

Ashford Borough Council

Policy Framework for Funding & Support of Voluntary and Community Organisations

2010 - x

1. Purpose

This document sets out Ashford Borough Council's arrangements for support and funding to voluntary and community organisations (VCOs) over the coming X years.

It will:

- ✓ provide guidance to officers, members and voluntary and community organisations on ABC funding and support of VCOs.
- ✓ ensure that we are achieving ABC's corporate aims and objectives, and demonstrable outcomes for local residents and communities, when we fund VCOs.
- ✓ explain how we propose to ensure that our support and funding relationships with the VCS are
 - internally co-ordinated, fair and consistent
 - externally clear, transparent and equitable.
- ✓ establish a foundation for possible work with Kent County Council and other partners to bring about consistency and value for money in our funding and support to VCOs and maximize community benefit through joint investment.

2. Aim

To ensure that ABC uses its resources effectively and efficiently to support the delivery of quality local services by voluntary and community organisations.

3. Objectives

This framework will:

- help us to co-ordinate ABC funding and grants to VCOs and maintain a corporate overview of this financial support.
- Clarify and promote our processes and procedures.
- ensure we target our funding to those groups providing services which address ABC's priorities and aims.
- enable us to maximise and measure the value of our investments and interventions.
- improve internal and external communication and understanding on VCS support and funding issues.
- help us to meet government requirements for transparency, accountability and value for money in public spending.
- support undertakings in Ashford Borough Compact 2004.

4. Rationale for funding and supporting VCOs

- Ashford Borough Council is keen to work in partnership to meet the needs of local people and deliver the best services possible with available resources.
- We value the significant contribution that voluntary and community organisations make to the quality of life and well-being of residents in the borough.
- We want to support and help develop a vibrant and sustainable VCS that provides responsive services to our growing population and which reflects the wide range of cultural and community interests and needs within the borough.
- We want to ensure that our dealings with the sector whether as champion, partner, funder, or facilitator are clear, transparent and equitable and where appropriate, support best practice.
- We recognise the current challenges and opportunities facing many voluntary and community organisations and are keen to build on the progress made to address important issues for the VCS and help build the sector's capacity.
- We know that the VCS plays a critical role in our ability to deliver our corporate and strategic priorities as set out in our policies and plans and, in particular, ABC Cultural Strategy, the Local Development Framework, Kent Agreement 2 and the forthcoming Sustainable Community Strategy.

5. What is the Voluntary and Community Sector (VCS) ?

The government defines the VCS or THIRD SECTOR as *non-governmental organisations that are value-driven and which principally reinvest their surpluses to further social, environmental or cultural objectives*. This is a diverse range of organisations most easily categorised as:

Voluntary and community organisations including charities (ranging from household names like Barnados to the small village hall committee), trusts and non-charitable VCOs such as Community Amateur Sports Clubs. In common to organisations in this category is that they exist and operate for an altruistic purpose rather than for private benefit; that they were set up, and could be wound up, without needing the permission of the state, and that they rely to a greater or lesser extent on volunteers.

Social enterprises some of which come into the categories of VCOs or co-operatives. Social enterprises are active in a wide range of economic activity in sectors such as training, social care, housing, leisure and childcare. They include organisations such as those selling fair trade goods such as Café Direct, organisations established to provide employment opportunities to people facing disadvantage and development trusts.

Co-operatives and mutuals including Industrial and Provident Societies registered with the Financial Services Authority. The most significant are consumer and worker co-operatives, cooperative consortia, agricultural cooperatives and housing cooperatives and credit unions.

The future role of the third sector in social and economic regeneration July 2007

6. The social & economic value of the VCS

In spite of its size, spread and economic impact many people still do not really appreciate what the VCS contributes to our quality of life.

