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**REVIEW OF VOLUNTARY AND COMMUNITY SECTOR FUNDING**

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**Responsible Cabinet Member(s) - Councillor Don Bristow,  
Resource Management Portfolio**

**Responsible Director(s) - Cliff Brown, Director of Community Services**

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**Purpose of Report**

1. To review the current arrangements for providing funding to the Voluntary and Community Sector and to consider proposals for future funding.
2. To consider Constitutional changes to be approved at the Annual Meeting of the Council should delegated powers for decisions be given to an individual Cabinet Member.

**Background**

3. A review of the funding arrangements to the Voluntary and Community Sector has been undertaken, the remit of which was to:-
  - (a) Review existing funding arrangements for the Voluntary and Community Sector and identify organisations receiving more than one grant.
  - (b) Agree a corporate format and criteria for the administration of grants to the Voluntary and Community Sector with approval aligned to the themes of the Community Strategy.
  - (c) Identify proposals for future funding arrangements for the Voluntary and Community Sector.
4. A Review Team was established, comprising representatives from each department and the Chief Officer from CVS to undertake this work.

**Review of Funding**

5. In 2003/2004, the Council provided grants and payment for services in excess of £1.8m to nearly 200 Voluntary and Community Sector organisations and individuals. Of this over £1m was given in grant payments. The funding available provides grant assistance to various Voluntary and Community Sector organisations, ranging from large organisations such as CAB and CVS who receive annual grants to cover core activities to one off grants to smaller organisations such as Darlington Chrysanthemum Club. The funding, detailed in

**Appendix 1**, was provided through departments as follows:

**Corporate**

Financial Assistance Grant, Discretionary Rate Relief	£629,582
Mandatory Rate Relief and Durham County Foundation REC funding (total of £11,000 which includes £1,000 from social services)	

**Community**

Leisure Grant, Community Leisure Chest, Resident Panel, Resident Association Grant and grants to CAB, CVS	£217,645
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**Development & Environment**

Ring a Ride, Shop mobility and subsidised / wavered rent costs	£154,455
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**Education (now Community)**

Youth and Community Grant and the voucher scheme	£31,048
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**Social Service**

Grant Aid, Financial Assistance (plus £1,000 counted above towards the REC grant)	£10,490
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<b>Total</b>	<b>£1,043,220</b>
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6. Departments distribute grants as part of their Medium Term Financial Plan. The majority of grants fall within nine types outlined below.
- Mandatory Rate Relief - Mandatory Rate Relief is awarded to Charitable organisations.
  - Discretionary Rate Relief - DRR is an optional power to assist charitable and other non profit making organisation to reduce their rate liability in respect of business rates.
  - Financial Assistance Grant - To assist with the running cost of various community and social events plus purchasing of specialist equipment. It also funds individuals.
  - Leisure Grant - Grants are awarded on an annual basis to fund cultural activities and bodies.
  - Community Leisure Chest - These small-scale grants (£200 maximum) are available to provide leisure opportunities for the benefit of the community.
  - Resident Panel and Resident Association - Available for training, hiring of rooms and running costs.
  - Youth and Community Grant - Help towards cost of hiring and using school and community centres for leisure and educational use. This includes the voucher letting scheme
  - Grant Aid, Financial Assistance - Social Services small grants for a variety of activities.
  - Subsidised / wavered rents - To assist community and voluntary group with the renting of premises

7. The exceptions to this are annual grants to the following organisations:-

- CAB, CVS
- Durham County Foundation
- DAD and Darlington Ring a Ride

8. There is a wide variance in the level of grants made and table 1 shows organisations receiving the largest grants in excess of £25,000 per annum.

**Table 1: Grants in Excess of £25,000 pa**

<b>Organisation</b>	<b>Payment</b>	<b>Purpose of Funding</b>
Citizens Advice Bureau	£92,000	Core services and premise costs
Council for Voluntary Services	£35,000	Core costs
Darlington & District Youth & Community Assoc Darlington Ring a Ride	£45,000	Ring a Ride Service
Northern Arts <sup>(1)</sup>	£33,200	Annual subscription
Darlington Association on Disability	£62,000	Premises costs

(1) This annual subscription from 2004/05 onwards is now invested in a Tees Valley Sub Regional Pot for cultural investment priorities.

