

# **Financial Management and Audit Overview and Scrutiny Commission**

## **Enquiry into the Council's Funding Arrangements with Voluntary and Community Organisations**

February 2005

Scrutiny Report No 26

## **Chair's Foreword**

This enquiry was undertaken in response to concerns about the level of funding support provided to organisations which apply for funding from the City Council. We wanted to investigate what could be done to improve the Council's funding process and establish whether it was fair, achieved good value for public money and provided organisations with the support which they needed.

The Panel was made aware at the start of this enquiry of a number of reviews and audits which had taken place in recent years, in relation to the Council's funding arrangements with the voluntary sector in the city. We found during this enquiry that little progress had been made to implement the recommendations of previous reviews and audits in a co-ordinated way across the authority. As a result the authority has missed opportunities to bring about significant improvement to its funding process. This report presents a new opportunity for the Council to build trust with the voluntary and community sector, ensure that public money is well spent and help the sector to help us achieve our targets and in so doing deliver important services to the authority's communities.

On behalf of the Commission I would like to thank all those who contributed to the enquiry either in person or in writing.

I commend this report to the Cabinet and am confident that its recommendations once accepted and implemented will transform the current funding process and will make a significant contribution to the improvements which we and voluntary and community groups want to see.

**Councillor S Chaytor**  
**Chair of the Panel**  
**Date January 2005**



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## SUMMARY OF RECOMMENDATIONS

The Panel's detailed conclusions and recommendations are set out in the report, but for ease of reference, the recommendations are set out here.

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### 13 Recommendations

13.1 We recommend that:

- (i) The Council reviews its voluntary sector funding strategy by April 2005 in consultation with all Council funding officers and other relevant stakeholders and that the review of the strategy has regard to the findings of this enquiry.
- (ii) The strategy is clearly linked to the emerging local compact for the city and becomes the Council's mechanism for delivering agreements signed up to within the local compact and in relation to the 'Funding Code'.
- (iii) The Council sets out criteria within its voluntary sector funding strategy for other contributions which it could provide to organisations, to include:
  - Match funding;
  - Long term leases;
  - Reduced lease costs - through means testing;
  - Professional staff time, and
  - Donating equipment, e.g. old computer hardware.
- (iv) The Council ensures that contractual funding arrangements with voluntary and community organisations comply with the Council's 'Procurement of Goods and Commissioning of Works and Services Strategy' once the strategy is implemented.
- (v) The Council ensures that the funding processes developed in response to the best value review of 'Voluntary Sector Grant Aid Administration' and as previously agreed by Cabinet are implemented and complied with cross-Council with immediate effect and that each of those processes be reviewed by April 2005 in consultation with all Council funding officers and other relevant stakeholders.
- (vi) The Corporate Management Team identifies a suitable senior manager to lead on the review of the voluntary sector funding strategy and to develop a corporate approach to the Council's funding process.

- (vii) The Council develops an effective, fair and transparent corporate funding process around the Council's funding criteria and the process developed has regard to the findings of this enquiry and the compact 'Funding Code'.
- (viii) The funding process includes a mechanism to provide feedback from the Council to all organisations whether successful or unsuccessful with their funding application.
- (ix) The Council seeks ways to raise awareness of its funding process and Council funding available, e.g. through Hull in Print, the Council's website, leaflet, etc.
- (x) The Council develops within 1 year, a facility for the electronic completion of grant applications and an electronic feedback system to provide feedback on successful and unsuccessful applications.
- (xi) When reviewing the Council's application process the Council should ensure that the level of detail requested in its application form reflects the amount of funding being requested. This may require different application forms being developed for different amounts of funding applied for, or a variation in the sections of the application form to be completed dependent on the funding applied for.
- (xii) The Council centralises monitoring arrangements and implements within 1 year a corporate approach to monitoring arrangements. This should be developed within the Council's new 'Performance Management Framework'.
- (xiii) The Council ensures that each organisation receiving Council funding in excess of £2,000 has a current and signed service level agreement in place by March 2005.
- (xiv) The Council ensures that future service level agreements are agreed and signed up to prior to payment of funding at the start of the new three-year funding period, but with an element of flexibility of no more than three months if delays are due to the authority.
- (xv) The Council produces, in consultation with Council funding officers, legal services and other stakeholders within 1 year, a 'model' three-year service level agreement for monitoring Council funding to be used across the Council.
- (xvi) The Council ensures that the Council's risk management arrangements are applied within 6 months to the Council's funding process and appropriate action is taken to reduce the impact of risks identified.
- (xvii) Scrutiny undertakes a further enquiry into the 'Role and Responsibilities of Elected Members and Officers on the Management Committees of Outside Organisations'.

