Review of grants and other support to voluntary and community organisations

Officer recommendation:

The Committee is invited to comment on the draft proposals arising from the review of grants and other support to voluntary and community organisations.

Reason(s) for Recommendation:

To provide an opportunity for the Committee to help shape and influence the outcomes of the review.

1. Executive summary

1.1 This Committee approved the scope of a review of the overall level and effectiveness of our grant and other support to voluntary and community organisations at its meeting on 14 March 2017. We established an officer group to progress the review and agreed that we would report back to this Committee on the draft recommendations.

1.2 This report sets out the main proposals arising from the review, as summarised below:

(a) that we transition from providing grant funding to the Guildford and Ash Citizens’ Advice and to organisations funded through the Voluntary Grants Panel to a commissioning model to deliver specified support in the following areas:

- advice services;
- homelessness and mental health services; and
- services for the elderly.
(b) that we continue the Community Grants Scheme in its current format, subject to the criteria being amended to reflect the priorities set out in the latest version of our Corporate Plan;

(c) that, in the light of Surrey County Council’s withdrawal of funding for the Surrey Community Buildings Grant Scheme, we transfer our annual funding of £36,000 for this purpose to the Community Grants Scheme;

(d) that we end our annual contribution of £36,000 to the Guildford Local Committee Cluster Funding scheme;

(e) that we continue our Parish Councils Concurrent Functions Grant Scheme and that any further adjustments to the scheme be considered in the light of the implementation of the new arrangements introduced for 2018/19;

(f) that we continue to support voluntary and community organisations by leasing our premises at below-market rents in appropriate cases rather than by awarding grants to off-set full-market rents on the basis described in this report; and

(g) that, in the interests of transparency, we report other forms of financial support to voluntary organisations, such as below market rents and discretionary business rates relief, to the Executive on an annual basis alongside recommended grant awards.

2. Strategic Priorities

2.1 The diverse and extensive nature of existing grant and other financial support to voluntary and community organisations means that the review impacts on many of our strategic priorities. Perhaps the most relevant are:

- improving skills and employment opportunities
- improving local community facilities
- protecting and improving our environment
- improving the lives of residents in less advantaged areas
- improving public health and wellbeing
- improving provision for older people
- integrating community care services
- reducing social inequality
- encouraging self-reliant communities, particularly in less advantaged areas

3. Background

3.1 We undertook a previous review of Council grants to voluntary and community organisations in 2013. The Executive adopted a number of recommendations arising from the review at its meeting on 5 December 2013, including the establishment of a new community grants scheme more closely aligned to our...
corporate priorities and the introduction of more formal funding agreements with some organisations receiving grant support.

3.2 As we reported to this Committee in March 2017, in the light of the Council's current financial position, we felt that the time was right for a new review of the overall level and effectiveness of our grant and other support to voluntary and community organisations. The Committee supported the proposed scope of the review as follows:

1. To identify the true costs of support to voluntary and community organisations and to consider the most appropriate treatment in the accounts.

2. To ensure that grants awarded by the Council align with our corporate priorities and offer value for money.

3. To ensure that grants and other support provided by the Council are fair, consistent and transparent and comply with relevant legislation.

4. To recommend the most appropriate future method for supporting (where appropriate) voluntary and community organisations occupying Council accommodation at below market rents.

5. To determine the most appropriate form of support for voluntary and community organisations.

6. To review the effectiveness of specific individual grant schemes and the performance and value for money offered by organisations with existing grant funding agreements.

7. To consider whether any existing grants should become commissioned services.

8. In light of the Council's financial position and that of its partners, to review the overall level of spending on grants to external organisations.

3.3 We established an officer project group (chaired by the Director of Community Services) to undertake the review and the draft proposals are set out in the following sections of this report.

4. Voluntary Grants Panel and Citizens' Advice (CAs)

4.1 The Voluntary Grants Panel, which provides funding for voluntary organisations that support vulnerable clients in our borough, has to date been funded jointly by Surrey County Council and ourselves. In 2017/18, we contributed a sum of £179,000 with a further £56,000 being provided by the County Council.

4.2 Continued funding by Surrey County Council is highly uncertain and we are working on the basis that no financial contribution will be made in future years. In effect, this would bring the Voluntary Grants Panel scheme to an end in its
current form and means that we need to consider how we maintain support for some of our most vulnerable and disadvantaged residents.

