



**NORTHAMPTON
BOROUGH COUNCIL**

CABINET REPORT

Report Title	VOLUNTARY AND COMMUNITY SECTOR RELATIONSHIP
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	5 August 2009
Key Decision:	NO
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Chief Executive
Accountable Cabinet Member:	Councillor Hoare
Ward(s)	Whole Borough

1 Purpose

- 1.1 To improve the relationship between Northampton Borough Council and the local 'Third Sector', by proposing changes to how the Council and the Sector work together to achieve benefits for local people and to the administration of grants.

2 Recommendations

Cabinet is recommended to

- 2.1 **Introduce a commissioning system** to procure benefits for the community through the Third Sector, as outlined in the report, commencing in 2010-11 with advice and guidance services and Third Sector infrastructure support services;
- 2.2 **Introduce a small grants fund**, drawn from the existing grants budget, to be administered on this Council's behalf by the Northamptonshire Community Foundation (subject to agreement of terms by the end of September 2009);

- 2.3 **Operate an interim grant award scheme** for 2010-11 only, to provide a period for the Council and the Third Sector to prepare for more general commissioning of outcomes from 2011-12;
- 2.4 **Restrict eligibility to this award scheme to Third Sector organisations**, ensuring that funding for other functions is provided for in other appropriate budgets.

3 Background

- 3.1 The 'Third Sector', consisting of voluntary, community and related groups, has a critical part to play in the life of Northampton. These organisations provide vital services, particularly to vulnerable and disadvantaged groups. They provide opportunities for a range of activities which benefit the whole community or particular parts of it. They also provide a means for people to take part in civic life and, through volunteering, become an active part of their community's future.
- 3.2 An overview and scrutiny report in 2007 recommended that the Council consider the outsourcing of grants administration, and develop a commissioning strategy in respect of services delivered through the Third Sector. It is also clear from discussions with the sector that existing grant award mechanisms are not always seen as clear and fair, and that communication with the Council has been unreliable. Within the Council, the need to demonstrate value for money and to consider alternative ways of achieving outcomes have prompted renewed thinking about the role of the Third Sector.
- 3.3 This Council is signatory to a local Compact between local government and the Third Sector which mirrors a similar national Compact. This agreement sets out principles for the relationship between the organisations in the two sectors, based on recognising each other's roles and requirements. Developing the relationship will help to bring the Compact to life in Northampton.
- 3.4 The Local Area Agreement for Northamptonshire, to which this Council is also a signatory, includes a shared outcome target of 'a strong, diverse, vibrant Third Sector and volunteer base'. This is presented as a contribution towards 'stronger, empowered and cohesive communities'.
- 3.5 Recognising these issues, a working group has been formed to make recommendations for improvement and to deliver the Council's wishes as set out in the overview and scrutiny report. This group includes councillors nominated by the Community Enabling Fund Advisory Panel from each of the three political groups, senior representatives from the Third Sector and the County Council, as well as Northampton Borough Council officers. This report draws on their work.

4 Issues

- 4.1 This report considers the relationship from the following perspectives:
- Securing outcomes from the Third Sector
 - Grants for Third Sector organisations

4.2 Securing outcomes from the Third Sector

- 4.2.1 The Council and its partners have identified a variety of outcomes in the community which either are or could be delivered by Third Sector organisations, if they are best able to do so. At present these arrangements are funded by grants awarded through the Community Enabling Fund process, along with all other Third Sector grants. The Council's role is passive, waiting for organisations to make a bid which is then considered on its merits.
- 4.2.2 A more active approach would see the Council identifying those outcomes it wants, and procuring these from the most appropriate provider. This commissioning model allows for a much closer link between the Council's agreed objectives and the services provided, with greater clarity on what is to be delivered and how it will be measured. Several of the existing grants to Third Sector organisations are for services which could be treated in this way. In particular, this Council along with other districts and boroughs is discussing with the County Council how advice and guidance services could be commissioned across the county, and other service areas are likely to follow.
- 4.2.3 This approach requires greater clarity from the responsible department within the Council as to what it requires and how this is to be evaluated. It is acknowledged that this Council has little direct experience of commissioning outcomes from the Third Sector. However, the Compact is clear that local authorities should work with the sector to develop new approaches and particularly to understand what the sector locally is capable of, and where it can develop capacity and capability. Among other factors, commissioned services should have contracts for at least three years to ensure stability and return of benefits from investment.
- 4.2.4 Given the relative lack of experience in Third Sector commissioning, it is suggested that a phased approach is adopted. For the 2010-11 financial year the services already being discussed with the County Council, namely advice and guidance, and community transport, could be dealt with in this way. Within the 2009-10 grants budget, approximately £230,000 is accounted for in advice and guidance services.
- 4.2.5 The other area where this approach should be introduced early is support services for the Third Sector itself, which authorities have supported through commissioning 'local infrastructure organisations'. This funding is to be devolved from county to the Borough Council for next year, and the existing contract can form the basis of a newly commissioned service. In 2009-10, in addition to county funding, NBC's grants budget includes £50,000 for local infrastructure.
- 4.2.6 Other services – or more correctly, outcomes – can follow in the following year 2011-12. This will allow the Council's service departments and the local Third Sector to prepare, including working together to develop capacity on both 'sides' and to form consortia or other arrangements.
- 4.2.7 It follows that a transitional arrangement will be needed to cover the year 2010-11; it is proposed that a grant award process developed from the existing one but with redesigned application criteria, and operated by the Community Enabling Fund Advisory Panel, should be run to allocate the