- (xviii) The Council develops a 'one-stop shop' approach to 'Advice Services' in the city for voluntary and community organisations and to include:
- an extended 'Customer Service Centre' within the city centre to house umbrella organisations who wish to participate;
  - access to advice services provided through the Council's 'Call-Centre';
  - advice services provided through each customer service centre through a video conferencing link to voluntary sector advice services which wish to participate, and
  - the Council sets up one central point of contact within the Council, within 1 year to co-ordinate the provision of funding advice and support to voluntary and community organisations seeking to access Council funding.
- (xix) The Council approaches Hull CVS to explore the feasibility of holding 'funding surgeries' within the city and possibly within customer service centres once rolled out, aimed at helping organisations to:
- develop awareness of sources of funding suitable to the needs of organisations;
  - access sources of funding;
  - complete funding application forms, and
  - build funding capacity within organisations.
- (xx) If funding surgeries are found to be feasible, that organisations providing funding advice are approached and asked to contribute along with the Council to the surgeries and that Hull CVS or another suitable organisation is asked if it would be willing to lead on this.

# Financial Management and Audit Overview and Scrutiny Commission

## Panel Enquiry into the Council's Funding Arrangements with Voluntary and Community Organisations

### 1 Introduction

- 1.1 This Panel was established by the Financial Management and Audit Overview and Scrutiny Commission to undertake an enquiry into the Council's funding arrangements with voluntary and community organisations as a result of a request by a Member.
- 1.2 At the first meeting of the Panel, we were made aware of a motion which had been moved by the Council (Council Minute 177 refers) relating to funding issues. The details of that motion were considered during this enquiry.
- 1.3 A 'Cross-Council Voluntary Sector Review' and a 'Voluntary Sector Strategy Review' were undertaken in 1997 and 1998 respectively, both identified the need to establish a co-ordinated corporate approach to the Council's funding and support for the voluntary sector.
- 1.4 A Best Value Review (BVR) of 'Voluntary Sector Grant Aid Administration' was completed in 2000. The review covered funding of complementary services provided by the voluntary sector. The BVR team confirmed the shortcomings in the current way the Council administers the funding it provides, as the cross-Council voluntary sector review and the voluntary sector strategy review had done previously. The review also considered the option of not funding complementary services provided by voluntary sector organisations, particularly as it is not a statutory requirement to do so. However, the BVR team found that this would not be feasible given the reasons why the Council provides funding.
- 1.5 An internal audit of 'Voluntary Sector Funding' undertaken in February 2003 found that 15 out of 25 organisations funded by the Council at that time had failed to sign up to a Service Level Agreement (SLA). This was seen as "representing a significant risk to the Council in that agreed levels and quality of service may not be received in areas funded". A follow-up audit was conducted in 2004. The overall objective of the follow-up audit was to consider arrangements for voluntary sector funding across departments in view of recommendations arising from the audit report issued in February 2003. The report is yet to be published, however key findings were presented to the Panel. The follow-up audit considered both complementary and contractual funding arrangements between the voluntary sector and departments and identified that £3.8 million of funding is provided by the Council. This included £2.1 million of contractual funding schemes in Social Services.
- 1.6 At the start of the enquiry in February 2004 the Panel comprised Councillors Chaytor (Chair), Brady, Baker, Percy and Gough and from May 2004 Councillors Chaytor, Brady, Baker and Percy, although most of the evidence was heard by Councillors Chaytor and Brady.

- 1.7 Verbal and written evidence was taken from a cross-section of witnesses from the statutory, voluntary and community sectors and a consultation workshop held with a representative number of organisations to obtain their views. Questionnaires were also sent out to over 1,200 organisations to seek to maximise participation in the enquiry and to increase our evidence base.
- 1.8 As part of the enquiry we set out to look at why the Council funds voluntary and community organisations, what types of funding should be provided by the Council, eligibility criteria for funding voluntary and community organisations, the suitability of the current application and assessment process and mechanisms to ensure proper accountability for public money.
- 1.9 In this report we have sought to reflect the views of voluntary and community organisations in the city, whilst recognising that the Council needs to ensure that the funding it provides to voluntary and community organisations is properly accounted for and demonstrates best value.
- 1.10 The Panel would like to thank those from the voluntary and community sector who have given their time freely to contribute to this enquiry and for assistance provided by Hull Council for Voluntary Service, North Bank Forum and Hull Community Network. The Panel would also like to thank Council funding officers for their contribution to this enquiry and the Council's Voluntary Sector Assistant for her input and support.

