

Non–Housing Voluntary Organisations Service Level Agreements

- a discussion document produced by the
Overview and Scrutiny Committee

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Foreword

1 Introduction

The Overview and Scrutiny Committee, at its meeting on 8th June 2005, requested that Members work with Officers to examine the Council's role in supporting voluntary organisations with a view to clearer guidelines and rationale for support.

The purpose of this discussion document is to outline the emerging recommendations made by the group to develop the grants process and tighten up monitoring procedures and the allocation of funding so that it is accountable and demonstrates value for money. It is recognised that the suggestions in this document are not the only method of achieving this and therefore feedback is welcomed.

Please note that this is not a review of the funding to individual organisations.

It should be noted that this document is purely a discussion document at this stage. If the Cabinet accepts the recommendations in this document, further work will need to be done on how to implement the recommendations, and consultation will need to take place with organisations which currently have a Service Level Agreement with the Council as well as other organisations who may wish to seek funding in the future.

2 Summary of Recommendations

Recommendation 1

- a) To develop the working relationship with the County Council.
- b) That the City Council should include information upon its grants process on its website and details of applications approved.
- c) To commence the grants funding year from 1st July and to introduce a similar grants process to that of the County Council.

Recommendation 2

To introduce a 'tendering process' for inviting applications for services to be delivered based on the corporate objectives.

Recommendation 3

To introduce a criteria and application form for the process identified at Recommendation 2.

Recommendation 4

To revise the monitoring arrangements, so that it is proportionate to the level of funding.

Recommendation 5

That the Budget and Performance Panel continues to strengthen its role in the monitoring and reviewing of funding to voluntary organisations.

Recommendation 6

That consideration be given to the role of Councillors appointed to organisations with SLAs and how they can assist the Budget and Performance Panel in the monitoring of these organisations.

Recommendation 7

- a) To ensure that all 'grant giving' services are aware of other funding that is co-ordinated by the Council and that basic grant funding enquiries be handled by the Customer Contact Centre.
- b) To timetable the funding application process for SLAs at similar times to other Council funding with a similar style of paperwork.
- c) To publicise and promote the re-launch of the new grants process.

Recommendation 8

- a) That three year SLAs should continue for large sums of funding but that Officers be given flexibility/discretion to negotiate lengths of small funding agreements.
- b) That the format, style and wording of SLAs be revised.

Recommendation 9

To introduce a financial threshold for SLA funding.

Recommendation 10

To apportion responsibility for individual SLAs to relevant Cabinet Members in terms of portfolio and service provision.

Recommendation 11

To review the Local Compact and enable it to become the vehicle for dealing with Council funding.

Recommendation 12

That this approach to grants be considered for extension to other grants across the Council.

3 The role of the group

3.1 Terms of Reference

1. How the City Council could work jointly with the County Council to review the support to voluntary organisations, remove duplication and agree common objectives, through the use of joint SLA's where appropriate.
2. How to make it clear that the Council would not be prepared to offer grants and Service Level Agreements to different organisations with similar objectives unless there was a geographical separation e.g. operate only in Lancaster, only in Morecambe or only in a rural area.
3. To ensure that the organisations seeking funding, contribute positively to the Council's corporate objectives and are providing value for money.
4. How the Council communicates its grants programme to voluntary organisations.
5. In what form should future Service Level Agreements be in and for what review period.
6. How the Council deals with grant applications internally.
7. Consideration of the Council's long-term objectives in providing grant funding.
8. Consideration of how the Council could use grant funding more effectively in pursuit of its corporate objectives.
9. Consideration of the role the Local Compact plays for voluntary organisations and how it could be made more meaningful.
10. How the Council could use a proactive approach to community capacity building with regard to voluntary sector funding.
11. Alongside this, it was suggested that the Local Compact between the Council, voluntary and community sector should be reviewed and consideration of how this Compact may be used more meaningfully to assist with the pursuit of corporate objectives and the delivery of grant funding.

