

Date: 21/8/2001.

APPENDIX 1

From: Andy Cogan, Chief Executive of COVER.

Report on The Hertfordshire County Council Best Value review exercise, 2001, examining processes for funding voluntary sector organisations in Hertfordshire.

## 1.INTRODUCTION:

### Background:

Herts CC has completed a review of the processes for funding voluntary sector organisations and has prepared a draft implementation plan. One spur for this review was the government requirement to undertake a best value review of services. A second spur was the internal review of Herts CC grant giving to voluntary organisations. This survey revealed a lack of strategy and co-ordination in grant giving across the organisation and arrangements, processes and outcomes that lacked clear criteria, transparency and equity. In addition there were no processes for formal monitoring, evaluation and review of community benefits resulting from the grants given.

### The review process:

The review process met all the requirements of a review of best value: to consult; to challenge; to compare; to compete and to commit. The key stakeholders, directly and through reference groups and workshops were consulted. That consultation activity challenged existing processes and outcomes and looked at competitive, collaborative and comparative models of grant giving. Herts CC then committed itself to develop transparent and equitable targets, processes and outcomes for giving grants to the voluntary sector. The evidence of that commitment is the draft implementation plan.

### The draft implementation plan:

The implementation plan is in four sections: capacity building( note capacity release is the new term replacing capacity building which by is a deficit model implying a lack of skills, experience or resources); strategy and criteria; funding and process. The funding issue is an underlying problem likely to increase rather than diminish. The over optimistic assumptions in the implementation plan about increasing external funding and tapering down Herts CC funding could impair rather than sustain voluntary sector activity in Hertfordshire in the medium to longer term.

Funding context for voluntary organisations in Hertfordshire:

Hertfordshire is the most prosperous county in the third most prosperous region in the UK. One consequence of this is that as new and existing money is targeted on the 10% of the most deprived communities in the country even less money in the medium to longer term will be available to voluntary organisations in Hertfordshire.

A survey by the Directory of Social Change in April 2001 indicated that the voluntary sector derived funds from 3 main sources: the public, £2.5bn pa; the statutory sector, £1.5bn pa and the corporate sector, £0.4bn pa.

Public giving is tapering down as donations fall and income from endowments, shares and investment interest falls.

Grants from the statutory sector are level, tapering or falling at parish, district and county council level.

The government is putting new money into the sector but mainly in neighbourhood renewal areas. The East of England has the fewest number of these areas, 2, Great Yarmouth and Luton. Hertfordshire does not qualify for any of this money. Similarly the government's range of Area Based Initiatives (ABIs) pass Hertfordshire by as the government targets money on the most deprived communities.

As EEDA, the Regional Economic Development Agency, shifts its focus from SRB Regeneration Area Programmes to eliminating infrastructure barriers to economic growth, less money will be available to voluntary organisations in Herts.

As the EU enlarges, and as the revised RDP focuses regional ESF and ERDF activity on a narrower number of beneficiary groups in a narrower range of areas of deprivation the money available to voluntary organisations is likely to shrink, certainly from 2006 and possibly earlier.

The Health Authorities and PCTs are a major source of funds for the voluntary sector in Herts. With the re-organisation of NHS structures, the merging of Herts and Beds Health Authorities into a strategic body and the devolution of operational responsibilities to PCTs and hospitals that cross county and district boundaries there is a danger of voluntary organisations and charities either losing income or increasing overheads. For instance Age Concern Herts gave the example of moving from one contract for services in Herts to 8 contracts, each slightly different with each PCT drawing money away from service delivery and onto administrative and project management costs.

The Community Fund, formerly the Lottery Board is to lose £150m as money is transferred to school and hospital capital projects. In this region the money available to voluntary organisations will halve to £11m pa. The consequence of this change is that the number or value of Community Fund projects in Hertfordshire will halve. So the QE2 hospital might get a new scanner but the community fund transport schemes, carer schemes, befriending schemes that keep people out of hospital or get them to their hospital appointment might disappear, as may many of the community based Health Improvement

Programmes which rely on a mix of Herts CC, Health Authority and Community funds.

Conclusion:

The underlying assumption that the voluntary organisations in Hertfordshire will be able to draw on a growing share of external funding is over optimistic.

## 2. THE IMPLEMENTATION PLAN:

Capacity Building (The new term in vogue is capacity release):

The Recommendations, Performance Indicators, Targets and Actions are significant commitments from the County Council. In recommendation 1 the target of 20% is too high given funding changes outlined above. A 10% figure would be more realistic. The Herts External Funding Group and Herts External Resources Network, 2 and 3 are useful county based activities especially if they collaborate effectively with local development agencies, Herts CDA, CVS network in terms of enabling dissemination of information and organisational training and development.

In 4 supporting the Community Foundation and the network of Volunteer Bureaux would facilitate higher levels of 'in cash' and 'in kind' private sector support.

5 the activity is welcome but the probability, given the funding context above, is that voluntary organisations in Hertfordshire will struggle to maintain current levels of external funding in the medium and longer term.

