

Leicester
City Council

**WARDS AFFECTED
ALL WARDS (CORPORATE ISSUE)**

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Finance, Resources and Equal Opportunities Scrutiny Committee
Cabinet

24th January 2002
28th January 2002

A NEW APPROACH TO FUNDING VOLUNTARY SECTOR SERVICE PROVIDERS

Report of the Director of Social Services

1. Purpose of Report

- 1.1 This report proposes a new corporate approach for Voluntary Sector funding arrangements within the Council's Revenue Budget Strategy for 2002/03 to 2004/05.

2. Summary

- 2.1 Financial support from the Council to Voluntary Sector activity has been subject to a corporate "banded" inflation policy for the last three years. Within this, organisations received no inflation, limited or full inflation dependent on their level of funding. Over a period of years, this has had an impact on the sustainability of organisational budgets.
- 2.2 The new approach proposes a more strategic way forward, which enables continued funding of the highest priority activities provided by Voluntary Sector Organisations, in accordance with the Council's legal duties, strategic priorities and objectives and within the framework of the Government's Modernisation Agenda, Best Value disciplines and budgetary constraints.

3. Recommendations

- 3.1 Cabinet is asked to comment on the report in the light of comments from the Finance, Resources and Equal Opportunities Scrutiny Committee to be reported verbally.

4. Financial and Legal Implications

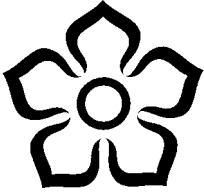
- 4.1 After three years, the corporate inflation policy has for many voluntary organisations had the effect of reducing capacity to sustain activity. There is a need to consider alternative approaches to voluntary sector funding, which will meet the Council's priorities but which are also responsive to the budgetary constraints of service departments and of the Council as a whole.

4.2 Appendix A provides a summary of the budget within each service department for funding Voluntary Sector activity.

5. Report Author/Officer to Contact

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SUPPORTING INFORMATION

Report of the Director of Social Services

1. Introduction

1.1 This report proposes a new approach to the funding of Voluntary Sector Organisations within the framework of the Modernisation Agenda, Best Value disciplines and budgetary constraints. This will enable continued funding of services in line with the Council's strategic priorities and objectives.

2. Background

2.1 Due to the Council's own budgetary constraints, the Council's voluntary sector budgets have been subject to a corporate voluntary sector "banded" inflation policy for three out of the last four years. This has resulted in organisations receiving no, limited or full inflation dependent on the amount of funding to that individual organisation. Over a period of years, this has had an understandable impact on the sustainability of organisational budgets.

2.2 The application of the corporate inflation policy has impacted on individual voluntary organisations in a number of ways, including:

- a) The inability, in an increasing number of cases, to meet contractual obligations.
- b) Funding agreements needing to be renegotiated regarding levels of service activity.
- c) Tensions arising from increasing frustration at a perceived 'discriminatory' policy, which differentiates between in-house Council services and Voluntary Sector service activity.
- d) Potentially undermining the Council's relationship with the community through organisations represented via the voluntary sector.
- e) A reduction in the Council's capacity to support strategic priorities and goals.

3. The Introduction of Funding arrangements based on the categorisation of Services provided by Voluntary Sector Organisations

3.1 Any alternative approach to the current “banded inflation” model needs to recognise the reality of budgetary pressures that continue to face the Council, and the consequent inability to fund all in-house or externally provided activity to the desired level. The usual processes, considered within the budget process, to manage this dilemma include;

- a) Across the board reductions.
- b) Differential treatment, to fund activities to different levels.
- c) Identification of alternative funding/income streams.

The Banded Inflation model was based on (a) and (b), but the differentiation of treatment was based on different bands associated with the level of funding. An alternative model could substitute that variable with one based on an assessment of the importance of the activity and the extent of its contribution towards the Council’s priorities and objectives.

