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| DECISION-MAKER: | CHIEF STRATEGY OFFICER | | |
| SUBJECT: | GRANTS CONSULTATION FINAL REPORT | | |
| DATE OF DECISION: | 23 MARCH 2017 | | |
| REPORT OF: | DIRECTOR OF QUALITY AND INTEGRATION | | |
| <u>CONTACT DETAILS</u> | | | |
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STATEMENT OF CONFIDENTIALITY

None

BRIEF SUMMARY

The Council makes a significant investment in Southampton's thriving, rich and diverse voluntary sector, incorporating large and small organisations, community groups and faith organisations. Cabinet want to ensure that our significant investment of over £20M every year contributes directly to the Council's priority outcomes, encourages better collaboration within the voluntary sector and is able to lever additional external funding to the city.

In October 2016 Cabinet considered a report detailing a review of the Council's investment in the voluntary sector, across grants and contracts. The review was undertaken with the aim of ensuring that services provided by the voluntary, community and faith sector (whether contracted or grant funded) contributed directly to the Council's priority outcomes. This review was to inform the 2 year work programme with a strong focus on prevention and early intervention approaches. Over the 2 year period, Cabinet will consider a number of recommendations in order to deliver redesigned services which could result in reshaping and re-tendering for services. At this meeting Cabinet also agreed delegated authority to the Chief Strategy Officer, following consultation with the Leader of the Council, to do anything necessary to give effect to the recommendations they agreed and, following the consultation exercise, to approve a way forward.

As a result of the recommendations agreed at the Cabinet meeting in October 2016, the Council commenced consultation with grant aided organisations and the wider voluntary, community and faith sector to seek their feedback. This report details the results of the consultation feedback and makes final recommendations relating to the use of grants for the future, to ensure that its commitment to and investment in the voluntary, community and faith sector contributes to achieving its priority outcomes.

RECOMMENDATIONS:

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| | (i) | To cease the current corporate voluntary sector grant funding programme in favour of an approach which identifies the most appropriate funding route in each circumstance, based on the nature of service the Council wants delivered and the outcome(s) it wants |
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| | | achieved. |
| | (ii) | To undertake mitigating actions to ensure that voluntary, community and faith sector organisations are not disadvantaged in any commissioning process including support to enhance their ability to respond to tenders. |
| | (iii) | To give a minimum of 3 months' notice to all current grant recipients and to put in place a transition programme, so that there is continuity of grant aided services for the duration of any procurement process. |
| | (iv) | To use grants for shorter term and one-off funding for specific themes (as and when funding is available), for voluntary, community and faith organisations to develop local services and to pilot new ideas and innovations. |
| | (vi) | To encourage collaborative approaches and make successful efforts to bring in match funding wherever possible as a general principle. |
| | (vii) | To endorse the principle of participatory budgeting and for this to be considered alongside work to commission a new community development model and to include in the specification, whether delivered in house or by an external partner, the requirement to implement this in the most efficient way. |

REASONS FOR REPORT RECOMMENDATIONS

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| 1. | To maximise the benefits from the significant investment the Council makes in the voluntary sector and to ensure that this is directed towards the Council's priority outcomes and that it can be used in a more strategic way to lever in external funding to the city. |
| 2. | To provide more opportunities for small groups to access one off funding as this type of support has delivered huge benefits and supports the efforts of volunteering in the city. |

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

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| 3. | <p>Continuing with the current arrangement has been considered and rejected because:</p> <ul style="list-style-type: none"> • There is an opportunity to take a strategic approach to achieving Council priorities by unifying its approach to the Council's significant, overall investment in the voluntary sector (through grants and contracts). • A number of core services are currently being funded through the grants process. A more effective way to achieve the desired outcomes would be through clear specifications for services the Council wants delivered and using contractual routes which provide guaranteed arrangements for appropriate lengths of time. • While a number of Council funded organisations and services in the city provide a valuable service with a good return on investment, this is variable across organisations. • Activities are not always co-ordinated leading to both overlaps and gaps, which means that impact is not targeted or maximised. |
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DETAIL (Including consultation carried out)