4.3 In practice, the Voluntary Grants Panel does not operate as a discretionary grants scheme. Most recipients receive grant funding on an annual basis and, in some cases, organisations would close or services cease entirely without this financial support. The funding is effectively pre-allocated and there is very little room to support new applications or projects. Examples of organisations supported for multiple years through the Voluntary Grants Panel (with grants shown for 2017/18) include:

- Guildford Action Day Centre £117,000
- Guildford Action for Families £35,000
- Canterbury Care Centre £22,500
- Guildford CA (mental health project) £21,000
- Home Support Services Guildford £19,080
- Oakleaf Enterprise £15,000
- Ash CA (independent living advice) £11,500
- Headway Surrey £7,000
- Cruse Bereavement Care £6,000
- Surrey Welfare Rights Unit £5,000
- Footsteps Drop-in Centre £3,400

4.4 We also currently provide significant annual funding outside the Voluntary Grants Panel process to both Guildford and Ash CAs, as summarised below (figures are for 2017/18):

- Guildford CA (core service provision) £214,550
- Guildford CA (money advice service) £17,000
- Ash CA (core service provision) £69,410
- Ash CA (money advice service) £46,000

(Note: Both Guildford and Ash CAs have also received additional recurring annual funding from the Voluntary Grants Panel as shown in paragraph 4.3 above.)

4.5 In view of the nature of this ongoing financial support to the CAs and organisations funded through the Voluntary Grants Panel, the reality is that we are commissioning services from the voluntary sector and, therefore, we should apply our procurement rules to the process.

Proposals

4.6 Given the withdrawal of Surrey County Council funding from the Voluntary Grants Panel, we need to develop a new approach to ensure that some of our most vulnerable residents continue to receive the support services they need. In doing so, we must also ensure that we comply with our own procurement rules in funding any such services.

4.7 We are proposing that we replace the Voluntary Grants Panel and annual funding of the CAs by moving to a commissioning model that enables us to better reflect
and respond to the identified needs of our residents. Rather than using grant funding to “purchase” services that the voluntary sector wishes to offer, our intention is to be proactive in determining the support that our community most needs and procure the specific services needed to address those demands.

4.8 Recurring annual grant funding currently supports services around the following themes and it is anticipated that these will continue to be the focus of future commissioning:

- advice and information services
- homelessness and mental health services
- services for the elderly

4.9 The intention would be to prepare formal specifications for the services and outcomes that we wish to fund within these themes and undertake a formal procurement exercise by inviting tenders for the provision of each. The total budget for the procurement of these services would be capped at the current level of funding for the CAs and Voluntary Grants Panel and, therefore, there would be no financial implications arising from the changes.

4.10 As well as ensuring compliance with procurement legislation, we believe that there are a number of important advantages in moving to a commissioning model, including more control over the range and quality of the services being delivered, better value for money and alignment with our corporate priorities and improved definition and monitoring of the outputs from our financial support. Formal commissioning will also offer greater certainty in terms of forward financial planning for funded voluntary organisations compared to the system of annual grants.

4.11 However, we should be clear that some organisations are likely to lose funding with this new approach and may face financial pressures as a result. Commissioning can also work against smaller organisations, although we hope that it may also result in enhanced collaboration and partnership working in the voluntary sector. Our focus though must remain on the most effective use of our resources to support those in need rather than the impact on individual organisations.

4.12 We recognise that commissioning is a more complex and resource intensive process than grants and that the transition will need to be undertaken in a planned and phased way. We also need to ensure that voluntary organisations affected by the changes have sufficient notice to enable them to prepare for and respond to the new funding regime. We will submit a report to the Executive on a proposed timetable and plan for the phased introduction of the new commissioning model.

5. Community Grants Scheme

5.1 The Community Grants Scheme was established in 2013 through the merger of some existing grants budgets and the discontinuation of a number of automatic annual grants given to various organisations. The replacement of individual ring-fenced grants budgets with a unified scheme intended to increase consistency,
transparency and fairness in the grants system. It also allowed grants to be more focused on supporting the priorities of our corporate plan, for example, by supporting our most disadvantaged and vulnerable residents.

