

Cabinet Report



Listening Learning Leading

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To: CABINET

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Revenue grant scheme

Recommendations

1. That Cabinet approves a two-year revenue grant scheme (2022-2024) that is open to all Voluntary and Community Sector (VCS) organisations across the district.
2. That Cabinet agrees to a condition that a proportion of the funding awarded is allocated to fundraising/diversifying income streams.

Purpose of Report

1. The purpose of the report is to seek a decision from Cabinet on the future of the council's Revenue Grant Scheme.

Corporate Objectives

2. The council's revenue grant scheme supports the corporate plan objective of Improved Economic and Community Wellbeing.

Background

3. The council has for many years been in a very fortunate position to provide significant funding towards improving community facilities and activities, the environment and the health and well-being of our residents. The community grants portfolio currently includes budgets for three grant schemes: Revenue (£333,996), Capital (£320,000) and Councillor Community (£180,000).

4. The council approved four-year revenue grants (2017-2021) to 17 organisations in December 2016 and in March 2017 by ICMD, following recommendations from the Community Grants Panel (January 2017).
5. The grants totalling £1,677,136 were spread over four years, targets were set in 2017 and awarded to the following organisations to support the delivery of services across our district:
 - Oxfordshire South and Vale Citizens Advice Bureau, awarded £614,432
 - Community First Oxfordshire, awarded £74,250
 - The Chiltern Centre, awarded £100,000
 - Be Free, Young Carers (previously South and Vale Carers), awarded £83,508
 - Berinsfield Information and Volunteer Centre, awarded £56,814
 - Thomley, awarded £97,500
 - Nomad Youth and Community Project, awarded £80,000
 - Oxfordshire Sexual Abuse and Rape Crisis Centre, awarded £52,500
 - Home-Start Southern Oxfordshire, awarded £66,706
 - Oxfordshire Association for the Blind, awarded £25,000
 - South Oxfordshire Food & Education Alliance, awarded £94,000
 - Style Acre, awarded £66,000
 - Fish Volunteer Centre, awarded £12,000
 - Didcot Train, awarded £79,297
 - Riverside Counselling Service, awarded £65,000
 - My Life, My Choice, awarded £16,840
 - Age Uk Oxfordshire, awarded £93,289
6. Historically the council has offered revenue funding in four-year cycles to provide organisations with longer term security. This financial year (2021/22) would have been the start of a new cycle. However, the council agreed to a year's extension to the current recipients in recognition of the unprecedented situation in 2020/21 with Covid-19 and given that the long-term implications of the pandemic are still relatively unknown. The extension approved in July by Cabinet offered the current recipients funding at the same level as (2020/21), conditional towards the provision of COVID -19 response and recovery services in 2021/22. All 17 current recipients submitted 2021-2022 project plans which have subsequently been approved by delegated authority.
7. As we look towards 2022/2023 – 2024/2025; the remainder of the four-year cycle, it is vital the revenue scheme remains agile in meeting both current and emerging needs of our communities, whilst ensuring the scheme supports the delivery of the Corporate Plan priorities. Alongside supporting the capacity and resilience of the VCS to continue to deliver much needed services for our residents.

Options

8. Options for consideration are:
 - a) To continue with the current grant scheme for 24 months (2022- 2024), conditional that a proportion of the funding is allocated to fundraising/diversifying income streams. Investigating a move to a commissioning-based model from 2024-2025 onwards, budget depending. Updating the revenue grant policy to reflect the current Corporate Plan priorities and open the scheme for applications from all local VCS organisations.

- b) Commissioning key advice, support and outreach services based on evidence of need and which would help deliver against the Corporate Plan priorities. Inviting tenders from all local VCS organisations, which could include consortia bids to deliver the services in partnership.

Alongside allocating part of the budget to run a scheme for supporting new VCS organisations to establish themselves.

- c) Given that the council's financial position has also been affected by the pandemic, as detailed in the financial implications below, we should also recognise a further option to reduce the budget and / or close the grant scheme to existing recipients and new applications.

