
**Executive Member for City Strategy and
Advisory Panel**

15 January 2007

Report of the Director of City Strategy

**Financial Support to Voluntary Organisations (Chief
Executive's/City Strategy) 2007/2008**

Summary

1. This report advises Members of the applications received for financial support of £5,000 or over from the Chief Executive's voluntary sector funding budget for 2007/2008. The Executive Leader is requested to consider officer recommendations to put in place a number of funding agreements, including three year agreements, for amounts up to £50,000 and to forward a recommendation to the Executive for an award of over £50,000. The report also considers the need for a review of future options for making most effective use of the Chief Executive's voluntary sector funding in the face of continuing budget pressures and commitments in the Local Area Agreement.

Background

2. The Chief Executive's voluntary sector funding budget has recently transferred to City Strategy as part of the restructure of the Chief Executives' Directorate. However, there has not, as yet, been any change of name for this budget, as the information for voluntary and community organisations (VCOs) was prepared prior to the restructure taking place.
3. VCOs wishing to apply for financial support to the Chief Executives voluntary sector funding budget have to complete an application form indicating how they meet the agreed criteria for funding and other requirements. The funding process put in place is compliant with the York Compact. Organisations with existing funding agreements also have to provide information about how they have complied with their existing service level agreement. Annex 1 sets out both the general and Chief Executives criteria.

4. In 2004/5 the Council agreed four longer term funding agreements with organisations funded through the Chief Executive's budget. These will end in March 2007 and those organisations wishing to reapply have had to complete new applications this year. The following applications for funding have been made to the Chief Executive's voluntary sector funding budget for 2007/8:
 - 13 applications for funding (linked to Service Level Agreements), of which 11 are from organisations with existing funding agreements
 - 11 applications for Discretionary Rate Relief (DRR) – of which 4 are for DRR only.
5. The total amount of funding applied for is approximately £338,540 plus DRR at a cost of approximately £15,200. The applications range in value from £250 to almost £149,000. Annex 2 summarises the applications received.
6. The budget expected to be available in 2007/2008 (subject to approval at Budget Council) is £256,030. This is the same as the base budget in 2005/2006; however, the cost of DRR tends to increase year on year and this reduces the amount available for funding linked to service level agreements.
7. The shortfall between applications made and budget available is almost £100,000.
8. This report covers only those applications for funding of £5,000 or above. All other applications, including those for DRR without an accompanying grant application, will be dealt with by the Chief Officer, in accordance with the delegated authority in the Constitution. It is intended to decide these applications by the end of February 2007.

Assessment of applications for Chief Executive's funding

9. Officers have assessed the applications for funding and have prepared summaries of each application which are available from the report author. Financial information has also been checked by officers in Accountancy. Where an organisation is currently funded by Chief Executives their performance against the current service agreement is also included in the application summary. Copies are also available in the Members' Library.

Consultation

10. Drafts of the application summaries have been sent to applicants to allow correction of any factual errors. It is acknowledged that this has, unavoidably, included the Christmas/New Year holiday period.

11. Voluntary and community sector (VCS) representatives of the York Compact Group also met with Council officers in December as part of the Council's wider consultation prior to finalising the Council's budget proposals for 2007/08. Included within this was a discussion of the level of Chief Executive's funding and the Compact Group highlighted the following comments in relation to this and the wider issues impacting on the Council's partnership with the VCS:
 - Most VCOs have received no significant growth (if any) in their statutory funding for many years, and struggle to cope with ever-increasing workloads.
 - If the work of these organisations is to continue, the VCS, via the Compact Group, recommends that the VCS, the Council and other partners, must work together to secure the additional funds needed to sustain valuable services for the community.
 - An added concern for many local services is the uncertainty surrounding the new Primary Care Trust's (PCT) commissioning of services from the VCS. The Compact Group requested that the Council add its support to that of the VCS in trying to secure an early and satisfactory resolution to this situation.
12. Consultation within the Council has taken place with officers in Resources, Performance and Improvement (Equalities Officer) and Civic, Democratic and Legal Services. Comments in relation to this internal consultation are included in the following paragraphs or under 'Implications' at paragraph 37.

Options and analysis

13. It is clear from the shortfall between applications made and budget availability (see paragraph 7) that all applications cannot be met. Furthermore, owing to the estimated increase in cost of DRR in 2007/8 compared to 2006/7 and previous years, it is also not possible to fund all existing awards as in previous years as there would be a shortfall of £1,260. A significant part of this increase is accounted for by the increase in rateable value of the completed Priory Street Centre; however, net rates payable have also increased across the board.
14. One future option therefore is to consider reducing the level at which DRR is paid from 12% to 10% or other lower figure. If DRR was to be awarded at 10% this would 'save' approximately £2,000 on the current cost of DRR. It would however, impact on a wide range of VCOs in the city. This option could not, in any event, be introduced for 2007/8 as no consultation has yet taken place and 12 months notice would have to be given to the organisations likely to be affected.
15. A further factor to be taken into account is that, if funding is to be taken away from organisations with existing agreements, then the York Compact

and legal advice require that sufficient notice is given, and that as a minimum this should be 3 months if the proposed reduction is likely to have a significant impact on the organisation.