5.2 Key features of the grants scheme are:

- to provide assistance for community projects and initiatives supporting the Council’s corporate priorities;
- to support projects that do not require ongoing year-on-year support and where sustainability can be demonstrated;
- to be open to applications from social enterprise, community and voluntary organisations;
- to encourage new organisations and groups to apply and to avoid criteria that would frustrate this;
- to make available grants up to a maximum of £15,000 or 50 per cent of the total cost of a project (whichever is the lower)

5.3 The current budget (2017/18) for the Community Grants Scheme is £132,360.

Proposals

5.4 We are not proposing any significant changes to the Community Grants Scheme, which has been effective in meeting its objectives. The scheme does not support the running costs of organisations requiring ongoing financial support and, therefore, funding is available to support a wide range of projects on an annual basis.

5.5 Since the establishment of the scheme, we have produced a new Corporate Plan and some minor changes will be made to the criteria to re-align them with our priorities. This will indicate that projects will be eligible for funding if they:

- improve skills and employment opportunities
- improve local community facilities
- improve the lives of residents, particularly in areas of less advantage
- improve public health and wellbeing
- improve provision for older people
- support the integration of community care services
- reduce social inequality
- encourage self-reliant communities, particularly in less advantaged areas

5.6 We recognise that the nature of our priorities makes the scheme open to a wide range of projects. As part of the annual report on the allocation of grants to community groups each February, we will give the Executive an opportunity to review the criteria and determine whether the following year’s grant scheme should focus on supporting selected priorities or maintain its broader scope.
6. **Surrey Community Buildings Grants Scheme**

6.1 The Surrey Community Buildings Grants Scheme provides capital grants towards the cost of works to village halls and local community projects. Surrey Community Action administers the scheme in accordance with its criteria and any funding we provide for projects is match-funded by Surrey County Council. Effectively, the scheme provides for equal match-funding of eligible projects by the applicant, Surrey County Council and ourselves, subject to the available budget. Our budget for the scheme is £36,000 in the current financial year.

6.2 Surrey County Council has indicated that it will be withdrawing its funding for the scheme beyond this year and, therefore, it will come to an end. We are proposing that our own funding for the scheme be transferred to the Community Grants Scheme in future years. The criteria for that scheme clearly makes improvements to community facilities eligible for support, although we recognise that the 50% limit on match-funding is less generous than that provided by the existing scheme. Authority for this proposed change will be sought as part of the consideration of the draft budget for 2018/19.

7. **Guildford Local Committee Cluster Funding**

7.1 Guildford Local Committee Cluster Funding was introduced in 2015/16 to give local communities access to funding to help address local priority issues in four areas (clusters) covering the borough. Surrey County Council and ourselves each make an annual contribution of £35,000 to fund the scheme.

7.2 Since its establishment, projects supported through this cluster funding have not always closely aligned with our own corporate priorities. For example, funding has been allocated towards projects to improve pavements, provide facilities in schools and for better signage. As a result of discussions with Surrey County Council, cluster funding will now end with the agreement of both councils and the saving of £35,000 will be incorporated within our draft budget for 2018/19.

8. **Parish Councils Concurrent Functions Grant Scheme**

8.1 The Parish Councils Concurrent Functions Grant Scheme provides financial assistance to parish councils for “concurrent functions” projects of a non-routine nature. Concurrent functions are services that both parish councils and ourselves are empowered to undertake (e.g. allotments, play areas, open spaces, bins, benches, public conveniences, community facilities, street lighting etc.).

8.2 Projects are supported at a rate of 50% for schemes up to a cost of £10,000, with expenditure above that level being funded at a rate of 20%. The base budget for the scheme is currently fixed at £100,000, but this will reduce to £90,000 in 2019-20.

8.3 A number of changes have already been introduced to the criteria and operational arrangements for the scheme in 2018-19 onwards, including:

- the need for all proposed projects to be supported by written quotations;
• a limit of £50,000 on the amount any individual parish can receive in any one year;

• the need to submit receipted invoices prior to grant payments; and

• the requirement for parish councils to indicate how the proposed project will support the priorities of our Corporate Plan.

8.4 We are not proposing any further changes to the scheme at this stage, but further adjustments may be forthcoming in the light of the implementation of the new arrangements introduced for 2018-19.

