report and recommendations should include:
 - good practice which will establish consistency in process and practice across the Council
 - supporting the third sector to develop
 - do we need to rationalise the system?
 - how can we cater better for new bids for grants from new organisations?
 - how do we make sure the Council's processes and procedures are compliant with the Derby Compact?
- 1.3 Officers and voluntary and community sector representatives have generally welcomed the review and contributed positively.
- 1.4 Voluntary and community groups make a huge contribution to the quality of life in the city and its residents. Around £3m was given as grants to voluntary organisations in 2008/09, supporting more than 360 organisations. Grants range from £100 to over £180,000. 53 organisations receive two or more grants.
- 1.5 In support of the Compact Agreement, some grants have moved to multi-year funding agreements, however, this means that funding is tied up for longer and new groups find it difficult to obtain funding.
- 1.6 There are a number of officers in different departments administering grants and some co-ordination is undertaken by the Compact Implementation Network.
- 1.7 The Council does have commissioning frameworks and there is national guidance on funding for the voluntary and community sector but there is a lack of consistency around:
 - The use of contracts and grants
 - Application forms and agreements
 - Thresholds for lighter touch processes

- Reporting arrangements.

1.9 The Project Review Group has followed the principles of the Compact agreement and liaised closely with the voluntary and community sector, particularly around options for consultation. A five-week consultation to gather views, based on the initial findings, was launched at the Compact Forum on 3 November 2009. The consultation was promoted to existing grant recipients, in the media, on the Council website and through Community Action and Children and Young People's Networks. 58 responses were received. The main themes which came out of the consultation were around:

- standardising processes
- transparency
- fairness
- publicity, communications, information
- monitoring
- support for infrastructure groups
- training, guidance and help to apply for funding
- support for running costs/revenue
- support for new organisations/activities
- allocating funding according to priorities.

1.9 A further three week consultation on the recommendations, which will finish on 31 January, is currently underway.

RECOMMENDATIONS

2.0 As part of the consultation exercise, Scrutiny Management Commission is requested to comment on the following proposed recommendations...

2.1 **Ensure consistency in process and practice.**

2.1.1 Introduce standard application forms, funding agreements and monitoring, proportionate to the level of funding, based on the following bands:

- Up to £5,000
- Between £5,001 and £25,000
- More than £25,000

2.1.2 Compare the Joint Commissioning Framework (for the Voluntary and Community Sector – adopted by Derby City Council and NHS Derby City) and the Department for Children, Schools and Families Commissioning Framework (approved for Children's Trust arrangements), to develop a set of principles for when the Council should be commissioning and when it should be offering grants. Once developed, incorporate these principles into the Compact Framework.

2.2 **Support the Third Sector to develop.**

2.2.1 Review funding provided for infrastructure groups to:

- deliver training and guidance to help VCOs apply for funding
- develop a buddying scheme to help less established and smaller organisations to apply for funding.

2.2.2 Develop a Voluntary and Community Sector Support Strategy. This could cover:

- Council funding for the voluntary and community sector
- support, advice and capacity building
- regeneration, neighbourhood and community development initiatives.

2.3 **Create more opportunities for bids for grants from new organisations.**

2.3.1 Funding bids should be aligned to the Council's priorities. This will help to allocate new funding and redirect existing funding.

2.3.2 As part of the development of the new Community Strategy in 2011 criteria for funding based on identified needs and priorities of the city should be developed.

2.3.3 Implement performance management processes to enable the decommissioning of grants where organisations are not meeting targets.

2.4 **Make sure the Council's processes and procedures in relation to Grants are compliant with the Derby Compact.**

2.4.1 All grant schemes to use the Derby Compact Performance check list to ensure they comply with the principles of the Derby Compact.

2.5 **Ensure transparency, fairness and equality in all aspect of the Grants funding process.**

2.5.1 List information about all organisations funded and amounts received on the Council website.

2.5.2 Use a scoring system for awarding grants.

2.5.3 Carry out an Equalities Impact Assessment of all Council grant schemes to ensure council policies and obligations around equalities are followed.

2.6 **Raise awareness of the Council's Grant funding process.**

2.6.1 Place Grant information, application forms and guidance in one place on the Council website.

2.6.2 Promote Council Grants through the media, libraries, Infrastructure groups, Neighbourhood Boards and existing fora.