## **2 HM Treasury Cross-cutting Review**

- 2.1 A cross-cutting review of the 'Role of the Voluntary and Community Sector in Service Delivery' was published by HM Treasury in 2002. The review stated that "the Government had embarked upon a radical programme of public service investment and reform" with a goal of achieving "world-class public services to extend opportunity, tackle poverty and improve the quality of life for all". The report noted that voluntary and community organisations including social enterprises have a key role to play in this and "grow out of the determination to provide high quality support to particular groups, are often uniquely placed to reach marginalised groups and enable individuals to participate actively in their local communities". The report commented that "many of the services that now form an integral part of the statutory sector began in the voluntary and community sector, perhaps the best-known example is the National Health Service," and went on to mention that the voluntary and community sector continues to make a significant contribution to service delivery and strengthening communities and is a key partner to delivering government policies.
- 2.2 The overall objective of the Review was to "explore how central and local government can work more effectively with the sector to deliver high quality services, so that where the sector wishes to engage in service delivery, it is able to do so effectively".

### 3 Compact

3.1 In 1998 the government published a framework for effective working between the Government and the voluntary and community sector known as the national compact. The compact is a guide to good practice but is not legally binding. There are five codes of good practice to the compact, one of these is the 'Funding Code'.

3.2 The funding code aims to “make a positive impact on the funding relationship that exists between Government and the voluntary and community sector”. The code explains that, “voluntary and community organisations bring distinctive value to society and fulfil a crucial role that is distinct from both the state and the market”. It also mentions that in particular, voluntary and community organisations enable individuals to contribute to public life and the development of active communities by providing opportunities for voluntary action. They also act as “pathfinders for the involvement of users in the design and delivery of services and often act as advocates for those who otherwise have no voice”. In so doing they promote both equality and diversity, they help to alleviate poverty, improve quality of life and involve the socially excluded.

3.3 The main topics covered within the funding code are:

- The importance of government funding and the added value that the sector can deliver;
- An effective funding framework;
- Types of funding, including match funding and recognising core costs;
- Contracts for partnership based initiatives;
- Promoting fair access to funding;
- Specific areas:
  - Meeting the needs of the black and minority ethnic sector;
  - Meeting the needs of small community groups, and
  - Voluntary and community sector infrastructure.
- The application process;
- Notifying decisions;
- Publicising grants awarded;
- Providing feedback on grant applications;
- Joint bids for funding;

- The assessment process, and
  - Funding conditions including payment procedure using underspends and financial reporting.
- 3.4 Most local authorities around the country either have or are developing a 'Local Compact' based on the framework set out in the National Compact. We were made aware at the start of this enquiry that the Local Strategic Partnership is developing a local compact for Hull.

## 4 Voluntary Sector Funding Strategy

4.1 The Council's new 'Voluntary Sector Funding Strategy' is essentially a review of the Council's original funding strategy which was approved in 1996. It also incorporates the outcome of the review of the original strategy undertaken in 1998 and the outcome of the BVR 2000. The new strategy was reported to be clearer about:

- What is actually meant by funding;
- Why we wish to work in partnership;
- Joint working with other funders of voluntary sector services;
- Developing a greater understanding of the voluntary sector;
- The need to establish processes and a framework for applying for funding, and
- Funding priorities.

4.2 The Strategy sets out the following overarching funding priorities:

- The City Council will ensure that the funding it provides for the voluntary sector is policy led and results in an effective contribution to the achievement of the Council's long-term objectives by targeting funding within priority areas, and
- Services that complement/assist the Council to achieve its organisational values and its corporate aims and objectives.

4.3 The definition of what constitutes complementary and contractual funding was set out in the strategy as follows:

**Complementary** – The services the voluntary sector organisation is providing is valued, complements the Council's services and is also assisting the Council to achieve its corporate aims and objectives, but is neither statutory nor required under statute.

**Contractual/Statutory** – The voluntary sector organisation is providing a statutory service on behalf of the Council or a service which is required under statute, but it is not necessarily compulsory for the Council itself to provide, i.e. it is regarded as good practice if the service is provided, e.g. under the Children Act, 1989.

4.4 We considered the following types of funding during the enquiry:

- Multi-year strategic funding – This type of funding assists longer term planning and stability within the sector.
- Project funding – Which is provided to meet costs of a particular piece of work or activity for an agreed period of time.
- Development funding – To enable organisations to grow and develop in a particular direction.

4.5 We heard from a number of sources that voluntary and community organisations had particular difficulty in meeting core costs due to funding providers in general, not providing funding for this.

