Review of Funding to Third Parties: Proposals for Phase 2

CITY OF EDINBURGH COUNCIL
15 October 2009

1 Purpose of report

1.1 This report makes further recommendations for a new approach to grant aid, consistent with previous Council decisions.

2 Summary

2.1 The Phase 1 report approved on 16th October 2008, and the linked motion approved by Council on 3rd Party Funding of 12th March 2009, are the key references for further actions proposed in this report. Proposals are also consistent with the recent COSLA/Scottish Government Statement on the relationship with the third sector.

2.2 Appendix 1 provides a reminder of the main decisions to be implemented. They combine internal adjustments in grant management arrangements in the Council, and proposed changes in the way grant aid criteria and decisions will operate. Some medium term intentions for a commissioning approach to services are also set out.

2.3 The issues are now made more pressing in relation to savings required across all budget heads, including grant aid. Suggestions are made, in two aspects, on how to address this.

3 Main Report

3.1 The main proposals are set out below to implement each of the decisions detailed in Appendix 1.

3.2 In relation to rationalising current grant funding within the Council, all formerly ring fenced funds have been phased out (with the exception of the Fairer Scotland Fund; which will be mainstreamed in 2010/11). The revenue grant budgets in current departmental allocations remain for the current year; the total value is approaching £22m.
3.3 As to the introduction of outcome based funding agreements, all grant aided organisations identified their linkage with National Outcomes (NOs) in their grant applications for 2009/10. The pattern of local investment, analysed by the 15 NOs, is shown in Appendix 2, for grants above and below £50,000. (This analysis currently excludes grant aid for culture and sports investment as a separate review. However, awards will be included in the main report in March 2010). Advice service activity is also currently being addressed in a separate review and will continue in the grant process for 2010-11, with subsequent move to a new commissioning process. The advice service grants are included in the national outcome analysis in Appendix 2.

3.4 For 2010/11, grant applicants will be asked to describe their service and its local delivery with reference to a maximum of three out of twelve relevant national outcomes; NOs 13 and 15 are not deemed relevant to local provision from 3rd sector providers, and applicants will be advised not to submit proposals which support these outcomes. Appendix 3 provides a reference list of the national outcomes, for which local outcomes in the Edinburgh Partnership SOA are also defined.

3.5 Internally, to address the requirement to redistribute grant budgets to more closely reflect departmental service responsibilities, budgets will be assigned to reflect the outcome responsibilities in Departments set out in Appendix 4. Movement of budgets will be arranged in the budget setting process, informed by the pattern of applications received. Apart from the culture and sports grants, the new arrangements will also lead to the remaining grant responsibilities in Corporate Services being passed to other departments.

3.6 These arrangements will also support one of the other identified decisions in Appendix 1, the move to more rapid re-alignment of grant aid with changing service needs and Council priorities.

3.7 A further requirement is to establish a single Council contact and management relationship with each funded organisation. For some time now, all grant aided bodies have had a single 'lead department' to relate to for grant management and the monitoring of outcomes. This will be further reinforced in the new arrangements, as shown in the diagram at Appendix 5. All organisations will have a single departmental contact and relationship, and one grant allocation from that department.

3.8 Multiple funding from a number of departments (current in only a handful of cases at present) will be removed in 2010/11. Where an application reflects service/outcome responsibilities covering more than one department, consultation will establish the main outcome focus of the service proposed, and the departmental link will be determined, as in the first two examples given in Appendix 5.

3.9 A further decision of Council in March 2009 also sought altered grant management and monitoring arrangements to ensure greater corporate efficiency. It is assessed that the introduction of the outcome based system, alongside the new Quality Assurance framework for grant aided organisations
will improve both the internal efficiency of the Council's processes, and the quality of monitoring information.

3.10 The Council's final direction from March 2009 was to examine options for a new system of commissioning services from organisations currently in receipt of grants above £25,000. It is proposed in this topic to move to a commissioning approach, initially for grant awards above £50,000. Appendix 2 shows a much wider spread of outcomes supported by grants below £50,000, demonstrating the important contribution which smaller grants make to social fabric and the resilience of communities, notably in a recession.

3.11 For grants over £50,000, particular service investment priorities are evident, most in relation to outcomes 6 and 7, focussing on health and reducing inequalities. It is proposed that this level of grant making be initially subject to contracting with existing providers, via Service Level Agreements (SLAs) in 2010/11, and in the following year, operated in the main on a full commissioning basis, to allow alternative providers to tender for these services. This approach will affect up to 50 organisations, covering £4.8m expenditure in the current year. This also allows for any significant service re-design intentions to be brought into play, where required, after the first year's contracting.