Option A- Considerations and risks continuing with the current revenue grants scheme for 24 months

- 9. The council could continue with the current revenue grants scheme, updating the policy to reflect the current Corporate Plan priorities and open the scheme for applications from all local VCS organisations. This has considerations and risks:
- 10. A lead in time will be needed to continue with the status quo not least as the revenue grant policy will need updating and will require Cabinet approval. The earliest this could be achieved is the September 2021 meeting which would mean opening for applications in October.
- 11. Inviting applications for funding can create ongoing dependencies, which the council may not be able to support in the future. To mitigate against this, any awards would be conditional that a proportion of the funding is allocated to fundraising/diversifying income streams.
- 12. We may only receive applications from VCS organisations who are well known to the council or those looking for funding instead of organisations that are delivering services to address need in the district.
- 13. Consideration will also be needed to give unsuccessful organisations the time to respond and adapt to any shortfall in funding.
- 14. Applications would be open to all VCS organisations, which could result in some of the current grant recipients no longer receiving funding. To mitigate against the impact of this each of the current grant recipients must provide a plan for how the organisation will fund their services in 2022/2023 and submit it six months prior to the end of their 12-month revenue grant extension.
- 15. Equally, organisations awarded a revenue grant could encounter financial difficulties whilst in receipt of a revenue grant. This is not a revenue grant specific risk as any organisation receiving grant funding from the council could encounter financial difficulties. The council already has an established due diligence checking process in place to mitigate against such risk and before any grant is released.
- 16. Please note, considerations for moving to a commission-based model from 2024, alongside allocating part of the budget to run a scheme for supporting new VCS organisations to establish themselves are set out under option B. Some elements such as para 23 would not be relevant, as we would have access to the census

data and a fundamental part of this process would be working with the VCS infrastructure providers to gather intelligence on community need.

Option B- Key benefits, considerations and risks of commissioning services and allocating funds to support new voluntary and community sector organisations

17. Commissioning community services through the voluntary and community sector is clearly not a new initiative in the public sector.
 - Calderdale Council - voluntary sector commissioning programme (2021-24), a strategic grants and commissioning programme and the council has contracted advice services since April 2014.
 - Cheltenham Borough Council – currently commissioning additional universal youth work services in 2021 across Cheltenham (£60,000 budget) with the principles and practices of commissioning embedded in the council's structure.
 - Newcastle City Council - £50.5million (14%) of the Council's spend on contracts and grants was with Voluntary and Community Sector (VCS) organisations (2019/2020)
 - Oxford City Council - 'Commissioning arts and cultural organisations programme' (2019 – 2021) 2-year funding of up to and including £35,000 per year (maximum £70,000 over the period 2019/2020 and 2020/21).

Commissioning community services is new for South Oxfordshire District Council, and there are benefits, considerations and risks to both the council and the current revenue grant recipients.

Benefits to the council and voluntary and community sector organisations

18. Setting the key advice, support and outreach services the council wishes to commission from organisations that is based on up-to-date evidence of need will give the council much more control over the outcomes it wishes to achieve for residents. Another benefit is being able to fund organisations that are addressing the greatest need or new needs in our communities, rather than encouraging organisations that need funding to apply, which creates a financial dependency. A fundamental part of this process would be working with the VCS infrastructure providers to gather intelligence on community need, alongside data from Policy and Insight.
19. One of the issues with the current scheme, is it provides funding towards an organisation's running costs rather than towards specific services, which makes it difficult for the council to influence service delivery and therefore to achieve the desired outcomes for residents. Furthermore, aligning our priorities with their operational models when the targets are set at the beginning of the four-year cycles is challenging, as it requires a willingness on the organisation's part to agree new targets. Through a commissioning model, organisations would be clear on the services they are tendering for that provide a good reach across the district.
20. Commissioning would also help to reduce the risk of duplication in funding and service delivery, where the lines can sometimes become blurred with some

organisations seemingly providing the same or similar services. Whilst there could be a need to provide these services, the council would be clearer about the parameters the funding covers.