9. In addition to grants, a number of services are procured from the Voluntary and Community Sector to help meet service objectives and targets. Table 2 provides a break down of services, mainly commissioned by Social Services. Some of these organisations also receive a grant payment, as shown.

**Table 2: Service Payments and Related Grants**

<b>Organisation</b>	<b>Service</b>	<b>Service Payment £</b>	<b>Grant £</b>	<b>Total £</b>
Anchor Trust	Staying put Home Improvement Agency	22,640		22,640
D'ton Adult Placement Services	D'ton Adult Placement Services	29,300		29,300
Age Concern	Day care services Bathing Services	44,512 50,548	2,407 <sup>(1)</sup>	97,467
Barnados	Shared Care	38,263		38,263
Mencap	Day Opportunities Volunteer Support Scheme	18,605 15,000		33,605
CAB	Benefit Checks	18,000	92,000 <sup>(2)</sup> 1,144 <sup>(1)</sup>	111,144

<b>Organisation</b>	<b>Service</b>	<b>Service Payment £</b>	<b>Grant £</b>	<b>Total £</b>
DAD	Carers Support Dimensions Day Centre Information Worker Direct Payment support advocacy	54,507 103,695 7,996 31,250	62,000 <sup>(3)</sup> 2,198 <sup>(1)</sup>	261,646
Darlington Mind	Mental Health Grant and Core funding	84,625		84,625
Initiatives for Support in the Community	Mental Health Grant	15,165		15,165
Mental Health Matters	Mental Health Grant	178,575	607 <sup>(1)</sup>	179,182
Crossroads	Young carers and disabled children Crossroad Domiciliary Care	24,600 17,300	216 <sup>(1)</sup>	42,116
Hurworth Grange Senior Citizens	Transport costs for people living in rural areas	550		550
Hurworth Over 60s	Transport costs for people living in rural areas	550		550
CRUISE	Conference Specialist councillors	500 6,660	306 <sup>(1)</sup>	7,466
Darlington Blind Society	Rent allowance	1,560		1,560
Darlington Chinese Association	Develop association	750		750
Independent Sector Provider Group	Secretariat support for independent sector providers	1,500		1,500
First Stop	Develop database	6,500	400 <sup>(1)</sup> 6,200 <sup>(4)</sup>	13,100
Grange Road Baptist Church	Community lunches	750		750
DASH	Play scheme	3,000		3,000
Women's Refuge	Support to the group	6,000		6,000
<b>Total</b>		<b>782,901</b>	<b>167,478</b>	<b>950,379</b>

- (1) Rate Relief
  - (2) Miscellaneous Community Services
  - (3) Shopmobility grants funded through Development and Environment
  - (4) Rent waived
10. In terms of the appropriateness of the current funding, the team has taken a high level look at the organisations involved and is of the opinion that from the limited information available, all the organisations would be able to demonstrate linkages with the Community Strategy. It is not, therefore, intended that this review leads to a loss of funding with respect to organisations currently receiving funding. However, current application procedures do not facilitate any rigorous test nor is there any consistent review mechanism and this will be dealt with later.
11. While many organisations receive grants on a year by year basis, there are a number of different mechanisms involved. Some grants, such as the Leisure Grant have a simple procedure whereby organisations write to confirm they wish to receive the grant again and the grant is repeated. Other grants, such as the Discretionary Rate Relief Scheme require a new grant application each year, which is then assessed on its merits. There is a lack of continuity between the different grant funding streams and the short-term nature of the current system means that community groups are unable to plan longer term.
12. In addition individuals and organisations can apply for more than one type of grant and as they may be successful in each application, there is the potential for an organisation to receive more than one grant for the same purpose. While it has been difficult to determine if grants have been awarded for the same purpose (double funding), there are 16 organisations that have received multiple grants for 2003/2004 identified at **Appendix 2**.
13. Also there is no publicity about most of the grant streams and applications could, therefore, potentially only come from organisations aware of them.
14. In terms of application procedures, there are varied and summarised in Table 3.