The National Council for Voluntary Organisations says that the functions listed below form "some of the more credible claims... about the sector's distinctiveness," although it is important to note that they are not only carried out by the VCS:

- building 'social capital', i.e., building relationships and bridges within and across communities that help to bind society together
- meeting special needs/niche interests through significant expertise and experience
- maintaining an independent voice – structural and legal independence allows it to assume a role as a constitutional check or balance
- fully involving their stakeholders – VCOs often have a wide range of stakeholders, engaging them fully helps to bring communities together
- acting with flexibility – its independence allows it, within legal and constitutional boundaries, to respond to changing needs
- innovating – being pioneers in the field of social welfare has long been a distinctive feature
- working across public sector divides – VCOs can bring public and other sector organisations together to support people, especially those with complex needs

7. The value of the VCS in Ashford borough

In 2006 ABC and Ashford Community Network, with funding support from KCC and Ashford PCT, commissioned a study into the social and economic value of the VCS in Ashford borough by Habitus Associates. The findings of the study included the following:

There are an estimated 850+ such organisations operating in Ashford borough with 785 identified to date. 82% of these organisations are registered charities, the rest are mainly unincorporated clubs and societies.

Ashford's VCOs make an important social and economic contribution to the borough. The VCS is a significant local employer with almost 3 000 employees. Over 12 000 people (1 in 8) volunteer at least once a month. The total annual value of the local VCS is estimated to be at least £150 million including income and the value of volunteers and trustees.

8. Strategic policy context

The government aspires to develop the VCS's role in public service delivery:

"The government wants to ensure that the third sector is at heart of reforms to improve public services as contractors delivering services, as campaigners for change, as advisers influencing the design of service and as innovators from which the public sector can learn. This will require a new approach to commissioning and procurement, embracing the sector's multiple roles in shaping and delivering services and particularly in working with users to ensure that services meet their needs"

Local Government White Paper 2006

The government believes that including the VCS among the suppliers of public services can generate benefits for service users, communities and tax payers, and can contribute to the place-shaping agenda set out in the Local Government White Paper 2006 in three ways:

- Including voluntary sector provision alongside public and private sector provision can make for a larger, more diverse and more competitive supply base for public services.
- In some service areas, VCOs may have a particularly good understanding of users' needs or a distinctive delivery capability. This is likely to produce high-quality services, well targeted to the specific needs of diverse groups of service users.
- A healthy VCS can make valuable contributions in a local area, beyond the delivery of public services, notably to public participation, social inclusion and community engagement.

The Audit Commission through the *Comprehensive Area Assessment* will be looking for evidence of sustainable improvement in citizen satisfaction, priority outcomes and value for money. They will want evidence of ambitious plans and vision working in partnership with residents, private and voluntary sectors.

Local strategy commitments

Ashford Borough Community Strategy 2004 -2014

Social Inclusion

- *Support the role of the Voluntary and Community Sector (VCS) in delivering services within the borough*
- *Support the Voluntary Sector Compact to ensure effective partnership working in the delivery of local services*

Ashford Borough Compact 2004

Funding & In Kind Support

3.8 Voluntary and community organisations are often best placed to engage and involve those sections of the community that the mainstream public sector may find hard to reach. Such organisations can also access funding that is not available to public bodies. At the same time, it is clear that Ashford's development will place considerable strain on these organisations, many of which are already struggling to maintain existing levels of service in the face of reduced core funding.

Action Points

- *The Council and PCT will regularly review their funding arrangements to ensure fair access to funding.*
- *The Council and PCT will provide equitable and transparent processes for funding and be open about the organisations that are receiving funding.*

Culture at the Heart A Cultural Strategy for Ashford Borough 2007-2011

champions the critical roles of culture and the voluntary & community sector in developing sustainable communities in Ashford and prioritises support for the VCS in particular regarding premises and accommodation issues.

9. Funding issues for VCOs

Many of Ashford borough's VCOs struggle due to insufficient, irregular funding. This is a serious problem for VCOs nationally. They often rely on multiple, short-term sources that mean constant bid making and an inability to plan longer term. However, contracts do not always solve this problem as there are many examples in other parts of the country where organisations reliant on a single contract for a large proportion of their core funding have folded when this contract is relet to another provider or pulled altogether.

Research by Habitus Associates (2006) suggested that approximately 20% of VCOs in the borough are involved in a formal partnership agreement e.g. an SLA or contract. Almost all of this group is involved with only one partner indicating a potentially high level of risk (depending on the proportion of core funding this agreement represents).

10. Funding issues for Councils

There has been a long-running debate about the relative merits of grants and contracts as the means of funding to the VCS for service delivery. The Audit Commission views the decision on the right mechanism for funding as 'an integral part of intelligent commissioning'. It states in *Hearts and Minds* (2007) that "Local authorities need to be clear about the purpose of their funding".