3.12 This approach will be subject to Procurement Quality Risk Assessment for certain services at the end of each contract, already established in Health and Social Care and Children and Families. This informs the decision as to whether or not a market tender is appropriate in all cases.

3.13 All of the above involves major additional work within departments, to adjust management arrangements and make the practical changes necessary to implement the new approach. Departments will however make every effort to ensure that this work is prioritised, consistent with service commitments overall.

3.14 For grants below £50,000, a continuation of grant application arrangements is recommended, within the outcomes assessment described above; this will affect 150 organisations receiving £2.5m grant aid at present.

3.15 All of these proposals are consistent with the recently published joint statement by COSLA and the Scottish Government. Third Sector relations in Edinburgh are already well developed within the COMPACT Agreement, but the focus on outcome based grant aid proposed in this report demonstrates a further stage in development, in line with the principles set out in the joint statement.

3.16 The progressive steps to introduce strategic commissioning proposed in this report also reflect the staged approach needed to introduce it, involving more consultation with third sector providers and service users in due course. In addition, all of the current and developing practice in relation to information provision, assessment, and transparency in decision making processes is again consistent with the joint statement.

Budget Savings Approach for 2010/11

3.17 The adoption of the new arrangements set out in this report allows anticipated budget savings pressures to be addressed in two ways. The first is to make
use of the analysis of grant aid directed to outcomes described in Appendix 2. This demonstrates the main themes in current grant working, and will assist in determining priorities during the budget preparation activity in the coming months.

3.18 Secondly, there is scope in the higher levels of grant making, above £50,000, to determine cash limits on SLAs developed for implementation in 2010/11. While this is also for determination in the budget process, it is anticipated that clearer service specifications within SLAs, and close examination of service priorities within them, will allow savings to be obtained.

3.19 Separately, it is also anticipated that savings will be achieved in the course of the review of culture and sports grants, and that for advice services, both currently underway. Service efficiency is also being sought in a review of employment access services, where the large range of different providers is being examined closely at present, leading to potential changes in the use of grants to obtain these services.

4 Financial Implications

4.1 This report proposes a re-allocation of budgets for 3rd party provision to reflect the Council's main outcomes, based on current levels of investment and within current resources. Changes in resource levels in the 2010-11 budget round can be anticipated. A reduction of 4% for direct service provision budgets would, for example, require a reduction of £868,000 from the 2009-10 grant levels of £21.7m. As noted above, the initial change to contracting for larger grants in 2010/11 and further change to market commissioning from 2011/12 are expected to offer opportunities to reduce costs in 3rd party payments overall.

4.2 The Council's budget planning process will clarify the overall resources available for grant aid and the overall approach to service priorities within the grants programme in due course.

5 Environmental Impact

5.1 There are no negative environmental impacts associated with the proposals and there is a modest potential to reduce paper use in the rationalisation arrangements for administering grant aid.

6 Recommendations

6.1 It is recommended that the Council:-

i approves the changes in grant management set out in Section 3 of this report;

ii uses this report as a basis for information giving and consultation with the third sector under the auspices of the Compact;
receives further reports on the progress and implementation of these new arrangements;

notes that approval implements the Council's previous decisions of October 2008 and March 2009.

Appendices

Appendix 1: Grant Aid Decisions, October 2008 and March 2009
Appendix 2: Analysis of outcome budgets for 2009/10
Appendix 3: Outcomes and Commitments
Appendix 4: Departmental Responsibilities for National Outcomes
Appendix 4: Examples of Outcome Based Budgeting Arrangements

Contact/tel/Email

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Wards affected

City Wide

Single Outcome Agreement

Nos 1-12, 14

Background Papers


“Grant Aid to Third Parties: Funding Proposals 2009/10” report to Full Council, 12 March 2009.