**Table 3: Types of Grant/Approval Process**

<b>Department</b>	<b>Description of Grant</b>	<b>Budget £</b>	<b>Availability</b>	<b>Approval</b>
Corporate	Financial Assistance Grant. To individuals, voluntary and non-profit making organisations.	15,300	To assist with the running cost of various sporting and social events plus purchasing of specialist equipment.  Grants are one off and are rarely awarded to the same organisation on an annual basis.	Cabinet

<b>Department</b>	<b>Description of Grant</b>	<b>Budget £</b>	<b>Availability</b>	<b>Approval</b>
Corporate	Discretionary Rate Relief for Non Domestic rates	23,460	<p>DRR is an optional power to assist charitable and other non-profit making organisation to reduce their rate liability in respect of business rates.</p> <p>DRR is funded in two ways. If it is granted in addition to Mandatory Rate Relief then DBC pay 75% and the remaining 25% is grant funded.</p> <p>If however DRR stands on its own then DBC pay 25% and the remaining 75% is grant aided.</p> <p>Organisations have to submit a grant every year, the majority are awarded on a yearly basis.</p> <p>This budget was overspent in 2003/04.</p>	Cabinet
Corporate	Mandatory Rate Relief	546,239	<p>Mandatory Rate Relief can be awarded to Charitable organisations to 80% of the total charge and they can then apply to the Council for the award of <i>up to</i> a further 20% discretionary relief thus covering <i>up to</i> the total charge. Any amount awarded this way is partially offset by the receipt of 25% government grant leaving the balance chargeable to the Council's revenue budget.</p>	Officer Delegated Power
Social Services	Grant Aid Scheme	11,490	<p>To assist the development of groups. This includes a £1,000 contribution to the corporate REC grant. There is a mixture of one off grants and annual grants to cover running costs.</p>	Officer Delegated Powers

<b>Department</b>	<b>Description of Grant</b>	<b>Budget £</b>	<b>Availability</b>	<b>Approval</b>
Community	Youth and Community Grant	37,034  Broken down as below  (22,500)  (14,534)	Help towards cost of hiring and using school and community centres for leisure and educational use.  The scheme has two elements. The payment of landlord and rental costs for community centres and service level agreements with 5 community centres, to pay for community access to facilities A voucher scheme whereby groups apply on an annual basis. Service level agreements with five community centres to pay for community access to facilities.	The scheme was previously approved by committee and continues on an ongoing basis
Community	Leisure Grant	82,650	Grants are awarded on an annual basis to fund activities and events such as Community Carnival, Beamish Museum, Cleveland Youth Theatre. Organisations write in each year requesting renewal of their grant.	Budget process
Community	Leisure Chest	4,830	These small-scale grants (£200 maximum) are available to provide leisure opportunities for individuals and the benefit of the community.	Cabinet
Community	Resident Panel and Association Grants	6,700	Available for training, hiring of rooms and running costs. Organisations apply each year.  Funding is from the Housing Revenue Account.	Budget process Officer Delegated Powers

<b>Department</b>	<b>Description of Grant</b>	<b>Budget £</b>	<b>Availability</b>	<b>Approval</b>
Development and Environment	Landlord and rent costs	47,500	Available to voluntary sector tenants to help with paying rent. Some rents are forgone eg First Stop, community centres in Firthmoor, Skerne Park, Branksome, Eastbourne, Haughton, Red Hall. Rent is also forgone in RELATE and Morrisons Bowl. Other community groups benefit from subsidised rent.	Budget process

### **Future Administration of Grants**

15. As indicated earlier, currently, the various funding streams have no corporate administration process. Each department has their own application and approval process and funding criteria is not formally aligned to the priorities of the Council or Community Strategy themes.
16. In order to provide a sound basis for a corporate procedure for future funding distribution, consideration has been given to the Local Compact with the Voluntary and Community Sector. A key action within the Compact is to develop a Funding Code of Practice, which incorporates the principals of the Government's Funding Good Practice guide for Voluntary and Community Sector funding *Getting it Right Together*.
17. The guide outlines that organisations developing funding arrangements with the Voluntary and Community Sector, should have regard to each of the following key points:-
- Value for Money
  - Procedures that are consistent with the principles of good regulation and the need to provide effective protection of and proper accountability for public money
  - Respect for the sectors independence
  - Improved sustainability and longer term planning, for example, through multi-year roll forward funding
  - Recognition of core costs and the different ways these can be met
  - Support for the sector's infrastructure
  - Fair access to strategic, project and contract funding
  - Improved co-operation and consistency between departments
  - Clarity in funding conditions
  - Joint approach to monitoring and evaluation.