2.6.3 Ensure grant information complies with Plain English principles and is promoted as being available in alternative languages and formats.

2.7 Rationalise the system.

- 2.7.1 Consider as part of the wider corporate restructure and the implementation of the DECATS (Delivering Efficient Corporate and Transactional Services) recommendations the benefits of centralising all staff involved in grant funding.
- 2.7.2 In the meantime, the Compact Implementation Network should adopt a stronger co-ordinating role including...
- Considering how for small grants, applicants could submit one application and officers could allocate this to the most appropriate grant behind the scenes. This is similar to the approach adopted by Derby City Partnership's Small Change Grant Scheme which provided a single application point to a number of different funding streams.
 - Ensuring all grants provided to voluntary organisations are entered onto the corporate database.
 - Identifying training and support needs for the effective administration and monitoring of Council Grant schemes.

2.8 Streamline reporting arrangements.

- 2.8.1 A single report should be prepared for Cabinet once a year providing an update on all existing grants.

REASONS FOR RECOMMENDATIONS

- 3.1 The Council expects applications for grants will continue to be greater than the funding it has available. New needs are emerging all the time and the Council wants to be able to respond to these fairly – now and in the future.
- 3.2 These recommendations are based on a five week consultation to gather views and determine key themes. These themes discussed at a meeting of the Compact Implementation Network – CIN. CIN is made up of representatives of Derby City Council Grant Officers, other statutory sector agencies and funding bodies operating in Derby and the region, who have responsibility for partnership working with the voluntary and community sector. The initial ideas were discussed at a focus group of representatives of the Diversity Fora to gain feedback to inform the recommendations.

SUPPORTING INFORMATION

4.1 Introduction

- 4.1.1 In 2009, Leadership agreed that there was a need to restate the Council's policies and practices on grants to voluntary and community organisations – VCOs. A Review Team was established to complete this work. This report outlines the key findings from the review and makes a number of recommendations. These recommendations are subject to consultation with the voluntary sector in line with the Derby Compact Agreement.

4.1.2 The focus of the review was to:

- determine the sources of funding for grants and any limitations applying to the provision of that funding
- confirm and understand the Council's current criteria for making grants to voluntary bodies and the reasons for those criteria
- understand when we should be commissioning and when offering grants
- identify all the voluntary organisations to which grants were made in the financial year 2008/09 and 2009/10, the amount of the grants that were given to them, and the purposes for which the grants were made
- understand and document the practices and processes for the allocation of grants.

4.1.3 It was agreed at the start of the review as part of the Terms of Reference that the final report and recommendations should include:

- good practice which will establish consistency in process and practice across the Council
- supporting the third sector to develop
- do we need to rationalise the system?
- how can we cater better for new bids for grants from new organisations?
- how do we make sure the Council's processes and procedures are compliant with the Derby Compact?

4.2 Scope

4.2.1 The review included all grants awarded to VCOs, including funding from various Government departments for which the Council is the accountable body. There was an initial query whether some larger Arts organisations which employ staff should be included. It was agreed that even though their legal status may be a Company Limited by Guarantee, the fact that they receive grants and have close links with VCOs meant they should be included in the review.

4.2.2 The review did not include:

- contracts to VCOs
- grants or bursaries awarded to individuals
- in-kind support provided by the Council, for example Officer time, reduced cost for venue hire, use of vacant market stalls.

4.3 Consultation

4.3.1 A five-week consultation to gather views, based on the initial findings, was launched at the Compact Forum on 3 November 2009. The consultation was promoted to existing grant recipients, in the media, on the Council website and through Community Action and Children and Young People's Networks. 58 responses were received. The main themes which came out of the consultation were around:

- standardising processes
- transparency
- fairness
- publicity, communications, information

- monitoring
- support for infrastructure groups
- training, guidance and help to apply for funding
- support for running costs/revenue
- support for new organisations/activities
- allocating funding according to priorities.