| | Background |
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| 4. | Southampton has a thriving voluntary sector with a rich diversity and cultural mix and includes both local and nationally affiliated charities, housing associations, social enterprises, small community and neighbourhood groups and faith organisations. The Council invests over £20M per year in voluntary, community and faith organisations and needs to ensure this makes a contribution to the Council's priority outcomes, encourages better collaboration within the voluntary sector and is able to lever additional external funding to the city. |
| 5. | The Council also has a long history of supporting voluntary organisations, community and faith groups through its grants programme. The Council moved to outcomes based grant allocation in 2013 and the three year programme has provided successful organisations between one and three years of funding. Grant aided organisations were given one year's extension at the end of the last 3 year grants programme to enable the Council to agree its approach for the future. The grants budget for 2016/17 is £1.54M and this includes £50,000 for the Community Chest small grants scheme. |
| 6. | The Council's investment includes a range of contracts totalling over £18M. The value of contractual investment illustrates that voluntary sector organisations now play a major role in providing core services for the City Council, with a significant amount funding services which have been the subject of open tenders. The voluntary sector also provide a number of services which are purchased on a 'spot' basis and this spend is in addition to the figures above. |
| 7. | The Community Chest small grants scheme has been supporting community and faith groups as well as small voluntary organisations in the city for more than 30 years. The current budget is £50,000 per year, which is split roughly equally between two rounds, closing in May and November each year. Grants of up to £2,500 are awarded against priorities in the Council Strategy. Grants are awarded for a broad range of projects, including: residents and community projects, sports, health and wellbeing, arts and crafts, children and young people, older people, environment and employment and training. These small grants enable communities to help themselves and provide positive return for modest amounts of funding. |
| 8. | A review of the Council's investment in the voluntary sector, including grants and contracts established that there is good return on investment. However, though this is currently spread across a large number of agencies, investment levels vary widely and there is also overlap between agencies providing similar services or providing services to the same group of people. Grant funding is also currently used to support core services which have been in place for many years. |
| 9. | The Council wishes to prioritise its support to the voluntary, community and faith sector and to engage the sector in working jointly to address local challenges. |
| 10. | <p>In October 2016 Cabinet therefore agreed a new, unified approach to the Council's investment in the voluntary sector and agreed to prioritise the following areas, which include both grants and contracts, as they present further opportunities for amalgamation in order to increase the impact of the Council's investment and to continue to shift the focus towards prevention and early intervention approaches:</p> <ul style="list-style-type: none"> • Housing Related Support (HRS), recommendations for the future |

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| | <p>procurement of HRS for young people and vulnerable adults was agreed by Cabinet in October 2016</p> <ul style="list-style-type: none"> • Information, Advice and Guidance (IAG), is on the Forward Plan for April 2017 • Community Development (model for facilitating community development was agreed by Cabinet in October 2016) • Homeless and Substance Misuse services (work is currently underway). |
| 11. | <p>At this meeting Cabinet agreed the new approach with the following recommendations:</p> <ul style="list-style-type: none"> • To approve a consultation exercise on the proposed approach with grant aided organisations and the wider voluntary sector to include future arrangements for the current grants budget. • To approve proposals for extending the established participatory budgeting approach in Thornhill to two other areas of the city and to agree continuation of funding for all three areas from the existing budgets. • To approve the doubling of the budget for the Community Chest grants scheme to £100,000 and delegated authority for grant allocations to the Cabinet Member for Communities, Culture and Leisure who will chair a new cross party Member Panel to make recommendations. • To delegate authority to the Chief Strategy Officer, following consultation with the Leader of the Council, to do anything necessary to give effect to the recommendations contained in this report and, following the consultation exercise, to approve a way forward. |
| | Consultation |
| 12. | <p>Following the Cabinet decision in October 2016 the Council commenced a public consultation with grant funded aided organisations and the wider voluntary sector who could be affected by the proposals. The consultation ran from 2 December 2016 to 24 February 2017. The Council undertook this consultation in line with the Southampton Compact and the Best Value Statutory Guidance.</p> |
| 13. | <p>The specific proposals included in the consultation were:</p> <ul style="list-style-type: none"> • To identify the funding approach as part of each commissioning process, based on the type of service and the best way to achieve the priority outcomes, using contracts for specified services with clear outcomes and using grants for time limited initiatives such as pilots or pump priming. • To add two new grant criteria to the current criteria which would result in priority being given to collaborative bids and to bids which bring in match funding. • To increase the current Community Chest funding by £50,000 to give a total investment for small community groups of £100,000 per annum. • To continue to fund the Thornhill Participatory Budget scheme when the current funding ends, by the same amount, and to expand the area to include Harefield estate and a defined area in Sholing around Sullivan Road and the Merryoak estate. • To increase investment for participatory budgeting and extend to new areas of the city – a defined area within the Bevois and Bargate wards |