3.2 Membership of the Group

The group comprises of Councillors Stuart Langhorn and David Kerr with support from the Senior Democratic Support Officer, Suzanne Trippier.

The group gratefully acknowledges the contributions and evidence freely given by:

- Derek Whiteway, Internal Audit Manager, Financial Services, Lancaster City Council
- Lorraine Woollard, Auditor, Financial Services, Lancaster City Council
- Crystal Dewsbury, Policy and Strategic Enabling Officer, Health and Strategic Housing, Lancaster City Council
- Alison Kinnon, Policy Officer, Corporate Strategy, Lancaster City Council
- Sue Alston, Information Officer, Preston Borough Council
- Enid Watts, Hounslow Council
- Sue Griffiths, West Lancashire District Council
- Mark Waddington, Administrative Officer – VCFS, Lancashire County Council

3.3 Timetable of Meetings

Date of meeting	Who gave evidence?	Issues scrutinised
19.07.05	Suzanne Trippier	
16.08.05	James Doble Suzanne Trippier	Minutes of 19 th July
13.09.05	Suzanne Trippier Derek Whiteway Lorraine Woollard	Minutes of 16 th August Internal Audit Report Local Compact Information from Preston, West Lancashire and Hounslow councils.
18.10.05	Suzanne Trippier James Doble Lorraine Woollard	Information from Lancashire County Council, Strategic Housing and Corporate Strategy. Minutes of 13 th September Draft version of the final report
20.03.06	Suzanne Trippier James Doble Lorraine Woollard	

3.4 Documentary Evidence Considered

- Overview and Scrutiny Committee report 08.06.05 Non-Housing Voluntary Organisations Service Level Agreements and Funding for 2005/06 and Beyond
- Cabinet report 22.02.05 Non-Housing Voluntary Organisations Service Level Agreements and Funding for 2005/06 and Beyond
- Overview and Scrutiny Committee update report 30.06.05 Non-Housing Voluntary Organisations Service Level Agreements and Funding for 2005/06 and Beyond
- Budget and Performance Panel Report 07.12.04 Annual Review of Grants Service Level Agreements
- Extract of the Internal Audit Report 17.01.05 Grants Management
- Examples of Relate and Shopmobility Service Level Agreement
- Example of the SLA annual monitoring questionnaire
- Information from Hounslow, West Lancashire, Lancashire and Preston Councils
- Local Compact
- List of current SLA's and reason for funding
- Example of the application form and criteria for the miscellaneous and welfare grants

4 Status of this Report

This report is the work of the Non-Housing Voluntary Organisations Funding Group, on behalf of the Overview and Scrutiny Committee, and where opinions are expressed they are not necessarily those of Lancaster City Council.

Whilst we have sought to draw on this review to make recommendations and suggestions that are helpful to the Council, our work has been designed solely for the purpose of discharging our work in accordance with the terms of reference agreed by the Overview and Scrutiny Committee. Accordingly, our work cannot be relied upon to identify every area of strength, weakness or opportunity for improvement.

This report is addressed to the Cabinet of Lancaster City Council. It has been prepared for the sole use of the Council, and the Committee take no responsibility for any Member or Officer acting in their individual capacities or to other third parties acting on it.

5 Background and Context

Background

Cabinet, at its meeting on 22nd February 2005, considered the future level of funding to non-housing voluntary organisations currently subject to Service Level Agreements (SLA's) and recommended the renewal of thirteen SLA's and the termination of three SLA's. Following that, twelve of the SLA's have been put in place for a three year period and the remaining SLA has been renewed for one year pending discussions with the County Council for a joint SLA. At that meeting, Cabinet also recommended that the Overview and Scrutiny Committee examines the Council's role in supporting voluntary organisations with a view to clearer guidelines and rationale for the support the Council currently provides and might wish to provide in future.

The Overview and Scrutiny Committee, at its meeting on 8th June 2005, therefore requested Councillors Langhorn and Kerr to work with officers to examine the Council's role in supporting voluntary organisations with a view to clearer guidelines and rationale for support. The Committee requested a number of issues to be considered by the informal working group and these are set out as Terms of Reference at 3.1.