16. In relation to the applications for funding received for 2007/8 a number of options for funding have therefore been considered as follows:
- A: Maintain existing awards as far as possible by 'sharing out' or 'spreading the cost' of the shortfall across all existing awards.
- Not recommended as the assessments show that there are some VCOs that can source income through charging or fundraising more easily than others; some organisations face more significant inflationary pressures than others; and, as financial pressure on the budget continues the need to prioritise between applications increases.
- B: Share out the available budget between all those applications which meet the funding criteria, including new applications.
- Not recommended as, whilst enabling new applications to be partially funded, this could only be achieved by making significant reductions in funding to other existing high priority services.
- C: Make limited savings according to the relative priority of services in relation to the Chief Executive's budget criteria and taking into account the financial circumstances of individual organisations.
- This is the recommended option as it takes into account the need to consider the relative priority of the different types of service in line with continuing budget pressures, whilst limiting the significance and impact of any reductions in funding.

Funding pressures for 2007/2008 and beyond

17. The increasing pressure on the Chief Executive's voluntary sector funding budget, resulting from a protected, but standstill, budget for many years, have made it increasingly necessary to consider which are the highest priority needs that this particular budget should be used to meet.
18. The revised criteria, introduced last year, more or less retained all the existing types of activity within their remit, albeit with a greater focus on a multi-agency approach and the links with the citywide inclusion and anti-poverty agenda.
19. It has become clear however, that this approach can only be maintained into the future if overall funding budgets increase, at the very least in line with inflation. In the current financial environment the value of funding has reduced year on year. Whilst some very small organisations, particularly those without paid staff, can just about manage to continue to provide their

services on this basis, for other bigger organisations this eventually leads to cuts in services as staff have to be made redundant or premises given up.

20. This situation also, of course, makes it extremely difficult for new services to be funded, as their applications are in direct competition with existing services for an increasingly limited total amount of funding.
21. Significant changes to criteria cannot be introduced without full and inclusive consultation, and there may be other options to consider too. For example, can better coordination of citywide funding bids bring in more resources to the city ? Would additional resources put into helping organisations bid more successfully for external funding provide a greater number of organisations with more and alternative sources of funding rather than trying to stretch limited Council funding further and thinner ?
22. The Local Area Agreement (LAA), which is currently being considered by central government, includes within it commitments for all partners, to increase service delivery by the voluntary and community sector, including to:
 - consider how to achieve the most effective delivery of the priority services across all sectors
 - review existing arrangements for commissioning services and ensure these are Compact compliant, and to
 - actively seek opportunities to bid for external funding sources to achieve partnership priorities.
23. It is proposed therefore that a process of reviewing the future options for making most effective use of the Chief Executives funding budget, including the level at which DRR is paid, takes place over the coming year, bearing these LAA commitments in mind, and that proposals be brought back to Members in due course.

Funding Priorities in 2007/2008

24. In the meantime, the priority for 2007/2008 is to manage the pressure in the budget with a view to a wider review that needs to take place during 2007/8. Using option C (see paragraph 16 above) as the basis for recommendations requires some degree of prioritisation. It is proposed that in relation to the organisations with existing funding, that those VCOs with 3 year funding agreements about to end, represent some of the key services in the city, without which, other organisations would find it difficult to maintain their own services.

York CVS: providing infrastructure support services for other VCOs/as well as supporting partnership working between the public sector and VCS

York CAB: high volume free advice service – whose clients would otherwise have to pay or present at the council or other VCOs for advice

Welfare Benefits Unit: a second tier service supporting other VCO and public advice providers and help to coordinate take-up campaigns

York Racial Equality Network: with a key role to play in the city's approach to promoting race equality, tackling harassment and discrimination and engagement with York's growing BME population.