9. **Other Grant Funding Agreements**

9.1 As part of the grants review in 2013, it became clear that many payments we made to external organisations were not the same as those we proposed to support through the new community grants scheme. These payments support ongoing running costs and the delivery of specific services by relevant third sector organisations. In many cases, the service would no longer be viable if we withdrew or significantly reduced the grant. In some instances, we would be required to provide the services ourselves in the absence of the existing arrangements.

9.2 Following the review, these grants were incorporated within service budgets and separate funding agreements with associated monitoring and evaluation processes were introduced. These funding agreements are listed in Appendix 1, together with any proposed changes to the existing arrangements where applicable.

10. **Grants for Rents of Council Property**

10.1 Two voluntary organisations pay market rents to occupy Council property. In both cases, the rental paid is funded by the Council through the grants process.

10.2 Guildford Citizens’ Advice currently occupies its premises at Haydon Place at an annual rent of £41,400. The lease expires on 31 March 2018 and the option of relocating the CA to our offices is currently being explored. This would release its existing premises for commercial leasing.

10.3 Voluntary Action South West Surrey currently occupies 39 Castle Street at an annual rent of £9,000. The lease expired in 2016 and the future use of 39 Castle Street is under review. The possible relocation of Voluntary Action South West Surrey to Millmead House is also being investigated.

11. **Below Market Rents**

11.1 We currently allow various voluntary and community organisations to occupy our property at below market rents. We have considered whether it would be more appropriate to charge these organisations full market rents and award them
compensatory grant aid instead. However, this approach would have a number of disadvantages, including:

- increased administration costs;
- reluctance of community groups to take on full repairing and insuring responsibilities without longer leases, therefore exposing the Council to greater revenue and capital costs;
- reduced ability for groups to attract external grants without longer leases; and
- significant negative financial implications for the Council in terms of VAT.

11.2 Therefore, we propose to continue offering below market rents in appropriate cases, subject to a number of changes to this process, including:

(a) the annual reporting of below market rents to the Executive alongside grants to promote transparency and openness;

(b) the development of simple criteria (e.g. status of the organisation, contribution to our priorities etc.) for accepting below market rents on grant of new leases;

(c) the requirement for organisations to submit annual accounts and reports on their activities and their contribution to the Council’s priorities;

(d) an assessment of affordability and rental level based on a review of the accounts and report;

(e) the inclusion of proportionate requirements in renewed leases about what we can expect in return for below market rental payments (in a similar way to grant funding agreements); and

(f) new delegated authorities for the award of leases at below market rentals.

11.3 We will submit a separate report to the Executive on the proposed new criteria and processes, including measures to ensure compliance with legal requirements, such as state aid.

12. **Discretionary Business Rates Relief**

12.1 We collect business rates for all “non-domestic” properties in the borough. This does not only apply to businesses, but also to other organisations. However, registered charities and community amateur sports clubs generally qualify for mandatory rate relief of 80% (i.e. we must reduce their bills by 80%). We can also grant them discretionary rate relief, although the cost of this is partly met by the Council itself. Currently, the cost is apportioned at 40% to ourselves, 10% to
Surrey County Council and 50% to the government. Our portion is likely to increase in 2020, although we do not have the final details yet.

12.2 We currently grant discretionary rate relief to approximately 120 qualifying organisations. The total budgeted cost to the Council for 2017-18 is approximately £63,500. In the interests of openness and transparency, we will report on discretionary reliefs granted to voluntary and community organisations on an annual basis alongside grants.

13. **Project Aspire**

13.1 Project Aspire was established as a means to involve and engage local residents, partners and businesses in delivering improvements in our communities. In November 2015, the Executive approved funding for an earmarked reserve of £250,000 to support initiatives arising from Project Aspire.

13.2 Part of the funding has been used to award grants to support projects that will help build more self-reliant and confident communities. These may include measures to reduce economic and social exclusion, improve health and wellbeing or improve outcomes for young people at school. They may also involve better community facilities or environmental improvements.

13.3 We will prepare a separate briefing for councillors on Project Aspire, including details of projects receiving grant support and information on some of the early outcomes being delivered.

14. **Financial Implications**

14.1 The financial implications of the review are explained in relevant sections of the report and significant changes to the overall level of grant support that we provide to voluntary and community organisations are not proposed. The phased move towards a more formal commissioning model will be delivered within existing budgets for the Voluntary Grants Panel and Citizens’ Advice Bureaux.