The Audit Commission recognises in this publication that

"Councils are facing increasing pressure to meet the needs and aspirations of diverse communities, in a climate of tight resource constraints. There is a tension between the requirement to meet users' diverse needs and the limitations of a Council's budget."

They advise that

"Councils must ensure that they have gathered relevant, accurate, and timely information on the composition, needs, and aspirations of their target populations. They also need to have a clear and defensible basis for the difficult judgements they must make about resource allocation".

Longer funding cycles

The Treasury's *Guidance to Funders* (2006) draws attention to two issues that could ease ongoing and well-acknowledged financial pressures for VCOs:

- permitting advance and/or interim payments under the right circumstances and conditions,
- longer-term funding (more than one year and preferably for three years)

Multi-year or three-year funding is becoming the norm not the exception following the Treasury Review. This allows groups some security, and in return allows funders to negotiate on outcomes and sustainability, in accordance with local funding criteria.

Full Cost Recovery

In addition, the guidance emphasizes the importance of 'full cost recovery' – i.e., funding the VCS not just for direct service costs, but also for running and capacity building costs. In reality, full cost recovery includes nothing that a competent public or voluntary sector project manager would not include in a funding bid.

Treasury guidance on full cost recovery is clear:

“When grant making, funders should assess in a simple, proportionate, and equitable manner whether third sector organizations have allocated relevant overhead costs and ensure that costs are recovered only once.”

Improving Financial Relationships with the Third Sector: Guidance to Funders and Purchasers HM Treasury (2006)

However, the Audit Commission advises that “public bodies and voluntary organisations need to take a more pragmatic approach to full-cost recovery. Both parties in an arrangement need to make an informed decision about the affordable level of service that the public body can buy with the money it has. The voluntary organisation must consider whether to find match funding, scale back the service, or walk away from the arrangement”.

The Government has committed itself to implementing full-cost recovery in all departments and agencies. Ashford Borough Council, like many councils across the Country is looking at funding VCOs on a full-cost recovery basis as part of our commitment to a sustainable sector, in line with the approach advised by the Audit Commission.

11. Ashford Borough Council Review of Funding & Support to Voluntary & Community Organisations

In October 2007 Ashford Borough Council embarked on a **review of our funding to voluntary and community organisations** in line with Government and Audit Commission guidance (p.10) and the purposes expressed in this policy. The provisional outcomes of the review are detailed in this policy and the funding programme attached, both of which are subject to consultation and will be effective in their final format, from 1 April 2010.

How we conducted our review

Government has recognised the importance of retaining a choice of funding mechanisms for VCOs.

‘The Grant making Tango’ published by the National Council for Voluntary Organisations (NCVO) and ‘Fruitful funding’ - a joint publication from the NCVO, the Association of Charitable Foundations (ACF) and the Improvement and Development Agency (IDeA) all describe the following simple framework for reviewing and structuring funding to the VCS:

1. giving
2. shopping
3. investing

The Audit Commission recommends the use of this framework by Councils and we used it for our review. It is being led by the Cultural Services unit, with the guidance and assistance of a task group of members with a voluntary sector representative.

12. What our review has told us (to date)

This review has recognised the social and economic importance of our vibrant voluntary and community sector and its contribution to the quality of people's lives in Ashford borough. It has shown that whilst the Council's Community Grants Fund operates well and, in most respects, reflects funding best practice, the Council needs to focus its efforts on improving the way we revenue fund voluntary organisations, co-ordinate our funding across services, and measure the positive impact of our funding on local residents and communities. The review task group concluded that we could use our experience of running the Community Grants fund to help us do this and it could be achieved through the following key actions (subject to due consideration of the outcome of a wide ranging consultation exercise):

- the adoption of a new Policy framework for Funding and Support of Voluntary and Community Organisations (this document)
- the introduction of a new Funding Programme including a two-stage application process, consistent 'entry' criteria, and a revenue 'shopping' stream (attached appendix)
- the implementation of a single grants gateway to better co-ordinate and manage applications and communicate with applicants (see below)
- and the fusing of services on voluntary and community sector matters via the formation of a corporate funding team (see below).