Context

All organisations receiving funding over £1,000 per annum have a Service Level Agreement with the Council setting out the anticipated service to be provided by the organisation and the level of funding from the Council. There are, at present, thirteen non-housing voluntary organisations with SLAs with the Council for 2005/06. This amounts to £319,050. Funding to non-housing voluntary organisations is co-ordinated by Administration Services.

As part of the current monitoring arrangements, all of those organisations with SLAs are monitored annually and are required to provide an annual report on activities to enable their performance to be monitored. In addition, all of those organisations are asked to complete a "monitoring questionnaire" asking a number of key questions about their performance including their view of how the service their organisation provides contributes to the Council's objectives. The Budget and Performance Panel is responsible for monitoring the operation of SLAs with funded voluntary organisations. Apart from the annual monitoring, no other formal contact between the organisation and the Council takes place other than to send out cheques.

To date, there has been no process to invite new applications for SLAs. Those organisations that currently have SLAs with the Council, have historically received funding and this was formalised into a formal SLA in 2002/03 for an initial three year period. Therefore, this has not allowed for new organisations or new services to receive funding nor ensured accountability, transparency or competition in delivering value for money.

6 Findings

6.1 How the City Council could work jointly with the County Council to review the support to voluntary organisations, remove duplication and agree common objectives, through the use of joint SLA's where appropriate.

It is recognised that some joint working with the County Council has taken place more recently but there is scope to continue to work more closely together and share best practice. For example, the City Council could consult the County Council on applications received and those approved, so that if there was duplication in funding both Councils would be aware of it. The County Council has advised that it does already have a database of 'funded organisations' available to view on its website. Furthermore, it could be helpful if the City Council website contained information upon the funding to voluntary organisations and listed those that had been successful in gaining funding.

Some joint working has taken place and is continuing in pursuing discussions with the County Council for an SLA to commence in July 2006. From those discussions it is apparent that Officers from the County Council are willing to work with Officers from the City Council more closely and there might be scope for more joint SLAs in the future. It is noted that Officers from the County Council have worked with West Lancashire District Council and therefore there is scope for networking between other district councils to share best practice. Furthermore, discussions did take place regarding duplicate funding for the provision of 'meals on wheels' in the district and the City Council took the view that 'meals on wheels' was a Social Services function and should be funded by the County Council. Therefore, City Council funding has now ceased. Lessons have been learnt from this exercise and it is recognised that more communication and joint working should take place between both Councils.

Following discussions with the County Council it is believed that it could be helpful if the City Council's funding process could tie into that of the County Council's so that it would be beneficial to both Councils but also to the organisations which are seeking funding. In addition, close liaison would be essential between both Councils to timetable and co-ordinate a similar grants process and format of paperwork so they are more customer focused. It is suggested that the grant funding year should commence from 1st July rather than 1st April at present as it would allow time for sending out correspondence and cheques and would fall in line with the grants funding year at the County Council.

It is recognised that there are proposals for each of the ten County Councillors representing the district to allocate a budget of £1,000 as they choose to community and voluntary groups. This further highlights the need for both Councils to keep each other informed of applications received and bids approved, to avoid duplicate funding.

Recommendation 1

- a) To develop the working relationship with the County Council.
- b) That the City Council should include information upon its grants process on its website and details of applications approved.
- c) To commence the grants funding year from 1st July and to introduce a similar grants process to that of the County Council.

6.2 How to make it clear that the Council would not be prepared to offer grants and Service Level Agreements to different organisations with similar objectives unless there was a geographical separation e.g. operate only in Lancaster, only in Morecambe or only in a rural area.

It is believed that the introduction of a new grants 'tendering process' could help to make it clear that the Council would not be prepared to offer grants and SLAs to different organisations with similar objectives unless there was a geographical separation. A 'tendering process' could enable the Council to decide the functions and services it would like to be delivered in the district.

Recommendation 2

To introduce a 'tendering process' for inviting applications for services to be delivered based on the corporate objectives.