18. One of the key elements of the guide suggests that where funders provide funds to cover core management and administration costs of a Voluntary and Community Sector organisation then consideration should be given to adopting a more strategic funding approach. This issue was also raised during the Local Compact consultation process.
19. Strategic funding tends to be granted for three-year periods, during which time a funded organisation may submit an application for renewal of funding. The value of strategic funding is in terms of improving the stability of Voluntary and Community Sector organisations and their ability to plan for the longer term. This can be enhanced further if funders adopt a rolling programme of funding.
20. Organisations receiving strategic funding could, therefore, be granted funding for three years, subject to a satisfactory annual review of progress against mutually agreed objectives and the continued availability of resources. In this way funded organisations would have reasonable certainty of forward funding.
21. The annual review process reflects the fact that strategic funding is not an open-ended commitment to the Voluntary and Community Sector and that the funder must retain the ability to exit from the relationship. It would also be necessary to make clear the circumstances under which the funding arrangement may be terminated.
22. Strategic funding in this way will provide a more stable environment for Voluntary and Community Sector organisations and allow for more longer term planning and stability within the sector. It also takes into account the objectives of the funded organisation and their need to operate efficiently and effectively.
23. In terms of a funding assessment procedure, it is essential that there is transparency and recognition that the receipt of public funds carries with it responsibilities to the funding body appropriate to the scale of funding that an organisation receives.
24. As indicated earlier, this can be achieved by a corporate procedure and a proposed model is provided in **Appendix 3**. The proposed procedure incorporates many of the principles contained within the Government's funding good practice guide. The suggested process to be adopted for organisations receiving in excess of £5,000 includes a requirement to enter into a formal service level agreement. The procedure also proposes less stringent criteria for organisations who receive less than £5,000.
25. The key element of the proposed funding procedure includes:
  - Formalised timetable to apply for grant applications that ties in with the budget process
  - A model application form.
  - A transparent assessment process. If funding requests cannot be aligned to the priorities of the Council and the themes of the Community Strategy then the request should be declined.

- Checks to see if the organisation has a healthy bank balance, if so then questions should be asked to determine the appropriateness of the organisation receiving funding.
- For those organisations who receive over £5,000 then organisations should be able to demonstrate they:
  - are a voluntary and community organisation;
  - have a recognised legal and constitutional status. Compliance (by organisations that hold charitable status) with the accounting framework for charities and appropriate guidance for the Charity Commission, including on political activities and campaigning;
  - independent of the statutory and private sectors;
  - legally able to undertake activities in the country concerned;
  - are financially viable;
  - have a clear management structure;
  - have clear financial controls;
  - have principals of operation for employees and volunteers which accord with legislation on employment, health and safety, racial and sexual discrimination, disability discrimination; and
  - have an understanding of and commitment to equal opportunities (equal opportunities policy);
  - have systems for planning and implementing work programmes;
  - systems for monitoring and evaluating activities against agreed objectives;
  - systems for quality assurance and accountability to service users, including complaints procedures and the involvement of users, wherever possible, in the development and management of activities;
  - policies for ensuring equality of opportunity in both employment practice and service provision;
  - the involvement of volunteers in service provision.

26. Additionally a Service Level Agreement should be entered into covering:

- The amount and period of grant.
- The purpose for which the grant is made, listing any specific exclusions.
- Standard terms and conditions.
- Any restrictions on conditions (other than standard terms and conditions).
- Jointly agreed performance indicators and targets.
- Jointly agreed monitoring and evaluation arrangements.
- Arrangements for payment.

27. A corporate Service Level Agreement template has been developed and is provided in **Appendix 4**, which incorporates the above principles, and it is recommended that this should be adopted and used by all departments.