4.6 Other possible contributions which the Council could provide to voluntary and community organisations were also considered during this enquiry and included:

- Match funding;
- Reduced lease costs;
- Long term leases;
- Professional staff time, and
- Donating equipment.

4.7 Towards the end of the enquiry the Panel considered the Council's draft procurement strategy, particularly in relation to whether the strategy should be applied to contractual funding provided by the Council to voluntary and community organisations.

## 5 Funding Criteria

5.1 The Council's 'guide to voluntary sector three-year funding' sets out the following corporate funding criteria:

- Who can apply for funding;
- Which types of organisation the Council will not normally consider applications from;
- What the Council will consider funding;

- What the Council will not fund;
  - What can be applied for, and
  - How the application process will operate.
- 5.2 We found in responses to our questionnaire that one organisation believed it had not been informed of the Council's funding criteria at the start of the process and another mentioned that it had been notified retrospectively. A further organisation indicated that the Council's funding priorities should be made clear.

## **6 Funding Application Process**

- 6.1 We wished to consider the Council's application process as part of this enquiry to ensure that all organisations which meet the Council's funding criteria are able to submit an application for funding.
- 6.2 A three-year funding application process was put in place by the Council in October 2001 in response to the BVR 2000.
- 6.3 We were made aware that the application form is extensive but is necessary to ensure that all the relevant information is provided in order that a thorough assessment can take place. We were informed that the level of detail required in the form reflects the level of funding to be requested (£2,000 per annum and over for a period of three years).
- 6.4 From the responses we received to our questionnaire it became apparent to us that some organisations were unsure about which funding provider had allocated funding to them. This particularly seemed to be the case for a number of smaller organisations. This may have slightly skewed the results shown in the table at paragraph 6.6.
- 6.5 We found from the responses we received to our questionnaire that 70 (80%) organisations had applied for some form of funding from Hull City Council during the last three years and 58 (67%) indicated that they had been successful. The response from 5 of those which had been unsuccessful was that they had not been provided with an explanation by the Council of why the application had been unsuccessful. The Panel also found that 50 (57%) organisations had difficulty in identifying an appropriate funding source during the last three years and that 27 (31%) organisations had difficulty in making or writing funding applications. 48 (55%) organisations indicated that they had sought help in accessing funding or preparing applications.

6.6 Shown in the table below is a summary of the responses to the Panel's questionnaire:

Question Number	Question	Response				
		YES	NO	YES & NO	Still Pending	No Answer Given
Q1	Have you made an application for any form of funding from Hull City Council in the last 3 years?	80% (70)	20% (17)	-	-	-
Q2	Were you successful in your application?	67% (58)	5% (4)	6% (5)	1% (1)	22% (19)
Q2a	If 'No' to question 2 were you provided with an explanation of why your application was unsuccessful?	50% (5)	50% (5)	-	-	-
Q3	Were the conditions of funding provided by Hull City Council made clear to you?	67% (58)	7% (6)	-	-	26% (23)
Q4	Do you intend to make an application for funding from Hull City Council in the next 12 months?	77% (67)	16% (14)	-	-	7% (6)
Q5	Have you had difficulty in identifying an appropriate funding source during the last 3 years?	57% (50)	36% (31)	2% (2)	-	5% (4)
Q6	Have you had difficulty in making or writing funding applications?	31% (27)	63% (55)	1% (1)	-	5% (4)
Q7	Have you sought any help in accessing funding or preparing applications?	55% (48)	40% (35)	-	-	5% (4)

6.7 The main explanations given by the Council to organisations which had been unsuccessful were:

- Facilities were under-used;
- Insufficient funding available, and
- Did not meet the Council's funding criteria.

6.8 We were informed that voluntary and community organisations had sought help in accessing funding or preparing applications from the Council and external organisations as follows:

Council:

Regeneration Services  
Voluntary Sector Assistant  
Area Committees  
Sports Development  
Meetings with Council officers  
City Arts Unit  
European Team

External organisations:

Hull Council for Voluntary Services  
Refugee Action  
Community Health Officer  
SEARCH  
Learning and Skills Council  
Preston Road Neighbourhood Development Company  
HANWAT  
Hull Developing our Communities  
West Hull Community Partnerships  
Citizen's Advice Bureau  
Local Sure Start

6.9 The following suggestions were made by organisations which we had consulted regarding possible improvements which the Council could make to its funding application process:

- The application form to be completed should reflect the amount bid for;
- Feedback to be given for successful and unsuccessful bids to enable groups to learn from their mistakes and to continue to use the good points in future bids;
- Application deadlines, maximum available grant, contact name and address of where applications are to be submitted need to be made clear. This information should be disseminated to all voluntary and community sector organisations;

- Sufficient notice period to be given to allow organisations time to complete applications;
- Application forms to be written in plain English, and
- The Council should provide more advice and assistance regarding the application process.