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| | which include Northam and Golden Grove estates and the original SRB 6 regeneration area covering specific parts of Millbrook, Redbridge, Maybush and Coxford. |
| 14. | A consultation document outlining the proposed changes was produced and disseminated widely included all current grant recipients. The Council accepted responses through a variety of methods including an online questionnaire, public meetings, one-to-one meetings (for current grant recipients directly impacted by the proposals), by phone, letter and email. Responses were accepted from individuals and organisations. Full details of the consultation arrangements including the consultation document, questionnaire and feedback are in Appendix 1. |
| 15. | In addition, Equality and Safety Impact Assessments (ESIAs) have been undertaken for all current grants recipients directly impacted by the proposals and are available on request. The affected organisations have had the opportunity to comment on their ESIA. These ESIAs have been collated into a cumulative impact assessment which forms part of this report. The Cumulative Impact Assessment (CIA) is attached at Appendix 2. |
| 16. | Throughout the consultation, every effort has been made to ensure that as many people as possible are aware of the proposals and have had the opportunity to have their say. Particular effort has been made to communicate the proposals to current grant recipients who would be directly impacted by the proposals. This has been achieved by targeting communications directly to affected grant recipients and having a period of priority booking for the public meetings. |
| | Consultation feedback |
| | Level of engagement |
| 17. | The consultation process sought views on proposals relating to funding opportunities for the voluntary, community and faith sector from the Council in the future. The consultation process engaged with a range of individuals and organisations through a variety of methods to allow residents and organisations across the city to provide their views and elicit a full discussion on the proposals to enable the council to make a final decision. |
| 18. | <p>Overall there was a good level of engagement with the consultation process. In the last significant grants consultation in 2012 only 10 of the existing grant recipients engaged in the consultation, therefore the level of engagement in this consultation was a significant improvement. In total there were 84 respondents (53 organisations, 3 networks and 28 individuals) to the consultation on the voluntary sector funding proposals either through the online survey, public meetings, one-to-one meetings or a general email or comment. Some organisations responded through more than one consultation route. While all feedback will be included, individual organisations have only been counted once in the total number of respondents.</p> <ul style="list-style-type: none"> • The online survey had 47 respondents (19 organisations and 28 individuals) • The public meetings had 35 attendees (all representing organisations) • 25 of the 34 current grant recipient organisations (74%) took up the offer for one-to-one meetings. |
| 19. | In total 544 comments were received and analysed. A breakdown of the 53 |