6 is a welcome commitment by Herts CC. The evidence of payroll giving elsewhere is that 25% of staff in year 1 is a very optimistic assumption and will be counter productive if staff feel coerced or bounced into payroll giving. The system itself is both tax efficient and relatively simple to administer for the giver and receiver. The Compact commitments, including a need for shared experience and understanding naturally encourage secondments and work shadowing and employer supported volunteering initiatives.

7 the training commitment could be extended to voluntary sector staff, in the spirit of collaboration and partnership. Some of the capacity release could be facilitated by voluntary sector training providers with expertise in these areas such as the YMCA.

Strategy and criteria:

Recommendations 8, 9, 11 and 12 are welcome commitments by Herts CC and fulfil the commitment given in the review process to develop open, transparent, simplified and equitable funding criteria and processes based on Herts CC strategic priorities.

Recommendation 10 will be easier for larger organisations than for small, wholly voluntary, organisations to fulfil without additional support. Some degree of proportionality is required. For small grants, say up to £5,000, small procedures, demands and returns need to be in place. The 2002 financial profile target is a reasonable place to start. Rather than % figures you might say that in 2002 all applicant organisations will produce a statement of

income expenditure for the last year. That by 2003 all recipients of grant aid will produce a quantitative and qualitative report of up to 2 sides of A4 outlining what the organisation achieved with the grant against the targets set with an explanatory paragraph of any significant variations. By 2004 you might require all applicant organisations to have an Equal Opportunities Policy. By 2005 you might require all applicant organisations to provide a business plan. By 2006 you might require all applicant organisations to provide evidence that they use a recognised Quality Assurance System. By 2007 you might require all organisations seeking over £5,000 pa to register with, or have obtained IIP status, or have a staff training and development plan. All these might require some training via the Herts LSC and would spread good practice and boost the professionalism and competence of the voluntary sector in Herts.

#### Funding:

Recommendation 13 is perhaps the most contentious in the implementation plan. Most voluntary organisations wish to have financial independence the reality is that many, especially the infrastructure, advice and support networks, are not in that position. The tapered funding, given the emerging funding context will limit their capacity to sustain voluntary activity in Herts over the medium to longer term. Does the taper imply a reducing commitment by the county council or an opportunity to widen the range of organisations receiving Herts CC support. This needs clarification. Is the cake to shrink? Are more groups to get a slice? Good practice in funding voluntary organisations, as outlined by the Directory of Social Change, as well as the 3 to 5 year funding commitment, would include 2 year's notice of intention to end funding to a group in order give the organisation enough time to find other funders or refocus activity elsewhere.

Recommendation 15 is a welcome recognition of the need to make small one off payments and externalising the management and administration of the fund could be beneficial to Herts CC, the recipient organisation and the beneficiary organisations. 16 is a welcome commitment but I doubt that it can be done without increased administrative costs.

#### Process:

Herts CC has fulfilled the commitments given to develop open, transparent processes for grant giving. 17 and 18 are welcome processes. Training staff and locating and publicising information through Libraries and other Herts CC access points are part of the answer. With regard to recommendations 17, 18, 19, 20, 21, 22 Herts CC could also pay Herts CDA and the CVSs and other major county wide organisations to distribute the information, and gather sector responses, as they have many of the groups Herts CC would wish to reach and fund but who may lack internet facilities or ready access to a library.

19, is another welcome commitment to develop fair and effective monitoring and evaluation practices. 20 and 21 are welcome commitments to transparency and openness. 22 is a welcome commitment to develop formally constituted collaborative, co-operative working relationship with the voluntary sector in Hertfordshire.

#### CONCLUSIONS:

1. The best value review framework and an internal review of grant giving stimulated the review process undertaken by Herts CC into funding Hertfordshire voluntary sector organisations.
2. The process met all the best value review criteria. The consultation was inclusive, thorough and gave sufficient time for engagement and reflection by voluntary sector stakeholder communities of interest and of place. The County Council gave commitments to develop open, transparent, consistent and equitable funding criteria, processes, monitoring, evaluation and review.
3. The implementation plan has a comprehensive set of recommendations, performance indicators, targets and actions that meet the commitments in the review process for openness, transparency and equity. There are doubts as to the viability of the underpinning funding strategy. External funding, especially for infrastructure and advice and guidance groups, is likely to become harder to find in the medium to longer term. Tapered funding by the County Council could see voluntary activity shrink rather than grow. Opportunities to release the capacity of voluntary organisations to deliver services, engage in community activities and combat social problems may diminish in the medium to longer term.
4. The County Council, District Councils, NHS organisations, Connexions Service and Learning and Skills Councils and the voluntary sector will need to come together in effective partnerships in the years to come in planning, funding, developing and delivering the services and opportunities for community action that the people of Hertfordshire want and need. The County Council is perhaps best placed to take a lead in this as they have in the compact and the best value review of funding Hertfordshire voluntary organisations.