## **7 Funding Assessment Process**

- 7.1 We agreed to look at the Council's assessment process to ensure that the process is fair and transparent.
- 7.2 We were informed by a number of witnesses that the Council's funding process should be transparent and should set out how groups can apply for funding and the process for determining who will receive funding. During the Panel's consultation workshop held in June 2004, we heard that "the funding process should be linked to the development of a local compact for the city".
- 7.3 The Council's assessment process is effectively a point scoring system with a maximum scoring of 100.
- 7.4 Assessment is based on the application which will need to show:
- That the organisation's aims are clear, well-defined and of real benefit to the community;
  - That the organisation is effective in achieving its aims, and that it has systems for monitoring and evaluating its effectiveness;
  - That the activities proposed meet at least one of the Council's long-term priorities;
  - That the activities proposed are achievable and realistic;
  - That there is a need for financial assistance, that the budgets being proposed are realistic and that the City Council's contribution to the overall budget would allow the organisation to function on a viable basis;
  - That the organisation is working towards achieving an accredited/recognised quality assurance standard for the services it provides;
  - That the organisation is developing an equal opportunities policy and that steps are being taken to put the policy into practice;
  - That the organisation consults and involves users and members of the community;
  - That there is good financial management within the organisation, and

- That the organisation is fund raising from other sources.

7.5 We were informed that during the last round of applications for Council funding that applications received had been assessed from the directorates concerned using assessment criteria developed by the officer group which undertook the BVR 2000. We were also informed that officers on the assessment Panel in many cases had to supplement the information supplied in the application forms from their knowledge of the organisations concerned and the services they provide, in order to score the applications.

## **8 Monitoring**

8.1 To ensure that best value is being achieved from the funding the Council provides and to ensure proper accountability of public money, the Panel recognised that effective monitoring arrangements needed to be in place.

8.2 The Council's voluntary sector funding strategy explains that agreed funding will be covered by a three-year SLA, subject to annual review of performance and resources available to the Council and will:

- Be appropriate to the services being funded and provided;
- Be negotiated and agreed by all parties;
- Be written in plain English;
- Contain clear and agreed specifications for the work involved, and
- Have systems for monitoring and evaluating the service provided.

8.3 The BVR 2000 had found that, "The current way the Council administers its funding is not efficient or effective and does not demonstrate that the total funding being invested represents best value." The following shortcomings were identified regarding monitoring arrangements:

- Monitoring and evaluation were fragmented, and
- Three-year SLAs were not being applied across the Council.

8.4 It was recommended in the report of the BVR that the current arrangements around the quality and monitoring of SLAs should be examined with a view to the centralisation of such arrangements whenever possible. The BVR action plan set as an objective, "to improve the way the voluntary organisations demonstrated their successes and value by improved monitoring and reporting of outcomes".

8.5 We were made aware that the internal audit follow-up audit in 2004 had found that:

- a number of departments were not providing regular monitoring information to senior management or Members on voluntary sector funding, and

- current SLAs were not in place for all voluntary sector funding arrangements.
- 8.6 We heard that during the follow-up audit departments had raised concerns regarding reductions in the number of voluntary sector financial and operational staff and that this had impacted on the level of monitoring which is currently being undertaken within departments.
- 8.7 The Panel was made aware during the enquiry that some departments had not implemented a 'Balanced Scorecard System'. We also heard from a former member of the BVR team that there had been opposition from directorates to a consistent monitoring approach across the Council.
- 8.8 We found that a situation could exist within the Council where an organisation might have in place two or more SLAs due to funding being received from different departments within the Council. We also found that there is currently very little contact between funding officers within departments.

## **9 Risk Management**

- 9.1 When considering the audit report of 'Voluntary Sector Funding 2003' and key issues identified in the follow-up audit, it became apparent to us that there are a number of potential risks linked to providing funding to organisations. We were informed that the Council needed to be aware of potential risks and that risks should be identified through risk management arrangements. We discovered the following potential risks:
- Providing advance payments to organisations could put the Council at risk if an organisation subsequently folded;
  - Inadequate monitoring arrangements might put the Council at risk in relation to objectives not being met and funding not being used for the purposes set out in SLAs;
  - Staffing reductions to monitoring and control arrangements might put the Council in a position where it was not achieving best value for the funding it provides, and
  - The reputation of the Council might be at risk should an organisation continue to receive funding when monitoring information suggests that funding should cease. Its reputation might also be at risk, due to adverse publicity, if funding were stopped/reduced even if an organisation consistently fails to meet its Service Level Agreement.