25. In relation to the criteria for services which are cross-cutting, help to reduce poverty and exclusion, and services which help to build the capacity of the wider voluntary and community sector it is suggested that these have the highest priority for funding in 2007/8. Whilst it is not possible to increase funding in the current financial circumstances it is proposed that these organisations should not face any reductions in funding.
26. In relation to the other funding applications being considered in this report, two new applications were received from Older Citizens Advocacy York and York Older Peoples Assembly. As included in the 'options' section of this report (paragraphs 13 – 16 above) funding new applications at any significant level in the existing financial circumstances is not recommended. However, it is also recognised that the difficulty in funding new applications is an issue that needs to be included in the review being proposed for the coming year. It is also noted that the Council's Grants and Partnerships officer is meeting with members of the Older People's Assembly in the new year to offer some assistance with an external funding application.
27. Three applications – from Relate, Centre for Separated Families and York Travellers' Trust fall in the £10 -15,000 range. The applications for York Volunteer Centre and York Community Accounting Scheme have been included within the application for York CVS for 2007/8 and beyond. All other applications fall below the £5,000 level and will be considered separately from this report.
28. In relation to the small reduction in service level agreement funding that needs to be found it is proposed that this is spread out between these remaining organisations as follows:

Relate and Centre for Separated Families - funding to be reduced slightly from £9,500 to £9,000 for 2007/2008. It should be noted that the funding for these organisations was reduced from £10,000 to £9,500 last year.

York Travellers' Trust funding to be retained at the existing level (£13,000).
29. York Travellers' Trust is at a vital stage in its development and sustainable funding remains a significant issue for the Trust. A research project is due to be carried out in the coming year which will hopefully help to determine the

future direction and priorities of the Trust. The Council is keen to play some part in this project and will consider the outcomes of the research when it is available. Although it is not possible to make any further increase in the coming year, due to the current financial circumstances, it is not recommended to make any reductions to the Trust's funding at this point.

30. The remainder of the budget, estimated at just under £6,000, would be available for distribution to organisations requesting DRR only and funding applications of less than £5,000. Based on the applications received and the expected cost of DRR it is anticipated that small reductions in funding are likely to be necessary across all applications.
31. In summary, the recommendations proposed above are as follows:

Award new 3 year service level agreements as follows:

- York CVS £33,321 plus DRR
- York CAB £126,618 plus DRR
- Welfare Benefits Unit £24,125
- York Racial Equality Network £29,626

Award new annual service level agreements as follows:

- York Travellers' Trust £13,000 plus DRR
- Relate £ 9,000 plus DRR
- Centre for Separated Families £ 9,000 plus DRR

The total estimated cost of all the above awards is £250,113. This leaves an amount of approximately £6,000 for awards of less than £5,000 and DRR only awards. These recommendations are set out in summary in Annex 3.

Recalculation of grant funding and DRR where both are payable

32. Each £1 of 'grant' awarded (funding linked to Service Level Agreements) costs the Council £1; each £1 of DRR costs the Council 75p. Therefore where both grant and DRR are awarded there is an advantage in awarding 20% DRR and a reduced amount of grant. This gives the same value of award to the organisation but costs the Council less. The financial summary at Annex 3 shows that recalculating the financial awards in this way allows awards worth £253,957 to be made at a cost of £250,113. (See the section of the spreadsheet headed 'DRR calculations and adjustments of grant'.)

Payment of awards

33. Custom and practice over the past 8 years at least has been that Chief Executive funding awards are paid out as one lump sum at the start of the agreement period, unless there are particular reasons to stage payments, for example, funding a new service which is not yet 'tried and tested' or concerns about the viability or delivery of services. However, the Chief

Executive has expressed some concern about this practice, in particular, with regard to the level of award to York CAB.

34. One of the reasons this practice has been retained in the current climate is that, some financial advantage accrues to the VCO through being able to gain interest on the funding invested, when overall levels of funding have remained static for many years.
35. Options include, maintaining the current practice for awards below a certain level and making six monthly or quarterly staged payments for others or, maintaining current practice for all awards unless there are particular reasons, as in the examples above, for staging payments. The Executive Leader's views and instructions on this issue are sought.

Corporate Priorities

36. The process put in place to deliver the Chief Executive's voluntary sector funding programme aims to support the corporate priority 'to improve the way the Council and its partners work together to deliver better services for the people who live in York'. The Chief Executive's funding criteria, which focus on increasing social inclusion also support a number of the other corporate priorities, in particular:
 - Reduce the actual and perceived impact of violent, aggressive and nuisance behaviour on people in York (e.g. services delivered by YREN, counselling services)
 - Improve the life chances of the most disadvantaged and disaffected children, young people and families in the city (e.g. services delivered by Centre for Separated Families, York Travellers Trust, Relate, York CAB, WBU)
 - Improve our focus on the needs of customers and residents in designing and providing services (e.g. services delivered by York CVS, OPA, OCAY)

Implications

Financial Implications

37. The proposed budget for Chief Executives voluntary sector funding in 2007/08 is £256,030. This amount is subject to approval at Budget Council on 21 February 2007. The total cost of all officer recommendations made in this report is estimated at £250,113. This leaves an amount of just under £6,000 for awards of DRR and amounts of less than £5,000 to be decided by the Chief Officer.