remaining grant budget. It is recognised that a one-year agreement is not ideal and is not recommended in Compact good practice, but in this case it provides some continuity while not unduly delaying a more effective process.

- 4.2.8 This report also reiterates the recommendation of the Overview and Scrutiny report that such an award scheme should be restricted to Third Sector organisations. Financial provision for other functions – for example partnership arrangements – should be made within appropriate service budgets.

4.3 Grants for Third Sector organisations

- 4.3.1 In addition to commissioned service outcomes, there remains a place for grants to Third Sector organisations to encourage community activity and volunteering, support innovative approaches to tackling local need, and ‘pump prime’ new organisations. These grants are likely to be individually relatively small but to deliver benefits both directly to these organisations’ clients and in encouraging a culture of active citizens.

- 4.3.2 The awarding and administration of a grants fund by a local authority can give rise to potential conflicts, perceptions (even if totally unfounded) of favouritism, and take up considerable officer resource. As suggested by the Overview and Scrutiny report, an alternative is to outsource these tasks. Locally, the Northamptonshire Community Foundation has acquired a good reputation for administering funds on behalf of both institutional and private clients. The Foundation will, in return for a management fee, run a grants award process in accordance with criteria set by its client – in this case the Council – handle the financial transactions and the monitoring of activity and results against promises. The Council could nominate members to form part of a panel to make decisions and monitor progress. In these ways the link to the Council’s objectives would be maintained, without stifling the creativity of the Third Sector.

- 4.3.3 This approach also offers the possibility of being part of a shared and co-ordinated way of handling small grants between a number of Councils in the County. At present the County Council is considering the scope for working up a joint arrangement with this Council that would reduce overheads further without compromising the two authorities’ potentially different priorities.

- 4.4 Taken together, these two approaches would imply the replacement of the current Community Enabling Fund Advisory Panel (CEFAP). In its place, those service outcomes commissioned by service departments would be integrated into the normal processes of developing, delivering and monitoring services and their performance. So for example where a Third Sector partner is delivering a programme to address homelessness problems on the Council’s behalf, this would be looked at along with the rest of the Council’s homelessness strategy rather than separately by CEFAP. For the small grants fund, a panel would be facilitated by the Community Foundation, to concentrate on those decisions and reviews where Members’ input is necessary.

- 4.5 In addition to these policy decisions, the relationship between the Council and the Third Sector is already improving by regular dialogue between officers and

the sector's representatives. This will expand as the sector becomes involved at an early stage in identifying needs within the community and in shaping the kinds of response which is most appropriate – which is entirely in accordance with the principles of the Compact. This dialogue will also help to identify where and how the Council can best assist the Third Sector in building its strength and capability to support the local community.

5 Options

- 5.1 **Retain existing system.** This would mean continuing with a 'single pot' grant award process, with applications generated by Third Sector organisations having to meet certain criteria and being recommended for grant award by the Community Enabling Fund Advisory Panel.
- 5.2 The benefit of this approach is familiarity. However, this approach makes it difficult for the Council to develop the relationship so that it is a real partnership for delivering improved outcomes to the community – there is no simple mechanism for ensuring that the Council's objectives, or the commitments made in the Local Area Agreement, are reflected in the spread of applications received. The link with the Council's departments responsible for related service delivery can be difficult to maintain. It should be noted that even with this option some improvements to the application, agreement and monitoring processes would be needed to provide appropriate control and accountability. In the absence of dedicated staff resources this will be difficult.
- 5.3 **Introduce a commissioning system for all financial transactions with the Third Sector.** This would place the initiative entirely in the Council's hands to specify and procure the outcomes it wants.
- 5.4 This would be a radical change to how the Council relates to the Third Sector. It would make the demonstration of value for money easier, since the Council would effectively be buying outcomes from whoever was assessed as the most effective provider and could assess how far these outcomes were achieved. As has been stated above, the Council has little direct experience of this approach, so there would be risks in attempting a wholesale change over a short period. It also leaves little room for support to the Third Sector for innovative or start-up projects, or to fund community organisations which are providing benefits not directly aligned to current service delivery.
- 5.5 **Introduce a commissioning system along with a small grants fund.** This would give a balance between outcomes commissioned and initiated by the Council, and applications for support for projects and groups arising from the community and the Third Sector itself.
- 5.6 This is the recommended option, bringing a balance of 'top down' Council specified work to deliver its corporate commitments, and 'bottom up' activity generated by local communities. The amount available to create a small grants fund, which cannot realistically come from outside the existing grants budget, will need to be considered along with the rest of the Council's general Fund budget, with individual awards no greater than £5,000 for one year.