The review identified approx £960k p.a. of Ashford Borough Council funding to 155 voluntary and community organisations who deliver a wide range of important services and activities across the borough.

Government guidance to public sector funders emphasizes the importance of retaining grants, using contracts where appropriate, and most of all, applying proportionate conditions and monitoring requirements when funding VCOs. The interim report from the Treasury Third Sector Review (2006) noted that:

'The consultation suggested there would be benefit to maintaining a mix of grant funding open to small community organisations, alongside the increasing availability of opportunities for third sector organisations to contract with government for the delivery of public services. Many small organisations are not in a position to compete for public service contracts, nor do they see formal public service delivery as part of their core function.'

The Local Government White Paper 2006 and the Action Plan from the Office of the Third Sector also endorse the principle of a balance of grants and contracts depending on the purpose of the funding.

Our review showed that we predominantly fund VCOs through 'giving' i.e. grants (some without any conditions). We therefore propose to introduce a new revenue 'shopping' scheme (one of a mix of funding methods as described in the proposed Funding Programme) to allow us to 'buy' or commission more projects and services to help achieve our corporate and service priorities. As a result of the review, the funding programme will also include a modest pot for 'investment' to help, for example, sustain key organisations through a difficult period, or to facilitate and support organisational change in organisations providing support services to front-line organisations otherwise known as 'infrastructure providers'.

We recognise that, in the interests of organisational and financial best practice, we need to be able to link the Council's spending on VCOs more closely with demonstrable outcomes for local residents and communities. As a first step, this means adoption of a clear corporate policy framework, accompanied by stronger internal co-ordination of budget and priority setting in relation to voluntary and community organisations through a corporate funding team. We must also aim to be in a position to measure and monitor the impact of our spend as soon as is practicable.

The review task group's remit will be extended to monitor and evaluate the project's progress up to implementation on 1 April 2010, and for some time afterwards.

13. Ashford Borough Council's approach from 1 April 2010

The new funding programme builds on the best of practice we have in place already, proposes updated and consistent criteria (including a more equitable approach for Non-Domestic Discretionary Rate Relief), and has, as explained, been devised in line with Audit Commission guidance. Its final format will reflect the outcome of our consultation process but we propose it should introduce a two-stage entry process for VCOs applying to the Council for funding through what will be known as the 'single grants gateway'. The gateway will create a single point of entry to Ashford Borough Council for any VCO applying for funding. It will be supported by a grants gateway officer who will liaise with applicants and act as their point of contact throughout the process. The first stage will comprise a **simple** expression of interest to save both applicants and officers time and unnecessary effort. We believe these procedures will bring consistency, equity and transparency to our funding processes.

In-house, a corporate funding team will lead on the proposed revenue 'shopping' scheme, again supported by the grants gateway officer. We believe this team will bring about better cross-service communication, understanding and ultimately, working with voluntary and community sector partners, across the Council. It will also improve corporate co-ordination, 'ownership' and monitoring of what is a significant financial contribution to local voluntary and community organisations from the Council's annual budget.

Parish Councils will be eligible to apply to the funding programme, alongside VCOs, in recognition of their important role in the delivery of services and activities particularly in our rural areas. **However, it is important to note that the process for parish council concurrent grants is completely outside this programme and this consultation exercise.**

14. Funding Programme

Details of the funding programme (see appendix) are subject to consultation (see p.16 below) and we will be considering feedback carefully in finalising the policy and programme. We are especially keen to hear the views of current or previous funding recipients and those in receipt of discretionary rate relief.

15. Further information for grant applicants

Please refer to our **Funding Guidance** and **Application Pack** for further information. PLEASE NOTE THIS INFORMATION WILL NOT BE DEVELOPED UNTIL THE CONSULTATION HAS INFORMED THE FINAL ITERATION OF THIS POLICY AND FUNDING PROGRAMME, AND IS NOT LIKELY TO BE AVAILABLE UNTIL NOVEMBER 2009.

16. Consultation

We are consulting widely on this draft funding policy and the proposed funding programme with our current funding recipients, voluntary and community organisations, parish councils, urban community forums, residents, councillors, partners and colleagues.

The consultation will run from 3.11.08 to 30.1.09. We welcome your views and feedback in writing, either by email or letter, within this timeframe to the contacts given below.