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| | <p>organisations that responded to the consultation has shown that 58.5% are local organisations (i.e. primarily working and based in Southampton), 30% are regional organisations and the remaining 9.5% are national organisations. The ways organisations responded was split between 36% via the online survey, 23% via public meetings and 41% via one-to-one meetings or email submissions. Individuals only responded to the consultation via the survey. The split of the 544 comments received was 32% online survey, 32% public meetings and 36% one-to-one meetings and email submissions.</p> |
| 20. | <p>Only respondents who completed the online survey were asked about the size of their organisation. The list of organisations who responded to the consultation has significantly more voluntary organisations who have at least one paid staff member and permanent premises than small community groups.</p> |
| | <p>Feedback summary</p> |
| | <p>Proposed approach to awarding funding</p> |
| 21. | <p>The proposal to use contracts for specified services with clear outcomes and grants for time limited initiatives such as pilots or pump priming was generally supported through the online questionnaire. Issues were raised which the council feels can be mitigated through a variety of approaches aimed at removing barriers to voluntary sector providers being able to respond to tender and enter into contracts. This approach has been reflected in the recommendations.</p> |
| 22. | <p>Majority of the respondents to the online survey (55%) strongly agreed or agreed with the proposal to change the criteria for when the Council will offer grants and when it will offer contracts and 15% were neutral about the proposal. The remaining 30% either disagreed or strongly disagreed with the proposal. However, when considering feedback through other channels, just over 7% of comments were broadly supportive and featured in a lot of the comments received. The main reasons given were that the respondent felt it would not make any difference for their organisation, it seemed reasonable as long as there are still small grants available, and it could provide opportunities for both voluntary sector organisations and the Council. There was also a need to clarify how cross-cutting work would be funded if contracts are awarded for specific work streams. Top issues raised included:</p> <ul style="list-style-type: none"> • Negative view of contracts or expressing the view that grants are better for voluntary sector organisations (52%) • Concerns about the impact on smaller organisations, about it being an unequal playing field and about skills and capacity for bidding for contracts (17%). This included concerns about procurement processes, being open to more competition than grants, particularly from larger organisations from outside of the city and that contracts are more time consuming, more expensive to administer. • Views that voluntary sector organisations need long term funding and core funding to provide a stable base for the organisation (18%). • Some respondents felt that contracts favour larger organisations. • Concern at the loss of long term “core” grant funding for voluntary sector organisations (e.g. building costs rent, utilities, business rates, IT and staff) as few funders give grants for core costs or set a maximum percentage. |

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| 23. | Some of the issues raised would apply equally to contracts and grants. For example, the current grants process is highly competitive with applicants frequently requesting more than double the available budget. Few applications in the past four years have received the full amount requested, in order to spread the available funds across a wide range of services, and the Council has had an increasing emphasis on awards being linked to particular activities and outcomes. |
| 24. | A number of practical concerns have been raised by respondents are being considered so that voluntary sector organisations are supported with information and advice. Many of the concerns can be mitigated by proportionate use of procurement processes and by developing a programme of training for voluntary, community and faith organisations. |
| | Proposed additional criteria for grant funding |
| 25. | <p>The Council is proposing to introduce two new criteria for grants. It is aiming to encourage collaborative approaches to funding which it hopes will see more services delivered in partnership. It is also minded to give priority to organisations which actively use council funding to draw in match funding from other sources.</p> <ul style="list-style-type: none"> • 58% of the respondents agreed or strongly agreed with this proposal • 20% of the respondents were neutral • The remaining 22% either disagreed or strongly disagreed. |
| 26. | <p>The proposals to include collaborative working and bringing in matching as criteria for grant awards was broadly supported, being seen as 'business as usual'. Some respondents wanted more detail and assurance on how the council would implement the criteria in order to prioritise applications that bring in additional funding. Potential barriers raised included resources needed to develop successful partnerships, skills and time to develop and costs (including staff time and costs for lead partners to manage contracts). A number of potential issues with partners were also identified, including finding partners, managing the relationship and the challenges that unequal partnerships bring, such as between organisations which are not at the same level in key areas like monitoring and measuring impact.</p> |
| 27. | <p>Clarification was sought on the Council's definition of 'collaborative' working and whether this would include formal or informal partnerships. For the purposes of this exercise, formal and informal collaborative working is defined as:</p> <ul style="list-style-type: none"> • Formal – where organisations are working together in formal relationships (i.e. have a written agreement that outlines how they will work together) to jointly deliver services and jointly bid for funding • Informal – where organisations work together in informal alliances and networks, delivering services together on an ad hoc basis. |
| 28. | <p>58% of the respondents strongly agreed or agreed with the proposal to prioritise applications which actively use Council funding to draw in match funding and many organisations see this as business as usual. However, some respondents were unclear how the Council would implement the criteria in order to prioritise applications that bring in additional funding. Queries include whether this would be based on past or future income, how it would be measured and whether there would be any penalties for not achieving future funding targets. Respondents also felt that other added</p> |