If the decision is to create a small grants fund, there are two options for its management:

5.7 Manage the small grants fund in-house.

5.8 The risk with this option is that the Council lacks the resources to manage the process effectively and transparently. The potential for perceptions of favouritism would also be addressed by opting for the alternative below.

5.9 Enter into an agreement with the Northamptonshire Community Foundation to manage the small grants fund on the Council's behalf.

5.10 This would incur a management fee, but would transfer the responsibility to a respected organisation whose core business is the administration of grants within the Third Sector. Links to the Council's goals would be preserved in setting up award criteria, and councillors could retain a role in decision-making. Opportunities for working with other councils offer the prospect of additional efficiencies.

6 Implications (including financial implications)

6.1 Policy

6.1.1 These proposals are consistent with the recommendations approved following the Overview and Scrutiny report.

6.2 Resources and Risk

6.2.1 The budget for community grants in 2009-10 is £633,220. The recommendation of this report is to identify a proportion of this in 2010-11 as a small grants fund. The size of the total budget is of course at Council's discretion as part of the General Fund budget.

6.2.2 There is no individual member of staff in the Council who is dedicated to working with the Third Sector or administering grants. Given the pressure on resources it is not considered realistic to create such a post. This is one argument for working in partnership with the Community Foundation in administering a small grants fund.

6.2.3 There are three key risks to consider. First, withdrawing funds from a Third Sector organisation may threaten its existence, and the implications of that for the whole community and into the future need to be considered. Losing such an organisation may weaken the resilience of the sector as a whole. On the other hand, the Council must be mindful of value for money and certainly cannot guarantee funding any organisation in perpetuity.

6.2.4 Second, there is a risk that an organisation may fail to deliver the outcomes for which it is commissioned. This is the same risk as is found in contracting services out to the private sector, and can be addressed by making appropriate and thorough enquiries before the arrangement begins, then monitoring performance. It is also appropriate – and consistent with the Compact – to work with the organisation to manage these risks in advance.

6.2.5 Third, the Council needs to ensure that public money is properly accounted for. The degree of scrutiny needs to be proportionate to the sums and the risks, but monitoring must include appropriate financial oversight. The

Northamptonshire Community Foundation is part of a national network and has a track record of successful and reliable administration of charitable and similar funds, which gives confidence in how the small grants fund would be handled.

6.3 Legal

- 6.3.1 None immediately from this report. There will be contractual issues in regard to both existing grants which may come to an end, and new arrangements to be negotiated and agreed.

6.4 Equality

- 6.4.1 Third Sector organisations are key to identifying and addressing the needs of diverse communities. An outcome of the recommendations should be that access to funding particularly for smaller or more recently established groups is made easier. An Equality Impact Assessment was undertaken in 2008, and this report takes forward many of the recommendations arising from that.

6.5 Consultees (Internal and External)

In addition to the consultation carried out as part of the Overview and Scrutiny review, this report has been developed through the assistance of a working group whose members are:

Cllr Brendan Glynane

Cllr David Palethorpe

Cllr Tess Scott

Dominic McClean, Chief Executive, Northampton Volunteering Centre

Victoria Miles, Chief Executive, Northamptonshire Community Foundation

Sandra Bell, Chair, Northampton Voluntary Sector Forum

Claudette Wray-Chambers, Northamptonshire County Council

Steph Billson, Northamptonshire County Council

Cara Boden, Assistant Chief Executive, NBC

6.6 How the Proposals deliver Priority Outcomes

- 6.6.1 The Council's Corporate Plan states that "we will work with partners to achieve effective working with the voluntary and community sectors". This report is intended to improve that working relationship.

7 Background Papers

The Northamptonshire Joint Agencies Voluntary and Community Sector Compact ("The Compact") – December 2002

Report of the Overview and Scrutiny Voluntary Sector Task and Finish Group – September 2007

Minutes of meetings of the Working Group (see 6.5 above)

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