## Options

28. This report shows that over £1m is made available to the Voluntary and Community Sector through the administration of grants and a further £782,901 for the commissioning of services. To ensure consistency and effective use of resources in the administration of grants, the following options are put forward for consideration.

### *Option 1: Retain Existing Grant Funding Arrangements*

29. Retain existing grant funding and approval processes could be retained within different departments. However a central database should be set up to track all grants awarded to organisations. This database would help address the issue of double funding and multiple funding.
30. The grant application should be administered in accordance with the draft corporate procedure.

### *Option 2: Consolidate Speculative Grant Funding*

31. The following grants currently have different criteria and approval processes, however they all focus on providing small grants to the Voluntary and Community Sector and individuals. A new simplified corporate *Community Grant* incorporating existing application criteria would consolidate the confusing array of existing grants into one area.

**Table 4: Community Grants**

<b>Community Grants</b>	<b>Budget 2004/05 £</b>
Financial Assistance Grant	15,300
Discretionary Rate Relief	23,460
Community Leisure Chest	4,830
Youth and Community Grant (excludes SLA's with Community Centres)	14,534
Social Service Grant Aid (excludes £1,000 contribution to the REC corporate grant and £7,000 contribution to the domestic violence co-ordinator)	3,490
<b>Total</b>	<b>61,614</b>

32. The proposed *Community Grant* would allow organisations and individuals to apply for funding for a one-off project/event or alternatively to apply for grants for up to three years (with the proviso that the project would be monitored on a yearly basis). The grant would be open to groups or individuals on the same basis and subject to the same established criteria as applications are currently made, including those made by individuals requesting support to the Financial Assistance Grant and Community Leisure Chest, for example with respect to the costs associated with attending an international or national sporting event.

33. The proposed *Community Grant* would tie in with the principles set out in the Funding Code of Good Practice by having an open process, that is well publicised. It would also benefit the Council by linking the criteria into Council and Community Strategy priorities and also reduce multiple funding and double funding.
34. At the present time the majority of speculative grants applied for are made throughout the year and it may be more appropriate to have a formal timetable for grant applications that ties in with the budget process.
35. It would also be appropriate to retain an element of the budget for the type of grants currently covered by the Financial Assistance and Community Leisure Chest and one-off problems that may arise during the year and to consider whether chairs of key organisations should be involved in the process of allocating resources and if decision making is at Cabinet level or delegated to either the Cabinet Member, officers or to others.

### ***Constitutional Changes***

36. Should the decision making be delegated to an individual Cabinet Member a change in Council Policy will be required as Cabinet, under Article 7 of the Council's Constitution, currently exercises its responsibilities collectively.
37. Cabinet will also be required to delegate its responsibility for Executive Functions to an individual Member in respect of decisions on Community Grants.
38. Statutory Guidance (paragraph 4.44 of 'Local Leadership, Local Choice' DETR) sets out the recommendation of the Secretary of State that a mechanism is put in place to ensure that an individual Cabinet Member seeks advice from relevant officers before taking a decision within his/her delegated authority. Where appropriate, this should include taking legal advice, financial advice and professional officer advice as well as consulting the monitoring officer where there is doubt about legal powers.
39. Statutory Guidance (paragraph 4.45) goes on to advise that to ensure effective leadership for the local authority and the communities it serves, the local authority should consider adopting arrangements to ensure co-ordination of, and share responsibility for, executive decisions including those made by individuals.
40. The Council must have regard to this Guidance in its constitutional arrangements.

### ***Record of Decisions/Call-in***

41. Should the delegated power be given to an individual Cabinet Member it will be necessary to record and publish decisions. Decisions of the Cabinet Member will need to be recorded and published as soon as possible or, at the latest, within five working days of the decision being made. Any decision can be implemented at the expiry of five clear working days after the publication of the decision unless a Scrutiny Committee objects to it and calls it in.
42. Consequential amendments arising from the above will be required to the Access to Information Procedure Rules; Cabinet Procedure Rules and Responsibilities; and Scrutiny

Procedure Rules, should Cabinet delegate to an individual Cabinet Member.