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| | value, particularly volunteer time, should also be considered as 'match' funding. Some respondents felt the changes to core funding would make it harder for them to bring in additional funding, as the core funding provides a stable base for them to start from. |
| | Community Chest |
| 29. | The proposal to increase funding for the Community Chest small grants scheme was broadly supported. Some suggestions on potential changes to the criteria were received but this did not reflect a consensus view which would support an immediate change. Work will be undertaken on how best to promote the work of small, voluntary organisations. |
| 30. | In relation to the current grant criteria a number of suggestions were made including: <ul style="list-style-type: none"> • Start-up funding for new organisations, potentially linked to capacity building and developing good governance practices (the current grant already focuses on this) • Emergency funding for organisations in crisis • Reviewing the length of grant and applications every year (the current grant must be spent within 1 calendar year and successful applicants cannot apply again the following year). |
| | Participatory Budgeting |
| 31. | The proposal to extend Participatory Budgeting across the city had a mixed response with 47% respondents to the online survey agreeing and 30% disagreeing. Some of the issues raised by a wide variety of organisations will need consideration. Whilst the principle of community involvement in funding decisions was supported, the concerns relate to the practical application, unintended consequences, need for community development support to ensure all communities are in a position to take full advantage of this approach. |
| 32. | The main reasons for concern regarding participatory budgeting were: <ul style="list-style-type: none"> • some 'unpopular' groups are disadvantaged and excluded from funding and it can thus create unfair allocation of resources • it can favour groups who can motivate support which is not always reflective of need or the best idea/project • it is resource heavy to manage which may not be best use of resources • funds could be better spent on community development which could also include elements of community involvement in decision making • participatory budgeting can work against smaller, less confident or less popular causes and thus potentially increases discrimination and inequality • There are other ways of encouraging community participation and decision making including community panels, training and support, different 'voting' mechanisms. |
| 33. | While the Council is committed to the principle of Participatory Budgeting, it is open to ideas of how this can be delivered in the future. In doing so the Council will ensure that the specification for the community development model will include delivery of Participatory Budgeting in the most efficient way so that local communities can be directly involved in funding decisions |

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| | related to their neighbourhoods. |
| 34. | It is therefore recommended that, the practical application of Participatory Budgeting across the city is considered alongside the planned work to commission a new community development model. Any changes to the way in which Participatory Budgeting is implemented in the future will be implemented in Thornhill after March 2019. |
| 35. | A number of additional comments were received which are included in the full report on the consultation and which have been taken into account in the recommendations and will also be considered in this and future related work streams. |
| | Conclusion |
| 36. | The consultation sought views on the proposals for voluntary sector funding opportunities from the council in the future. The consultation engaged with a range of individuals and organisations through a variety of methods to allow residents and organisations across the city to provide their views and elicit a full discussion on the proposals to enable the council to make a final decision. |
| 37. | The proposal to use contracts for specified services with clear outcomes and grants for time limited initiatives such as pilots or pump priming was generally supported through the online survey. The Council recognises voluntary sector organisations have concerns about moving away from a 'core' funding model. However issues raised can be mitigated through a variety of approaches aimed at removing barriers to voluntary sector providers being able to respond to tender and enter into contracts. This approach has been reflected in the recommendations. |
| 38. | The proposals to include collaborative working and bringing in match funding as criteria for grant awards was broadly supported, being seen as 'business as usual' but there were some issues as to how this would work in practice. It is therefore recommended that, in view of the responses received, this approach is encouraged, supported and promoted. |
| 39. | The proposal to increase funding for the Community Chest small grants scheme was broadly supported. Some suggestions were received on potential changes to the criteria but this did not reflect a consensus view which would support an immediate change. Work will be undertaken on how best to promote the work of small voluntary sector organisations. |
| 40. | The proposal to increase Participatory Budgeting had a mixed response and some valid issues were raised during the consultation from a wide variety of organisations. Whilst the principle of community involvement in funding decisions is supported there were a number of concerns relating to the practical application and unintended consequences. While the Council is committed to the principle of Participatory Budgeting, it is open to ideas of how this can be delivered in the future. It is therefore recommended that, the practical application of Participatory Budgeting across the city is considered alongside the planned work to commission a new community development model. |
| RESOURCE IMPLICATIONS | |
| <u>Capital/Revenue</u> | |