3.2 This could be achieved by applying a three-year strategic approach to map and review funding arrangements against pre-set criteria, which reflect the ‘core’ business of the Council and its service departments by introducing Categorisation to determine priority for ongoing and future funding. This would work to safeguard/protect core service activity against a blanket inflation policy or budget reduction exercise. However, it would impact on lower end dependency and less essential services by challenging the future funding and viability of some of these services.

3.3 Following consultation between departments, two broad categories have been identified within which services/activities would fit and which reflect the differing legal basis and nature of departmental activities and responsibilities.

Category A.	Mainstream – Priority statutory and strategic services. These include; Statutory Services reflecting the Council’s primary legal responsibilities reflected in core functions of the Council’s work delivered through voluntary sector service arrangements. Strategic Services that specifically contribute to corporate and departmental service priorities and community engagement. These serve and meet social, and/or economic needs contributing to prevention strategies and complementing the core functions of the Council.
Category B.	Historically funded services. Other historical, mainly grant aided activity, which no longer conforms to departmental service or corporate priorities.

3.4 It is important to recognise that this categorisation applies to each service activity and not necessarily to organisations as a whole. (An individual organisation may have a variety of differently funded services and activities in each category). The categorisation would not be applied by officers in blanket fashion, but would be subject to Member consideration.

4. The Way Forward

- 4.1 The proposed New Approach seeks to achieve a balance between recognising the importance and contribution of the voluntary sector in the delivery of local activity and services, against the need to ensure that funded services contribute to core responsibilities/priorities and meet community and individual needs.
- 4.2 The categorisation in paragraph 3.3 would be applied, by each department, to all funded arrangements, determining funding for each individual service or activity resulting in:
- Continued funding (with full inflation) i.e. Category A
 - Tapering down of funding (with no inflation) i.e. Category B
 - Withdrawal of funding (in accordance within the termination clause of the corporate core contract).
- 4.3 Service provision identified as falling into Category A (Mainstream Services) are protected, in principle, from budget cuts and awarded inflation at the corporately agreed rate. Services could still, however, be set targets for efficiency savings and be subject to quality evaluation and Best Value Review, in the same way as 'in-house' services.
- 4.4 While the strategy would be applied over a three-year period, an ongoing review of performance (both financial and service) would continue of each funded organisation. Irrespective of the category of service, where there were concerns about performance, steps would be made to improve this within the contractual funding agreement. Termination of funding arrangements would be a final sanction if no improvement was possible or in the event of breaches of the funding arrangement.

5. Consultation

- 5.1 Initial informal discussions with the voluntary sector, via Voluntary Action Leicester, about the proposed new approach have been positive. Further more detailed consultation would need to be undertaken prior to the approach being implemented.
- 5.2 Within the Council, detailed consultation has been undertaken with officers in each department, about the proposed way forward.

6. Financial, Legal and Equal Opportunities Implications

- 6.1 This approach would be pursued within the terms of the Council's Contractual Funding Agreement.
- 6.2 Within the process of assessing services in relation to Category A and B, particular attention will be given to specific services being provided to minority and disadvantaged groups – in order that strategic objectives are achieved and the future development of such services protected.
- 6.3 Over a period of time, the application of a corporate inflation policy has in effect reduced the level of resources available to sustain voluntary sector activity at its present level. There is a need to consider alternative approaches to voluntary sector funding, which will meet the Council's overall service priorities but which are also responsive to the budgetary constraints of each service department and the Council.
- 6.4 Appendix A provides a breakdown of each service department's budget for funding voluntary sector organisations.

7. OTHER IMPLICATIONS

OTHER IMPLICATIONS	YES/NO	Paragraph Within Supporting information	References
Equal Opportunities	Yes	6.2	
Policy	Yes	Throughout	
Sustainable and Environmental	No	No direct implications	
Crime and Disorder	No		
Human Rights Act	No		
Elderly/People on Low Income	Yes	Throughout report	

8. Background Papers

None.

9. Officers to Contact:

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