## **10 Councillor Representatives**

- 10.1 We wanted to look at Councillor Representatives on voluntary and community groups receiving funding from the Council to determine what their current role is on management committees.

- 10.2 We were made aware that the 'Voluntary Sector Development Group' made up of members of the Council's senior management team and representatives of the voluntary and community sector umbrella organisations in the city had been established in April 2001. The main purpose of the group was "to maintain and develop communication and dialogue between the Council and the voluntary and community sector at a strategic level". A sub-group was established to develop a policy on the role of Elected Members and Council officers on the management committees of outside organisations and in particular on the management committee of voluntary and community organisations.
- 10.3 The group made some progress in establishing Elected Member involvement on management committees. Progress was also made in establishing whether it was written into the Constitution of voluntary organisations that they had a Councillor or Council officer on the organisation's management committee.
- 10.4 We heard from Council funding officers that "it needed to be made clear whether Councillors were on an organisation in a private capacity or whether they were there to represent the Council". We also heard that Councillor Representatives should either be on all organisations funded by the Council or none of them and that if they were on an organisation's management committee they should be rotated periodically. We were made aware that some organisations see having a Councillor Representative as an advantage and a "lobbying opportunity" and those organisations which had representatives would wish to retain them.
- 10.5 One of the larger voluntary organisations in the city receiving Council funding informed us that Councillor Representatives were a good thing, in that they help to raise awareness of the work of organisations and "are able to help promote partnerships with other organisations".

## **11 Funding Advice**

- 11.1 One of the key areas which the Panel wished to focus on during the enquiry was the availability, connectivity and quality of funding advice available in the city. A member of the Panel requested that the Panel should look at support available to groups whose applications for funding from the Council were unsuccessful.
- 11.2 The Hull Council for Voluntary Service (Hull CVS) is part funded through a SLA with the Council to provide an information and advice service to voluntary and community groups in the city. We were made aware that funding is one of the major areas of enquiry dealt with by Hull CVS. Hull CVS currently employs a full time funding advice worker and a part-time financial advice worker and helps groups to:
- Find funding;
  - Make funding applications;
  - Address issues about their governance and administration that might effect their ability to secure and manage funding, and

- Financial management.
- 11.3 We were informed by Hull CVS that its funding advice service was being funded by the Community Fund but that the funding project was in its last year and that they would be seeking to secure further funding from existing sources. We were also made aware that if continuation funding is not secured, the Hull CVS would, “continue to offer basic information about funding as it has always done, but will probably not have the capacity to offer the level of advice and support that groups require”. We were informed that Hull CVS had sought to spread good practice to other development workers around the city to try to create sustainability in funding advice. A network of development workers had formed in the city and comprised the Council’s Community Participation Officers within Area teams and voluntary and community sector workers. A sub-group of this network is concerned with funding and meets monthly to discuss issues around good practice in funding advice and uptake, or promotion of various funding streams.
- 11.4 We were made aware that there had been quite a considerable growth recently in the development of new voluntary and community groups as a result of community based initiatives. The Hull CVS also informed us that the support and advice which these groups receive during the development period varies greatly and that some groups rush into applying for grants before they have enough experience or knowledge. The result is that some groups run into difficulties and either cannot obtain the funding or once they receive funding it creates problems.
- 11.5 The Hull CVS also informed us that the funding regime nationally was going through a period of upheaval and the availability of funding is causing some concern. However, some funders had reported that they do not receive enough applications from Hull. We were made aware that this could be due to groups in the city favouring, “quick and easy local money” and not wishing to venture further afield with their applications due to capacity issues.
- 11.6 One of the key issues highlighted by Hull CVS was that most groups are able to attract project funding for three years. However, almost all groups struggle to secure sufficient funds to meet core costs and to secure continuation funding. This often leads to upheaval, inconsistency and high staff turnover.
- 11.7 A survey of funding advice in the city was undertaken by Hull CVS and found that a significant number of workers tasked with providing advice had not undertaken any form of training. Comments received from those surveyed include:
- There is a need for more skilled funding advice workers, and
  - “I find it difficult keeping up to date on what funding is available”, so often stick to the Trusts and funds I’ve used for many years.”
- 11.8 The following key issues were raised in response to the Panel’s questionnaire in relation to funding advice:
- Ensure that information on funding available to groups is widely publicised;
  - Provide a ‘one-stop shop’ approach;

- Provide a web-based enquiry system to include finding partners to progress innovative ideas;
- Create a funding co-ordinator post;
- Someone to do outreach work with voluntary and community groups to help search for suitable funding streams;
- Set up funding workshops;
- Funding information to be publicised through the main voluntary organisations;
- Produce an explanatory leaflet on Council funding;
- Provide more advice regarding the Council's application and assessment process, and
- Improve the knowledge of funding advice officers, particularly regarding access to large amounts of funding.