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| 41. | The change in the Council's approach means that it is proposing a unified approach to its investment in the voluntary sector. Hence funding offered is through grants or through contracts as the route is considered to be less important and will be done on a case by case basis. While the Cabinet decisions include additional investments in Community Chest and Participatory Budgeting, this will be done within the overall budgets for grants and contracts. |
| <u>Property/Other</u> | |
| 42. | There are no property implications. |
| LEGAL IMPLICATIONS | |
| <u>Statutory power to undertake proposals in the report:</u> | |
| 43. | Section 2 Localism Act 2011 and various Local Government Acts. Any procurement will be governed by EU procurement rules depending on value. |
| <u>Other Legal Implications:</u> | |
| 44. | <p>The Council must be mindful of the Southampton Compact and the Best Value Statutory Guidance in all its work with the voluntary sector. The Southampton Compact provides a code of good practice to build on existing good practice and continue to improve relationships between statutory, community and voluntary organisations. It covers five key areas with undertakings for both the public sector and voluntary sector in each area:</p> <ul style="list-style-type: none"> • A strong, diverse and independent civil society; • Effective and transparent design and development of policies, programmes and public service • Responsive and high-quality programmes and services • Clear arrangements for managing changes to programmes and services; • An equal and fair society. |
| 45. | The Best Value Statutory Guidance was issued by central government in 2011, revised in 2015. The Guidance provides a code of good practice for local authorities considering funding reductions that may affect the voluntary sector. It complements the Southampton Compact minimum consultation and notice periods. |
| 46. | The Council needs to recognise its equalities duties and in making decisions will pay due regard to the need to eliminate discrimination and promote equality and to undertake Equality and Safety Impact Assessments (ESIAs). Equality and Safety Impact Assessments have been undertaken in relation to grant-aided services, which includes input from the organisations themselves. A Cumulative Impact Assessment has also been undertaken, is attached at Appendix 2 and has informed this report and the final recommendations. |
| POLICY FRAMEWORK IMPLICATIONS | |
| 47. | <p>The recommendations in this report will support the delivery of the following strategies and priorities included in the Policy Framework (Constitution Article 4.01):</p> <ul style="list-style-type: none"> • Southampton City Council Strategy 2016-2020 |

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| KEY DECISION? | Yes | |
| WARDS/COMMUNITIES AFFECTED: | All | |
| <u>SUPPORTING DOCUMENTATION</u> | | |
| Appendices | | |
| 1. | Consultation Document, Questionnaire and Feedback | |
| 2. | Cumulative Impact Assessment | |
| Documents In Members' Rooms | | |
| 1. | None | |
| Equality Impact Assessment | | |
| Do the implications/subject of the report require an Equality and Safety Impact Assessments (ESIA) to be carried out? | | Yes |
| Privacy Impact Assessment | | |
| Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out. | | No |
| Other Background Documents | | |
| Equality Impact Assessment and Other Background documents available for inspection at: | | |
| Title of Background Paper(s) | | Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable) |
| 1. | | |
| 2. | | |