This process could help to ensure that there is no duplication in services being delivered and there is an even coverage of services being provided across the district. Consistent monitoring of applications received and applications approved could enable the Council to identify gaps in service provision in particular areas of the district. At present the Council has an SLA with two branches of the same organisation in the district, both of whom are delivering a similar service to different areas within the district. This means that there is two lots of paperwork, funding and structures in the district.

In addition, consideration will be needed to allow organisations more flexibility to use the money that they are allocated, as long as it is used to deliver that service. Under the current arrangements, two organisations receive funding to assist them with the cost of rent so that they can continue to deliver their service. Therefore the new process should not deter this type of funding.

6.3 To ensure that the organisations seeking funding, contribute positively to the Council's corporate objectives and are providing value for money.

As discussed at Recommendation 2, the introduction of a 'tendering process' would enable the Council to ensure that voluntary organisations seeking funding contribute to the corporate objectives and provide value for money.

A 'tendering process' could enable the Council to identify gaps in service provision and gaps in the corporate objectives being met and then as part of the 'tendering process' prioritise the functions and services it would like to be delivered in the district, in accordance with the corporate objectives. The Council could then allocate each service an appropriate budget, then write to prospective service providers and advertise in the press and website. Voluntary organisations would then be invited to bid for the function/service within that budget rather than in the present system whereby organisations request the amount of funding they require to deliver a particular service. This would make it clear that it is the service that is being funded, not the organisation per se. The process for linking SLA funding to the corporate objectives will help to ensure there is a corporate approach across the Council that all funding and services meet the corporate objectives and would enable the Council to take a more strategic approach in the delivery of services that meet the corporate objectives. Those organisations currently receiving funding should be able to demonstrate value for money at present, so should have nothing to fear from the new funding process.

To underpin the 'tendering process' it is apparent that a criteria and application form should be established. Under the current system, SLAs have been allocated on a historical basis and because of this there is no scope to consider or approve new SLAs, unless funding to an existing SLA is reduced or there is a budget increase. Therefore a criteria and application form process would allow new applications to be considered. The new process will also ensure that the procedure for allocating large amounts of funding is accountable and transparent and that local people are aware of how public funding is being spent.

Recommendation 3

To introduce a criteria and application form for the process identified at Recommendation 2.

Consideration would need to be given to deciding how much information should be submitted as part of the tendering process. It would be unreasonable to expect a voluntary organisation to prepare a lengthy tendering bid when it was only seeking a small amount of funding. Therefore, the process for inviting bids would need to categorise what information was required for bids seeking small and large funding amounts.

Secondly it is suggested that the grants process should echo processes used in other Local Authorities and best practice should be gathered and used. The criteria and application form should ensure that organisations justify how they meet the corporate objectives. In order avoid duplication, it is suggested that each organisation should be required to state on their application form, details of any other funding they have applied for or been granted, and keep the Council informed of any changes in funding and supply evidence of these changes, if required.

In addition, the monitoring arrangements for SLAs should be revised. At present, a range of information such as accounts and an annual report is collected. This informs the Council how the organisation is doing financially but does not explain how it is meeting the requirements of the SLA. Therefore, the Council might wish to re-consider the information it would like the organisation to provide as part of the monitoring arrangements to make them more accountable to public money and to demonstrate value for money. The Council should question whether full accounts are useful or whether questions on outputs and outcomes would better demonstrate that the organisation meets the corporate objectives along with a breakdown of how the money was spent.

It is clear from current arrangements that a single approach is taken to monitoring regardless of how much funding they receive. This means that some organisations which receive £80,000 plus, are not subjected to any further monitoring than organisations receiving £2-3,000. As such, those organisations receiving £2-3,000 are monitored disproportionately when they only receive such a small amount of funding in comparison. It is therefore suggested that the monitoring arrangements be revised so that it is proportionate to the level of funding the organisation receives. It is suggested that those organisations receiving funding of £10,000 or above should be subject to one site visit per year to enable the Council and the organisation to discuss progress and any forthcoming requirements etc. It is still suggested that monitoring should take place annually.