4.3.2 These themes discussed at a meeting of the Compact Implementation Network – CIN – to develop initial ideas. CIN is made up of representatives of Derby City Council Grant Officers, other statutory sector agencies and funding bodies operating in Derby and the region, who have responsibility for partnership working with the voluntary and community sector. The initial ideas were discussed at a focus group of representatives of the Diversity Fora to gain feedback to inform the recommendations.

4.3.3 The consultation responses included many individual comments which gave interesting views on the review, for example...

- Remember that grants are often run by volunteers in their spare time.
- In order to understand the value of services provided by the voluntary sector, the Council should consider how much it would cost the Council to deliver it themselves.

5. Findings

5.1 Amount and sources of funding

5.1.1 According to information provided, the following was granted to VCOs from Council budgets:

2008/09	£2,103,420	– representing 3.2% of Gross Income
2009/10	£2,059,030	

This does not include...

- Larger arts grants – 2008/09 - £728,815, 2009/10 £737,315.
- Health and Social Care Grants, led by NHS Derby City and administered by Community Action Derby, to which the council contributes £15,000 per year.
- Children's Social Care smaller grants.
- Mayor of Derby Charity Fund – average £10,000 per year.

5.1.2 In addition, the Council acts as the accountable body for funding channelled from various external sources. For example:

	2008/09	2009/10
Youth Opportunities Grant and Youth Capital Grant	£101,719	£59,993
Extended Schools Funding	£91,375	£109,350

The Council is also the accountable body for some Early Years Funding.

5.2 Voluntary organisations to which grants were made in the financial year 2008/09 and 2009/10

Total number of VCOs receiving grants	363
Number of VCOs receiving 2 or more grants	53
Largest number of DCC grants received by one VCO	14

Grant allocations range from £100 to £130,080.

5.3 Understanding when we should be commissioning and when offering grants

- 5.3.1 Very little guidance has previously been available on the appropriate circumstances in which to use commissioning or grants. However, the “Joint Commissioning Framework for the Voluntary and Community Sector Revised version: February 2008” outlines guidance on processes to be adopted by Derby City Council and Derby City Primary Care Trust, now NHS Derby City, for ensuring effective Voluntary and Community Sector involvement in the planning, commissioning and delivery of Health and Social Care services. This also refers to National Audit Office – NAO - Guidance “Financial relationships with third sector organisations – A decision support tool for public bodies in England” and HM Treasury Guidance “Improving financial relationships with the third sector: Guidance to funders and purchasers”. This guidance is currently being revised to make it more appropriate for Local Authorities and Primary Care Trusts.
- 5.3.2 Children and Young People follow the Department for Children, Schools and Families Commissioning Framework which has been approved for Children’s Trust arrangements.

5.4 Role of grant funding

- 5.4.1 For some organisations, only grants will enable them to achieve outcomes that matter for local people. Local grant aid is vital for a healthy voluntary and community sector.

5.5 Practices and processes for the allocation of grants

- 5.5.1 Derby City Council has Contract Procedure Rules to provide guidance and support for all officers who procure goods and services – training is also provided. There does not appear to be anything comparable for awarding grants.

5.5.2 Co-ordination

Co-ordination of grant funding is undertaken by the Compact Implementation Network - CIN. Their aim is to implement statutory sector commitments, promote consistency and best practice in the management and administration of grant funding and develop and promote good funding practices. Members share knowledge and experience of applicants and projects. Most of the officers with responsibility for Council grants are members of the CIN.

CIN has developed a corporate grants database to record all grants made by the Council to VCOs.

A corporate application form and template corporate funding agreement have been developed by the Voluntary Sector Co-ordinators, in consultation with the legal department. A scaled-down agreement has also been produced for smaller grants below £4,000. These templates have been adopted as good practice or adapted by other grant schemes to suit their needs.

- 5.5.3 Some of the administration and monitoring of small grants for Older and Disabled People's Groups - annual budget £50,000 - is now undertaken by Derbyshire Community Foundation – DCF - through a grant as a specific piece of work to replace a previous contribution towards DCF's general running costs.

Community Action Derby administers the Health and Social Care Development Fund on behalf of the Council and NHS Derby City. NHS Derby City is the lead agency for this funding and the DCC monies - £10,000 from Adult Social Services and £5,000 from Children and Young People - have been transferred under a Section 28BB Agreement.