14.2 We are proposing a saving of £35,000 through the ending of the Local Committee Cluster Funding and are recommending that the £36,000 previously allocated to the Surrey Community Buildings Grants Scheme be transferred to the Community Grants Scheme. These proposals will be reflected in the 2018-19 budget planning process.

15. **Legal Implications**

15.1 Guildford and Ash CAs and most organisations receiving funding through the Voluntary Grants Panel receive grant funding on an ongoing annual basis to support their running costs. These grants are awarded on the basis of funding agreements with criteria and conditions specifying how the funding must be used. In these circumstances, the relationship between grant recipients and ourselves is in the nature of service contracts and relevant procurement legislation and our own rules must be applied.
15.2 The withdrawal of Surrey County Council funding from the Voluntary Grants Panel effectively ends the scheme in its current form and we need to change our approach to how we support organisations caring for some of our most vulnerable and disadvantaged residents.

15.3 Our proposed phased transition from providing grant funding to a commissioning model for these services intends to maintain vital support whilst ensuring future compliance with procurement rules.

15.4 We will need to consider and address the legal implications arising from any future decisions to continue or discontinue certain grant funding. As well as consulting with the relevant recipients, we will need to comply with any provisions in the funding agreements requiring notice to be given before a grant is terminated. If there are no specific termination provisions, we will need to consider the legal requirements for termination and, in particular, whether there is any legitimate expectation that funding would continue.

15.5 We will also need to consider the public sector equality duty. This requires due regard to be had to the need to eliminate discrimination, harassment or victimisation on the grounds of a protected characteristic (such as sex, disability, race and age) and the need to advance equality of opportunity and foster good relations between individuals who share protected characteristics and those who do not.

15.6 We are permitted to accept below market rents for our property by Section 123 of the Local Government Act 1972 where this promotes or improves economic, social or environmental wellbeing. However, we must ensure that any below market rents comply with European Commission State Aid rules and the requirement for legal advice in relation to each future lease will be incorporated into the new procedures proposed in Section 11 of this report.

16. Human Resource Implications

16.1 Subject to final decisions on the proposals, we will consider the internal resourcing implications for the management and administration of the new commissioning model.

16.2 Commissioning is a more complex and resource intensive process than grants and the transition will need to be undertaken in a planned and phased way. The report to the Executive on the proposed timetable for the new model will address any specific staffing implications and how these would be funded within the overall existing grants budgets.

17. Key Risks

17.1 Although we recognise the increased complexity of the commissioning approach, we believe that this will ensure compliance with procurement legislation and rules. It will also offer more control over the quality of the services being delivered, better value for money and alignment with our corporate priorities and improved definition and monitoring of the outputs from our financial support. It
will also offer greater certainty in terms of forward financial planning for voluntary organisations.

17.2 However, some organisations are likely to lose funding and may face financial pressures as a result. We need to remain aware of the impact of our proposals on local voluntary organisations, but the focus of the proposals is to ensure the most effective use of our resources to support those in need.

17.3 We should also be mindful that, as a commissioner and sole funder of services, we are likely to be seen as being responsible and accountable for their provision and continuation (although that may also be the case under the current grants system in some cases).

18. Consultation

18.1 Lead councillors have been consulted on the proposals set out in this report and have agreed that they should be submitted to this Committee for consideration.

19. Suggested issues for overview and scrutiny

19.1 The Committee is invited to comment on the draft proposals.

20. Conclusion

20.1 This Committee approved the scope of a review of the overall level and effectiveness of our grant and other support to voluntary and community organisations at its meeting on 14 March 2017. We established an officer group to progress the review and agreed that we would report back to this Committee on the draft recommendations.

20.2 This report sets out the main proposals arising from the review, including a proposed transition from providing grant funding to various organisations to a commissioning model. It also recommends changes to other grant schemes, supports the continuation of below market rents for our property for certain types of organisation and greater transparency on the overall level of support we offer to the voluntary and community sector.

21. Background Papers

Report to Executive: 5 December 2013
Report to Overview and Scrutiny Committee: 14 March 2017

22. Appendices

Appendix 1 – Grant Funding Agreements