Recommendation 4

To revise the monitoring arrangements, so that it is proportionate to the level of funding.

The Council would also need to consider whether monitoring should still be a role for the Budget and Performance Panel and whether monitoring should be done on a rolling

programme to balance the workload and whether to allow the Budget and Performance Panel to make its final decision once it had monitored all of the agreements.

Recommendation 5

That the Budget and Performance Panel continues to strengthen its role in the monitoring and reviewing of funding to voluntary organisations.

Furthermore, the Council could consider the existing role of the Councillors currently appointed to those organisations and consider how these Councillors can assist the Budget and Performance Panel in the monitoring of those organisations to check they provide value for money and meet the requirements of the SLA. This would enable the Councillors to have more responsibility and play a more active role as part of their appointment. This arrangement would keep the Council, the organisation and the Councillors more informed. The Council could also re-consider the basis for appointing Councillors to these organisations so that Councillors are appointed on the basis of expertise, knowledge and relevance rather than on a proportional basis. Furthermore, there may be a need to consider introducing role descriptions for Councillors appointed to these organisations.

Recommendation 6

That consideration be given to the role of Councillors appointed to organisations with SLAs and how they can assist the Budget and Performance Panel in the monitoring of these organisations.

6.4 How the Council communicates its grants programme to voluntary organisations.

It is recognised that no publicity has been done in the past to promote the availability of funding nor to invite new applications. Therefore to improve communication, it is suggested that the new funding process should be re-launched, and alongside that, publicity and promotion should be done via press releases and providing details of grant funding and application forms on the website. Thought would need to be given to consider how existing SLAs could be brought in line with the new process.

Furthermore, it could be helpful if all 'grant giving' services within the Council were aware of other funding that is co-ordinated by the Council to assist with public enquiries and offer a better customer service. Alongside that basic grant enquiries could be handled by the Customer Contact Centre.

In order to provide a more customer focused service, the funding process for SLAs could be timetabled at similar times to other Council funding alongside a similar style of paperwork. In order to improve communication, applicants could be notified of the reason why they had been unsuccessful in gaining funding.

Recommendation 7

- a) To ensure that all 'grant giving' services are aware of other funding that is co-ordinated by the Council and that basic grant funding enquiries be handled by the Customer Contact Centre.
- b) To timetable the funding application process for SLAs at similar times to other Council funding with a similar style of paperwork.
- c) To publicise and promote the re-launch of the new grants process.

6.5 In what form should future Service Level Agreements be and for what review period.

It is apparent, that SLAs have generally been agreed for three years. It is suggested that consideration should be given as to whether to continue with three year SLAs or to consider shorter or longer agreements.

It is accepted that short and long term agreements can have their advantages and disadvantages. Short term agreements can reduce the need for formal contracts and monitoring, as there would be no long term commitment to large amounts of funding, and thereby allows the Council to be flexible in who it funds and allows the funding priorities to change. However, long term agreements can offer financial security to the organisation and enables the Council to budget in advance.

It is therefore accepted that large amounts of funding should continue for three year periods but that there is also flexibility/discretion for Officers to negotiate the length of agreements with organisations depending on the nature of the service that is being provided and the amount of funding. This ultimately enables the Council to have more control in the length of funding it allocates depending on its corporate objectives, budget and the bids received.

Recommendation 8

- a) That three year SLAs should continue for large sums of funding but that Officers be given flexibility/discretion to negotiate lengths of small funding agreements.
- b) That the format, style and wording of SLAs be revised.

It is recognised that some organisations receiving £2-3,000 per year were subjected to a formal SLA whilst elsewhere in the Council, community capital grants could be awarded up to £5,000 with no contract, which highlights discrepancies in the different funding processes used within the Council. Therefore, it is suggested that the Council might wish to consider whether to introduce a financial threshold for funding for SLAs in line with the principles of the Financial Guidelines/Contract Procedures i.e. tenders from £50,000 and quotations anything between £10,000 and £50,000. This would bring in line the SLA funding process with other corporate procedures within the Council.