11.9 We heard that the Council would point organisations in the direction of other sources of funding if it was unable to provide funding. However, the Panel was informed that in some instances it might be more appropriate for groups to have sought funding from other providers before applying for Council funding.

## **12 Conclusions**

- 12.1 The Panel believed that the funding provided by the Council to voluntary and community organisations is important to harness and build further its relationship with the sector. The Panel also believed that the activities and services provided by those organisations currently receiving Council funding do contribute to the Council's corporate aims and objectives. Also, the funding which the Council provides to umbrella organisations in the city is used to support hundreds of voluntary and community organisations and indirectly benefits thousands of people in our city. We concluded however, that at present the Council is not in a position to demonstrate best value for the funding which it provides, although it is likely that good value for money is being obtained from some of the organisations it funds.
- 12.2 We found that since the BVR 2000 that the former Chief Executive's department had developed some good systems which could be applied across the Council and some attempt had been made to do this. A new voluntary sector funding strategy had also been developed but at the time of writing this report had not been implemented. We concluded that a corporate approach to the Council's funding process should be applied and that a strategy is required with strong links to a local compact.
- 12.3 We found that during the last funding round that the Council had ring-fenced applications for funding to organisations which were already being funded by the Council and that this went against the wishes of the BVR team. We concluded

that as only a small number of organisations had been considered for funding, that the Council had not demonstrated the funding it provided in the last funding-round achieved best value for public money. We also concluded that for future rounds of funding the Council's funding process should be open to any organisation in the city if the organisation believed that it meets the Council's funding criteria.

- 12.4 We found that some organisations which had applied for Council funding had not been provided with an explanation regarding why they had not been successful. We concluded that the Council needed to operate a transparent funding process and that an important part of this was to provide feedback to all organisations whose bids were unsuccessful. We also concluded that feedback should be given to organisations whose bids were successful to enable these organisations to use the good points in future bids when seeking funding from the Council or elsewhere. All feedback given should be comprehensive and reflect the good points of the application and areas for improvement, so as not to deter any future bids.
- 12.5 We found that some organisations believed that the Council's application form for funding should reflect the amount of funding being sought. We concluded that the Council needs to ensure that sufficient information is provided by the organisation to demonstrate that it has sufficiently robust systems in place to ensure the proper accountability of public money, that the funding meets the Council's funding criteria and that sufficient information is provided to inform the Council's assessment process.
- 12.6 We found that some organisations were not clear about the Council's funding process or indeed of what funding it had available. We concluded that the Council needs to raise awareness of its funding process.
- 12.7 We found that in relation to monitoring arrangements within the Council that different monitoring arrangements were in place and the degree of monitoring differs across the Council. We also found that in some instances SLAs had not been agreed or had expired and regular monitoring reports were not being submitted to senior management or to Members. Some Council officers had made us aware that staff reductions had impacted on the degree of monitoring in some instances. We concluded that a corporate approach to monitoring arrangements for all funding provided by the Council needs to be applied and that the level of monitoring should be dependant on the amount of funding provided.
- 12.8 We found that there are a number of potential risks to the Council associated with its funding process. We concluded that potential risks to the Council needed to be identified and appropriate action taken to reduce those risks.
- 12.9 We found that the current role of Members on the management committees of voluntary and community organisations is unclear. We also found that no recommendations were made to Cabinet nor a protocol/policy produced on this issue. It had been hoped that a policy could be developed by March 2003. We concluded that Scrutiny should undertake a further enquiry into the 'Roles of Elected Members and Officers on Management Committees of Outside Organisations' to inform the development of a future Council protocol for possible inclusion in the Council's Constitution.

- 12.10 We found that a wide range of funding advice is available across the city. It appears that some organisations and Council service areas seek to help organisations in relation to this even though they are not directly responsible for doing so. We found that a significant number of organisations which responded to our questionnaire and provided suggestions at the Panel's workshop do require a wide range of advice and support. We concluded that the Council should consider implementing a one-stop shop approach to funding advice with links to other funding advice across the city.
- 12.11 We concluded that the Council should consider developing criteria within the voluntary sector funding strategy for the provision of non-financial support to organisations which might reduce the financial costs to be incurred by voluntary and community organisations. We also concluded that in order to achieve maximum benefit from the funding which it provides that the Council seeks to maximise opportunities for match funding.
- 12.12 We were made aware during the enquiry that the Council is currently developing a procurement strategy and concluded that to ensure a consistent approach is taken by the Council for the commissioning of work and services, that all contractual funding provided to voluntary and community organisations should comply with any requirements set out in the strategy once implemented.