Human Resources

38. There are no direct human resource implications arising from this report.

Equalities

39. 2005/2006 saw the introduction of new equalities and diversity monitoring for VCOs funded or part funded by the Council. The results of this monitoring were brought together in an equality impact assessment for Chief Executive's voluntary sector funding in 2006/2007. This found that, in relation to the distribution of funding, race and gender issues were fairly well covered, but that there was no specific funding for disability groups and little funding for specifically age related groups. In relation to 'who receives services' there was a mixture of good and less good practice. Areas for improvement included:

- Discuss equality monitoring with individual organisations where this is not already in place and encourage VCOs to make use of existing good practice (for take up of services and for staffing / and governance arrangements); follow up individual queries with VCOs where issues need addressing.

Discussions have been held with a number of VCOs and further improvements are expected in the coming year.

Legal Implications

40. The awards set out in this report are made under Section 1 of the Local Government Act 2000. Where reduced awards are recommended they are not considered to be at a level which would cause significant negative impacts on the organisations concerned.

Crime and Disorder

41. There are no crime and disorder implications arising from this report.

Information Technology (IT)

42. There are no IT implications arising from this report.

Property

43. There are no property implications arising from this report. However, it is noted that York CAB occupy premises leased from the Council.

Risk Management

44. The potential risks in grant funding external bodies range from failure of the VCO to deliver the agreed service at the appropriate standard, to the

closure of the organisation as a whole with consequential loss of funds. These types of risks have been considered and are dealt with through the application, assessment and agreement process put in place by the Council. This includes a financial assessment of the organisation and a requirement that organisations meet the relevant standards for their type of service and that appropriate insurances are held.

45. It should also be noted that funding is not released to an individual VCO until a service level agreement has been agreed and a signed copy returned to the Council. In addition, this year, due to this decision-making process taking place earlier in the year than usual, a small number of VCOs applying for funding have not completed their own financial reporting processes. They have therefore been unable, at the time of writing, to submit annual accounts and reports. In these cases it is proposed that, where funding is recommended and agreed, this is made subject to the receipt of satisfactory accounts and reports. It is not anticipated that this will present any difficulties to the VCOs concerned as there should be ample time before actual funding awards are due to be made.

Recommendations

46. The Advisory Panel's advice and Executive Leader's instructions are invited in connection with the officer recommendations set out in this paper, as summarised in paragraph 31 above and in Annex 3, subject to the outcome of Budget Council. In particular the officer recommendations are to
- Put in place four new 3 year funding agreements from 2007/8 to 2010/11 at a cost of £218,042; referring the decision in respect of the proposed award to York CAB to the Executive for approval as this is over £50,000.
 - Put in place 3 new annual funding agreements at a cost of £31,994.
 - To set aside the remainder of the budget for awards of less than £5,000 and DRR awards (without accompanying grant applications) to be delegated to the Chief Officer
 - To make awards subject to the receipt of satisfactory accounts and reports, where necessary, as set out in paragraph 45 above.

Reason: This is so that the Council can enter into Service Level Agreements with the organisations funded for the provision of a range of services for the residents of York.

47. A further recommendation is that the Executive Leader give his views and instructions on the timing and frequency of payments to be made to VCOs as set out in paragraphs 33 to 35 above.

Reason: To notify VCO's promptly regarding the timing and frequency of payments.

48. It is also recommended that officers review the options for making the most effective use of the Chief Executives funding budget during the coming year, bearing in mind the commitments contained in the LAA, and as discussed in paragraphs 17 to 23 above, and that proposals be brought back to Members in due course.

Reason: This is so that the most effective use can be made of the Chief Executive's budget in the future.

Contact Details

Author:

Sue Poole
Senior Partnership Support
Officer
Economic Development Unit
Tel No: 552031.

Chief Officer Responsible for the report:

Bill Woolley
Director of City Strategy

Report Approved

Date 21 December 2006

Specialist Implications Officer(s)

Financial:
Patrick Looker
Finance Manager
Tel: 551633

Legal:
Suzan Hemingway
Head of Civic, Democratic
& Legal Services
Tel: 551004

Equalities:
Julian Horsler
Equalities Officer
Tel: 551704

Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Background Papers:

Applications are held in the Partnerships Support Team.
Application summaries are available on request and can also be found in the Members' Library.
'Funding for voluntary and community organisations 2007/2008', booklet produced by Partnership Support Team, October 2006

Annexes:

Annex 1: Criteria for financial support (General and Chief Executives)

Annex 2: Summary of applications received

Annex 3: Financial summary of recommendations