***Option 3: Strategic Funding for Existing Annual Grants***

43. A number of organisations receive annual funding and are not subject to any re-application process. For instance, CAB, CVS, Durham County Foundation, SLA's with Community Centres, etc.
44. These budgets could be identified as eligible for Strategic Funding involving a review of funding on a 3 yearly basis.

***Option 4: Consolidate Speculative Grants to Commission Services or Larger Projects***

45. This approach would involve merging the grant funding streams outlined in Option 2 and using the funding to commission either new services provided by the Council or where the Council is unable to provide a service, from the Voluntary and Community Sector.
46. For commissioned services, it is suggested that the approval process be in accordance with that outlined for Option 2. Again this approach could involve awarding strategic grants for a three-year term, with the grants being monitored and reviewed on a yearly basis or for one off projects.

**Outcome of Consultation**

47. CVS have undertaken consultation with the Voluntary and Community Sector and comments received are attached as **Appendix 5**. However the main feedback is outlined below together with comments on how the issues raised could be responded to.
  - ***Feedback:*** The checklist asks for a copy of an organisations constitution, what about organisations that don't have these.  
***Comment*** - Where an organisation does not have a constitution could a statement of purpose do or should the council be insisting for grants over £5000 organisations should be more formalised and for grants less than £5000 a statement of purpose is sufficient.
  - ***Feedback:*** Once a year grant regime doesn't allow for flexibility.  
***Comment*** – The application process could remain as it is now where groups can apply for funding at any time during the year.
  - ***Feedback:*** If a panel decides which organisations will qualify for grants, the panel needs to have knowledge of voluntary sector issues and therefore could include a representative from CVS
  - ***Feedback:*** Change proposal for strategic funding from 3 years to 5 years.  
***Comment*** – This would not be in accordance with the medium term financial management process of the Council.
  - ***Feedback:*** Grant to be paid in advance of expenditure.

- **Feedback:** If a three year funding is to be used to encourage long term planning, then it should contain an element of guarantee for the future income in the event of the need for budget reductions. This would be preferable to the single option of sudden withdrawal of funding. Agreements could contain a guarantee of a minimum of 60% funding in the next year.

### **Legal Implications**

48. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

### **Section 17 of the Crime and Disorder Act 1998**

49. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

### **Council Policy Framework**

50. The issues contained within this report in respect of the proposed changes to the Council's Constitution, as detailed in paragraphs 36 to 42 above, require approval by Council.

### **Conclusion**

52. This report provides a number of options for consideration in respect of funding to the Voluntary and Community Sector, including proposals for adopting formal corporate systems for both application processes and decision making. It would seem appropriate that the application process should be administered centrally and for grants for 2005/2006 that a formal timetable be adopted in line with the budget process.

53. Prior to the commencement of any changes it is suggested that all organisations currently receiving funding are contacted to advise of the changes and that the new funding arrangements be well publicised.

### **Recommendation**

54. To enable the outcomes of this review to be progressed, the following is recommended:-

- a) That the grants in Table 4 be amalgamated to create a 'Community Grant' and that applications be subject to existing criteria and receivable throughout the year.
- b) That decisions on applications for the Community Grant be delegated to the Cabinet Member with the Resource Management Portfolio from 1st June, 2005, and it be recommended to the Annual Council Meeting that the Constitution changes highlighted at paragraphs 36 to 42 above be approved, and the Council's Constitution

be amended accordingly.

- c) That the grants for strategic funding be awarded for three years subject to an annual review against agreed objectives.
- d) That all grants to community and voluntary sector organisations will be administered in accordance with the proposed application and SLA arrangements.
- e) That where Council representatives are appointed to Community and Voluntary Sector Organisations by the Council, they will be expected to use their best endeavours to ensure that the application and SLA terms are complied with.
- f) That with the exception of the Community Grant, all grant applications will be administered as part of the annual budget review timetable.

### **Reasons**

55. The recommendations are supported to enable the outcomes of the review of Voluntary and Community Sector Funding to be implemented.

**Cliff Brown**  
**Director of Community Services**

### **Background Papers**

Funding Good Practice guide for Voluntary and Community Sector funding *Getting it Right Together*.

Sharon Brown : Extension 2684  
SL