Motion by Cllr MacKenzie, 12 March 2009
<table>
<thead>
<tr>
<th>Decisions</th>
<th>Source</th>
</tr>
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<tbody>
<tr>
<td>A</td>
<td>Current grant funding streams be rationalised and that the current ring-fenced approach (with the exception of spot purchasing) be replaced by outcome based funding agreements;</td>
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<td>B</td>
<td>Agreements for the next round of grants funding for 2009/10 should signal the change to outcome funding to occur from 2010/11.</td>
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<td>C</td>
<td>More rapid re-alignment of grant aid with changing service needs in communities and with Council priorities</td>
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<td>D</td>
<td>A redistribution of grant budgets between Departments to reflect more closely the service responsibility of Directors, and to establish a single Council contract and management relationship with each funded organisation.</td>
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<td>E</td>
<td>A rationalisation of funding streams, grant management and monitoring arrangements to ensure greater corporate efficiency</td>
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<td>F</td>
<td>Options for a new system of commissioning services from organisations currently in receipt of grants above £25000 so that efficiencies would be delivered and the volume of funding directed to particular themes in grant aid would be altered to reflect more closely Council priorities, the continuing financial pressures and the desire to invest in new and innovative services and disinvest from others</td>
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APPENDIX 2

Analysis of outcome budgets for 2009/10

Figure 1

Grant Investment 2009-10 By National Outcome (over £50,000)

<table>
<thead>
<tr>
<th>National Outcome</th>
<th>City Development</th>
<th>Children and Families</th>
<th>Services for Communities</th>
<th>Corporate Services</th>
<th>Health and Social care</th>
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Figure 2

Grant Investment 2009-10 across National Outcomes for Grants £0 - £50,000

- City Development
- Children and Families
- Services for Communities
- Corporate Services
- Health and Social care

National Outcome
OUTCOMES AND COMMITMENTS

National Outcome 1 - We live in a Scotland that is the most attractive place for doing business in Europe
National Outcome 2 - We realise our full economic potential with more and better employment opportunities for our people
National Outcome 3 - We are better educated, more skilled and more successful, renowned for our research and innovation
National Outcome 4 - Our young people are successful learners, confident individuals, effective contributors and responsible citizens
National Outcome 5 - Our children have the best start in life and are ready to succeed
National Outcome 6 - We live longer, healthier lives
National Outcome 7 - We have tackled the significant inequalities in Scottish society
National Outcome 8 - We have improved the life chances for children, young people and families at risk
National Outcome 9 - We live our lives safe from crime, disorder and danger
National Outcome 10 - We live in well-designed, sustainable places where we are able to access the amenities and services we need
National Outcome 11 - We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others
National Outcome 12 - We value and enjoy our built and natural environment and protect it and enhance it for future generations
National Outcome 14 - We reduce the local and global impact of our consumption and production

Outcomes not included for grant purposes:

National Outcome 13 - We take pride in a strong, fair and inclusive national identity
National Outcome 15 - Our public services are high quality, continually improving, efficient and responsive to local people’s needs
Grant Aid Budget 2010/11

Departmental Responsibilities for National Outcomes

<table>
<thead>
<tr>
<th>Department</th>
<th>National Outcomes *</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Development</td>
<td>1, 2, 10, 12</td>
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<tr>
<td>Children &amp; Families</td>
<td>3, 4, 5, 8</td>
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<tr>
<td>Health and Social Care</td>
<td>6, 7</td>
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<tr>
<td>Services for Communities</td>
<td>9, 11, 14</td>
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</tbody>
</table>

* This table omits NO 13 and 15. These are not deemed relevant to local grant aid decisions, and applicants will be asked not to associate services with these outcomes in 2010/11.

** Corporate Services grant responsibilities will transfer to relevant departments, apart from Culture & Sport grants which will relate to No 1 and 6. Department of Finance does not operate grant funds.
APPENDIX 5

Outcome Based Budgetary Arrangements 2010/11

<table>
<thead>
<tr>
<th>Applicant Examples &amp; Outcome Proposals</th>
<th>Departments &amp; Outcome Responsibilities</th>
<th>Allocations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant A Employment Access 2, 7</td>
<td>City Development 1, 2, 10, 12</td>
<td>Grant Holder A</td>
</tr>
<tr>
<td>Applicant B Youth Services 4, 5, 7</td>
<td>Children &amp; Families 3, 4, 5, 8</td>
<td>Grant Holder B</td>
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<tr>
<td>Applicant C Older Peoples Support 6, 7</td>
<td>Health &amp; Social Care 6, 7</td>
<td>Grant Holder C</td>
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<td>Applicant D Community Safety Project 9, 11</td>
<td>Services for Communities 9, 11, 14</td>
<td>Grant Holder D</td>
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