## **13 Recommendations**

13.1 We recommend that:

- (i) The Council reviews its voluntary sector funding strategy by April 2005 in consultation with all Council funding officers and other relevant stakeholders and that the review of the strategy has regard to the findings of this enquiry.
- (ii) The strategy is clearly linked to the emerging local compact for the city and becomes the Council's mechanism for delivering agreements signed up to within the local compact and in relation to the 'Funding Code'.
- (iii) The Council sets out criteria within its voluntary sector funding strategy for other contributions which it could provide to organisations, to include:
  - Match funding;
  - Long term leases;
  - Reduced lease costs - through means testing;
  - Professional staff time, and
  - Donating equipment, e.g. old computer hardware.
- (iv) The Council ensures that contractual funding arrangements with voluntary and community organisations comply with the Council's 'Procurement of

Goods and Commissioning of Works and Services Strategy' once the strategy is implemented.

- (v) The Council ensures that the funding processes developed in response to the best value review of 'Voluntary Sector Grant Aid Administration' and as previously agreed by Cabinet are implemented and complied with cross-Council with immediate effect and that each of those processes be reviewed by April 2005 in consultation with all Council funding officers and other relevant stakeholders.
- (vi) The Corporate Management Team identifies a suitable senior manager to lead on the review of the voluntary sector funding strategy and to develop a corporate approach to the Council's funding process.
- (vii) The Council develops an effective, fair and transparent corporate funding process around the Council's funding criteria and the process developed has regard to the findings of this enquiry and the compact 'Funding Code'.
- (viii) The funding process includes a mechanism to provide feedback from the Council to all organisations whether successful or unsuccessful with their funding application.
- (ix) The Council seeks ways to raise awareness of its funding process and Council funding available, e.g. through Hull in Print, the Council's website, leaflet, etc.
- (x) The Council develops within 1 year, a facility for the electronic completion of grant applications and an electronic feedback system to provide feedback on successful and unsuccessful applications.
- (xi) When reviewing the Council's application process the Council should ensure that the level of detail requested in its application form reflects the amount of funding being requested. This may require different application forms being developed for different amounts of funding applied for, or a variation in the sections of the application form to be completed dependent on the funding applied for.
- (xii) The Council centralises monitoring arrangements and implements within 1 year a corporate approach to monitoring arrangements. This should be developed within the Council's new 'Performance Management Framework'.
- (xiii) The Council ensures that each organisation receiving Council funding in excess of £2,000 has a current and signed service level agreement in place by March 2005.
- (xiv) The Council ensures that future service level agreements are agreed and signed up to prior to payment of funding at the start of the new three-year funding period, but with an element of flexibility of no more than three months if delays are due to the authority.

- (xv) The Council produces, in consultation with Council funding officers, legal services and other stakeholders within 1 year, a 'model' three-year service level agreement for monitoring Council funding to be used across the Council.
- (xvi) The Council ensures that the Council's risk management arrangements are applied within 6 months to the Council's funding process and appropriate action is taken to reduce the impact of risks identified.
- (xvii) Scrutiny undertakes a further enquiry into the 'Role and Responsibilities of Elected Members and Officers on the Management Committees of Outside Organisations'.
- (xviii) The Council develops a 'one-stop shop' approach to 'Advice Services' in the city for voluntary and community organisations and to include:
- an extended 'Customer Service Centre' within the city centre to house umbrella organisations who wish to participate;
  - access to advice services provided through the Council's 'Call-Centre';
  - advice services provided through each customer service centre through a video conferencing link to voluntary sector advice services which wish to participate, and
  - the Council sets up one central point of contact within the Council, within 1 year to co-ordinate the provision of funding advice and support to voluntary and community organisations seeking to access Council funding.
- (xix) The Council approaches Hull CVS to explore the feasibility of holding 'funding surgeries' within the city and possibly within customer service centres once rolled out, aimed at helping organisations to:
- develop awareness of sources of funding suitable to the needs of organisations;
  - access sources of funding;
  - complete funding application forms, and
  - build funding capacity within organisations.
- (xx) If funding surgeries are found to be feasible, that organisations providing funding advice are approached and asked to contribute along with the Council to the surgeries and that Hull CVS or another suitable organisation is asked if it would be willing to lead on this.