21. If Cabinet is minded to pursue a commissioning model, we would strongly encourage consortia bids with one lead partner to encourage organisations to work in partnership and share knowledge/skills/training with other established and likeminded VCS organisations.
22. Allocating part of the budget to run a scheme for supporting new VCS organisations to establish themselves, provides the opportunity to address new and growing needs in our communities. This is likely to be welcomed in the current environment with COVID 19 grassroot groups looking to collaborate or formalise their arrangements. A consideration would be how long to offer this support to these newly established organisations (one, two or three years). There would be a risk that these organisations fail to achieve the outcomes expected. However, to mitigate this, the council could support these organisations to develop partnerships with other established VCS organisations and businesses to share knowledge/skills/training.

Commissioning options, considerations and risks

23. Should Cabinet be minded to support reshaping the current revenue grant scheme to a commissioned based model now rather than in 2024-2025 there are two options to consider:
 - Begin the research on community need, using the old census data. Timescales for the eight-month procurement will be very tight and very unlikely to be completed before the end of this financial year. This could result in gaps in funding for any successful organisations. However, if the council wishes to continue to fund the VCS organisations whilst a new scheme is implemented, we could extend the current arrangement for a further six to 12 months. This would require us to extend the current legal agreements (through a variation) and the decision to extend would require Cabinet approval.
 - Wait until the census data is available (estimated the Autumn) which would give a better picture of the current need. Then start the procurement/commissioning process towards the end of 2021/2022 financial year (with a two-year contract 2023/2024 – 2024/2025). This would allow a little contingency if the census data is late in being released. If the council wishes to continue to fund the VCS organisations whilst a new scheme is implemented, we could extend the current arrangement for 2022/2023 to the 17 revenue grant recipients. This would require us to extend the current legal agreements (through a variation) and the decision to extend would require Cabinet approval.
24. A commissioning model is likely to attract mixed views from the current revenue grant recipients. We expect some to be extremely positive about the move as they currently deliver the key services, can adapt them accordingly or are keen to work with likeminded organisations to achieve a much greater impact. Securing a contract for three years would offer not only financial and operational stability for these organisations, it will ensure services continue to be delivered across the district for our residents that need it most.

25. Equally, some current revenue grant recipients may be unable (or unwilling) to adapt their services accordingly or may struggle to engage with the commissioning process. This could cause operational and financial difficulties for such organisations which could result in a reduction in the services and support offered in the district. To mitigate against any reliance on council funding, a condition on this year's grant extension was for the current revenue grant recipients to provide a plan for how the organisation will fund their services in 2022/2023 and for this to be submitted six months prior to the end of the 12-month extension. For some of these organisations being part of a consortia bid may however be an option. Oxfordshire Community and Voluntary Action can equally support organisations new to the commissioning process
26. Commissioning can sometimes be viewed as a de-commissioning approach due to tightening budgets. However, the budget remains the same for 2022/2023 – 2024/2025 as 2021/2022. This is ultimately about delivering better outcomes for our residents, where there's the greatest need and delivered by VCS organisations best placed to address them. It's also moving away from encouraging a reliance on grant giving bodies for future survival.
27. There is a risk that we don't receive any tenders for some of the services we are looking to commission. In this situation we would work with a likeminded organisation to discuss the possibility of them applying to the start-up fund to provide this service.
28. The procurement process and timescales vary depending on the value of the contracts awarded. Contracts over £189,330 are procured via the national 'Find a Tender' service with an estimated timescale from tendering to approval of eight months. This could hold implications for services commissioned over this contract value. For contracts below £189,330, the timescale from tendering to approval is usually six weeks via the council's existing procurement process. It is difficult, at this stage, to establish the extent to which contracts awarded would be affected by the different procurement timescales as we first need to understand the district need(s). As a guide though, using the current one-year Revenue grant awards (2021-2022), if viewed as contracts, 6 per cent of grants would fall into the national 'Find a Tender' service with the remaining 94 per cent falling within the council's existing procurement process.