17. Who to contact

You can send your comments to the Council direct:

Kim Harlow
Voluntary Sector Manager
Ashford Borough Council
Civic Centre
Tannery Lane
Ashford TN23 1PL
kim.harlow@ashford.gov.uk

Or you may like to go via Ashford Community Network and a voluntary sector representative (who would be willing to pass on your comments to us with anonymity):

Simon Bannister
Ashford Community Network
C/o 1/f International House
Dover Place
Ashford TN23 1HU
Simon.bannister@ashford.gov.uk

18. References

The Future Role of the Third Sector in Social and Economic Regeneration
HM Treasury and Office of the Third Sector 2007

Local Government and Public Involvement in Health Act 2007

The Third Sector: The crucial role of the new local performance framework
Communities and Local Government December 2007

Hearts and Minds: Commissioning from the Voluntary Sector
Audit Commission 2007

Implementation of Full Cost Recovery
National Audit Office 2007
Comprehensive Spending Review HM Treasury 2007

Strong & Prosperous Communities Local Government White Paper
Communities and Local Government 2006

Partnership in Public Services: An Action Plan for Third Sector Involvement
Officer of the Third Sector 2006

Improving Financial Relationships with the Third Sector: Guidance to Funders and Purchasers
HM Treasury 2006

Fruitful funding: a guide to levels of engagement
NCVO 2005

Grantmaking Tango - Issues for Funders
Julia Unwin Baring Foundation 2004

www.nao.org.uk/guidance/better_funding/index.htm

Culture at Heart A Cultural Strategy for Ashford borough 2007 -2011

The Social and Economic Value of the VCS in Ashford
Habitus Associates 2006

Ashford Borough Community Strategy 2004

Ashford Borough Compact 2004

19. Glossary & Funding Definitions

ACN	Ashford Community Network
BME	Black & minority ethnic
CAB	Citizens Advice Bureau
CGF	Community Grants Fund
CVS	Council for Voluntary Service (in Ashford
CASEKent)	
GAF	Growth Area Funding
NNDR	National non-domestic rate relief
SLA	Service level agreement
VCS or Third Sector	Voluntary & community sector
VCO	Voluntary or community organisation

Funding relationships defined

Grants can take any of the following forms:

Grant

This is a donation to fund a specific activity because that activity is in broad alignment with the funder's objectives.

Grant in aid

This donation funds the core business or specific aims of the organisation, where it is, or they are, complementary to the Council's aims and priorities.

Grant plus service level agreement (SLA)

This is a grant with an agreement setting out the activities or outputs the funds are intended to support. It can include requirements about quality, monitoring and accountability.

Negotiated partnership or funding agreement or contract

This is where one provider with a satisfactory track record is identified. The agreement or contract is based on funding levels, outputs and outcomes negotiated and agreed by both parties. There is no tendering process.

Tendering plus contract

The funder or client draws up a specification of the service or activity required, and invites providers to put in a competitive tender. EU Directives require contracts over a threshold – currently about £145,000 – to be put to open competition. The decision is made according to published criteria, but not necessarily awarded to the cheapest.

Engaged funding

In *Fruitful Funding* Julia Unwin describes engaged funding as a process whereby

“The funder and applicant organisation work closely together to develop a funding proposition, and then are engaged as equals in the process of grant management.”

Engaged funders work closely with the sector locally, such as the Council for voluntary service (CVS) or specialist forums. They involve them in planning, decision making and learning to improve mutual understanding and respect. They actively support the sector to develop its skills and capacities for the benefit of the community. Or they work with individual funding applicants to ensure the activities or services offered contribute to agreed targets.

Unwin (2006) suggests the following benefits for funders:

- they are more likely to get what they want if they actively help organisations shape activities to fit their requirements
- they share an understanding of what is possible and what is unrealistic
- they reach out to groups that are not currently engaging locally, or not receiving funds
- cooperation offers new thinking and opportunities for innovation

But this level of engagement brings risks too. Funded organisations can become “captured” by their more powerful funders. In addition, funders may find themselves too close for comfort on occasion – especially where funds are to be reduced or redirected to new organisations.

The majority of Councils operate a ‘mixed economy’ and make use of all the above decision making and funding arrangements.

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