5.5.4 Derby Compact

The Derby Compact, Compact Forum and the Compact Implementation Network are administered by the Voluntary Sector Co-ordinators in Corporate and Adult Services. The annual meeting of the Compact Forum produces an action plan to set out key priorities for progressing partnership working between the statutory sector and the voluntary and community sector. The Compact Action Plan is then used to help set the priorities and work areas for the Compact Implementation Network. A Compact Performance Checklist has been produced to assist statutory agencies in ensuring that their funding and contractual processes are compliant with the Derby Compact.

5.5.5 Publicity

A Grant Information Guide for VCOs, including DCC and external funding opportunities is co-ordinated through CIN and produced by the Voluntary Sector Co-ordinators. It is available on the Voluntary and Community section of the DCC website:

<http://www.derby.gov.uk/CommunityLiving/VoluntaryOrganisations/?qsNavSettings=col1>

Sport and Leisure produce an external funding update highlighting opportunities for community or sporting activities. This is available on the Sports section of the DCC website.

<http://www.derby.gov.uk/LeisureCulture/Sports/Funding+Zone.htm>

6 Key Issues

6.1 Consistency in process and practice

- 6.1.1 There are a number of officers in different departments administering grants to VCOs. CIN meets quarterly and has an important role in co-ordinating knowledge about VCOs, policies, procedures and best practice. The Grant Information Guide, corporate grants database of funding allocated and template corporate agreements are positive outcomes. Effectiveness of CIN depends on members attending, following best practice and keeping the database up to date. A comparison of information provided for this review with a query of the CIN Corporate Grants Database suggests that not all grants are put onto the database. Some members of CIN see it as vitally important that they attend. Others do not give it priority so do not attend or send substitute officers.
- 6.1.2 There are differing thresholds for lighter touch application and monitoring procedures. For example:
- Neighbourhood Board – up to £5,000 – funding agreement 1 page
 - Arts Small grants – less than £1,000 – funding agreement 3 pages
 - Older and Disabled People's Groups – less than £4,000 – funding agreement 13 pages
 - Derby City Council full Funding Agreement - 28 pages long.
- 6.1.3 While template application forms and agreements have been produced, there is still some variation.
- 6.1.4 The Council's diversity statement, advising that information is available in other forms does not appear to be included as standard.

6.2 Reporting

- 6.2.1 Some Officers report all their grant awards to Cabinet in an annual report, even those which are under £25,000, which do not have a significant impact on 2 or more wards and therefore do not meet the criteria for Key Decisions.
- 6.2.2 Neighbourhood Board Community Budget Grants are submitted to the Neighbourhood Board and then signed off by the Ward Committee.
- 6.2.3 Another method is for smaller grants, for example less than £1,000, to be summarised on one page and signed off by a Chief Officer, under delegated powers.

6.3 Grants versus commissioning

6.3.1 There is a lack of consistency about the use of grants and contracts. It has been suggested that some funding may be awarded as a grant rather than a contract for the following reasons...

- To avoid contract procedure rules which are perceived as complex and time consuming.
- Time available, especially when the source of funding may be time limited.
- Specialist projects benefit from being delivered by local VCOs which are already set up to deliver, have local knowledge and are able to make an immediate impact. These organisations can bring a certain degree of additionality to the services they offer.
- To support the local voluntary sector.
- Track record - Officers are familiar with certain organisations.
- A grant funding agreement enables claw-back.
- To support match-funding arrangements.

6.4 Supporting the third sector to develop

6.4.1 To support the principles of the Compact, some grant awards have moved to multi-year funding agreements. While they are still subject to an in-depth annual review, this ties up funding for a longer period. For example, all the larger grants awarded under the Children and Young People's Social Care funding are now committed until 31 March 2012. 41% of the Community Grant Budget Awards are committed until 31 March 2012.

6.4.2 There is anecdotal evidence that the same organisations repeatedly apply for some Council small grants as they are not being encouraged or supported to develop their capacity to apply for larger grants from other sources.

6.5 Catering for new bids for grants from new organisations

6.5.1 Recent meetings of the Council's Diversity Forums have voiced concerns about the difficulty in obtaining funding for new groups and the lack of transparency around the awarding of grants. Changing demographics in the city have brought new and changing needs, for example in relation to ethnic minorities and disabilities, but it is felt that these have not been responded to. The Forums also voiced concerns that new groups which are less organised or with fewer members find it particularly difficult to access funding.