Option C- Considerations and risks on reducing the budget and / or closing the scheme

29. This will support the Corporate Plan priority of investment and innovation that rebuilds our financial viability. Equally, this option withdraws support to the Corporate Plan priority of Improved Economic and Community Wellbeing.
30. To close the scheme would see a reduction in the services and support offered in the district to our most vulnerable residents. This could increase demands on council staff as our residents seek support directly from the council instead.

Climate and ecological impact implications

31. A revenue grant scheme could offer positive opportunities to contribute to the council's climate emergency through contractual agreements or encouragement to reduce carbon emissions where possible.

Financial Implications

32. The council has had an ongoing revenue grants budget to fund VCS organisations for a number of years now. £333,996 per annum is included in the medium-term financial plan for 2022/2023 to 2024/2025. This could be repurposed to fund a commissioning model, alongside allocating part of the budget to run a scheme to support new VCS organisations to establish themselves. In comparison, West Oxfordshire District Council's revenue grant budget for 2021/2022 is £188,260.
33. By committing the council to a discretionary spend for 2022 – 2025, the council will potentially increase the need for savings each year as the council adjusts to the financial challenges it faces.
34. Until officers have completed the research to understand the needs in the district, it's difficult to cost a commissioning model. However, it's unlikely the council could afford to address every need in the district and will therefore need to direct its funding to the areas of greatest need and outcomes possible, through an evaluation matrix.
35. There are no VAT implications / costs to the council or VAT registered VCS organisations. Following a successful tender and contract award, the service provider invoices the council for the cost-plus VAT. Provided we receive a VAT invoice the council can recover this VAT. The service provider in turn pay over the VAT they have recovered on their sales invoice at the end of the quarter.
36. Any council decision that has financial implications must be made with the knowledge of the council's overarching financial position. For South, the position reflected in the council's medium-term financial plan (MTFP) as reported to Full Council in February 2021 showed that the council is due to receive £4.3 million less in revenue funding than it plans to spend in 2021/22 (with the balance coming from reserves including unallocated New Homes Bonus).
37. This funding gap is predicted to increase to over £5 million by 2025/26. As there remains no certainty on future local government funding, following the announcement of a one-year spending review by government, and as the long-term financial consequences of the Coronavirus pandemic remain unknown, this gap could increase further. Every financial decision made needs to be cognisance of the need to eliminate this funding gap in future years.

Legal Implications

38. Should the current revenue scheme remain, legal agreements with the successful organisations would be required following approval of a successful application.
39. Should cabinet wish to go down the commissioning route, legal have confirmed there is no specific legal reason why the council couldn't take a different approach to the revenue grant scheme in the future. Procurement have confirmed the council will need to follow the council's contract procedure and procurement rules if it wishes to go down the commissioning route. Contracts would also need to be drawn up with the successful organisations, however this is no different to the current open grants scheme. Officers will continue to address any legal and procurement implications as the scheme is worked up.

Other implications

40. In line with the public sector equality duties, we have considered the implications of a two-year revenue grant with a view to moving towards a commissioning model from 2024 (budget depending), officers will continue to regularly monitor the grants or contracts awarded to include both six-month and twelve-month reviews. Officers are of the view that no groups will be disadvantaged by this decision. All organisations the council funds through this scheme help to advance equality of opportunity for the communities they provide services for.

Conclusion

41. Considering the budget and time constraints officers are recommending option A: To approve a two-year revenue grant scheme (2022-2024) open to all VCS organisations across the district. Grants should be conditional on a proportion of the funding being allocated to fundraising/diversifying income streams and should reflect the current Corporate Plan priorities. A possible move to move to a commissioning-based model could be in place from 2024-2025 onwards, budget depending. This would address the issues with the current approach, provide financial and operational security for the successful organisations and deliver a consistent service for our residents.

Background Papers

- None