Recommendation 9

To introduce a financial threshold for SLA funding.

As suggested at Recommendation 8, the present format, style and wording of SLAs should be revised using best practice from other Council Services and Local Authorities. The revised SLA could include the conditions, if and when funding can be stopped before three years, how the SLA will be monitored, how often and what will be expected of the organisation to assist with the monitoring arrangements. In addition, the SLA could also specify what the funding can be spent on and include a clause to state that the organisation needs the express permission of the Council to spend the funding on anything else that it was not meant for.

6.6 How the Council deals with grant applications internally.

It is noted that the allocation of grant funding is co-ordinated independently by several different Services across the Council. However it is recognised that some discussion is taking place as part of the Star Chamber process upon the co-ordination of the miscellaneous and welfare grants and the LSP 2nd Home Funds.

Furthermore it is recognised that there is scope for all these different funding processes across the Council to be timetabled at similar times alongside a similar style of paperwork to ensure a corporate approach. Therefore, Recommendation 7 identifies a number of suggestions how SLA funding could be co-ordinated internally.

To ensure a clear line of accountability, it is suggested that responsibility for individual SLAs should be apportioned to relevant Cabinet Members in terms of portfolio and service provision.

Recommendation 10

To apportion responsibility for individual SLAs to relevant Cabinet Members in terms of portfolio and service provision.

6.7 Consideration of the Council's long-term objectives in providing grant funding.

6.8 Consideration of how the Council could use grant funding more effectively in pursuit of its corporate objectives.

As discussed earlier, suggestions for how the Council can use grant funding in pursuit of its corporate objectives have been identified at Recommendation 2 – with the introduction of a 'tendering process' based on the corporate objectives and Recommendation 3 - with the introduction of a criteria and application form based upon the corporate objectives.

6.9 Consideration of the role the Local Compact plays for voluntary organisations and how it could be made more meaningful.

6.10 Alongside this, it was suggested that the Local Compact between the Council, voluntary and community sector should be reviewed and consideration of how this Compact may be used more meaningful to assist with the pursuit of corporate objectives and the delivery of grant funding.

The Council does already have a Local Compact that sets out its commitment to working more closely with voluntary groups and how this will be achieved. However it is recognised that the Local Compact is not used as a working document. It is therefore suggested that the Local Compact should be reviewed in consultation with the voluntary sector to become more meaningful and workable in practice and in line with the corporate objectives.

It is recognised that the Local Compact could become the vehicle for dealing with Council funding and making recommendations as part of the funding process. It is therefore suggested that the Local Compact should be widely promoted and that copies should be sent to voluntary organisations as part of the application process and should form part of the formal SLA. This would raise its profile and ensure that its principles are being adhered to and used in practice.

Recommendation 11

To review the Local Compact and enable it to become the vehicle for dealing with Council funding.

6.11 How the Council could use a proactive approach to community capacity building with regard to voluntary sector funding.

The Council could use a proactive approach to community capacity building by including a requirement in the SLA that voluntary organisations receiving public funding should be under obligation to actively pursue partnership working and community capacity building, and furthermore, keep the Council informed of their progress.

Under the new 'tendering process' it will be made clear that funding will be only allocated to services that meet the corporate objectives and that those corporate objectives are subject to change. Therefore organisations may need to be less reliant on Council funding and able to become self-financing, sustainable or secure alternative funding, possibly through partnership working or becoming social enterprises. In addition, organisations may need to become more proactive in responding to community needs.

If the Council feels that suggestions contained in this report are appropriate it might wish to consider extending this approach to other grants co-ordinated by the Council.

Recommendation 12

That this approach to grants be considered for extension to other grants across the Council.

7 Conclusion

It is important to note that if Cabinet is minded to approve the recommendations as set out in the report, each recommendation would need to be scoped and developed further with relevant services as to what can be realistically achieved within resources that are available.