6.5.2 Groups which have received funding over a long period of time and have developed a long-standing relationship with the Council feel they should not be penalised by the reallocation of funding to support new groups and emerging needs.

6.5.3 Some grants are historic and were inherited from the County Council when Derby became a Unitary authority. Some organisations request funding to support their activities on an annual basis, suggesting this is being used for recurring expenditure rather than a specific purchase or project.

- 6.5.4 The Community Grants Budget programme recently recognised the need for new bids to be encouraged when it advertised two grant opportunities – one for new and emerging communities and the other to address lesbian, gay, bisexual and transgender issues within the city. The bidding round which ran over the summer 2009 resulted in three new organisations being approved for funding which will run for three years.

6.6 Ending Grant Funding

- 6.6.1 It has been difficult to end funding to underperforming groups, especially where there have been historical or political interests.
- 6.6.2 Organisations – whether large or small - should not receive grant funding if they are not capable of delivering it. It was noted that the responsibility lies with Derby City Council to carry out effective monitoring and evaluation, advise an organisation where it is under performing and provide an opportunity to meet new performance measures.
- 6.6.3 Funding from other sources, such as the National Lottery, is time limited, however some organisations have become totally dependent on council grants and assume they will continue to receive it. If there is to be no new funding for grants to voluntary organisations some resilience has to be built up in the existing budget. There needs to be the recognition that funding is not forever and for organisations which are receiving grants to work with infrastructure organisations at an early stage to access alternative funding. Members also need to be aware that without some reallocation of funding, new groups and activities can not be funded.

6.7 Funding priorities

- 6.7.1 The criteria for some grant budgets are quite specific, however grants use the six Corporate priorities as their criteria which are very broad. In April 2010, the Council will adopt the priorities of the Sustainable Community Strategy. This is an opportunity to review the priorities for grant funding to meet the targets of the Local Area Agreement.

6.8 Publicity

- 6.8.1 The Grant Information Guide has been the basis for the findings of this report, however there are some grants which are not included, particularly grants which the Council receives from Government Departments and administers them on their behalf as the accountable body – for example funding for Early Years projects.
- 6.8.2 It has been suggested that information about some grant funds can depend on what you know and who you know.
- 6.8.3 While some grants require applicants to include the Council's logo in their publicity, and the media are invited to the annual presentation of the Mayor of Derby Charity Fund, grant recipients are not generally promoted by the Council. One reason for the lack of publicity is that there are concerns about raising expectations and encouraging applications for grants for which budgets have stayed the same or been reduced in recent years.

6.9 Compliance with the Derby Compact

- 6.9.1 A key principle of the Derby Compact is to ensure fairness in funding decisions, using clear, transparent and impartial decision-making processes. A Derby Compact Performance check list to ensure they comply with the principles of the Derby Compact. The Community Grants Budget has received this self-assessment.

6.10 Compliance with Equalities

- 6.10.1 The Community Grants Budget has received an Equalities Impact Assessment to ensure Council policies and obligations around equalities are followed. This is reviewed after 12 and 24 months.

OTHER OPTIONS CONSIDERED

- 7.1 The Review considered a number of options and these are outlined within the report.

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Background papers:	None
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial

- 1.1 None directly arising from this report although adoption of the recommendations contained within the report should ensure that the Council is achieving value for money out of the grants that it awards.

Legal

- 2.1 Voluntary and Community organisations which currently receive grants will require notice, in line with the Compact Agreement, if funding is going to finish due to a change in priorities.
- 2.2 Any change in the process for awarding grants, such as the introduction of a scoring system, needs to be clearly outlined including timescales in line with the Compact Agreement.

Personnel

- 3.1 None at this stage although the review is proposing reviewing officer structures and management arrangements.

Equalities Impact

- 4.1 It is proposed that all grant schemes undertake an Equality Impact Assessment.

Corporate objectives and priorities for change

- 5.1 The work of voluntary organisations and the grants they receive help contribute to delivering all of the Council's priorities.