CITY AND COUNTY OF CARDIFF

DINAS A SIR CAERDYDD

POLICY REVIEW AND PERFORMANCE

SCRUTINY COMMITTEE

23 November 2011

GRANT ALLOCATION SYSTEM

Reason for the Report

1. To present Members with an opportunity to consider the final draft report of the Committee's research heavy inquiry into the Council's grant allocation system.

Background

2. As part of its 2010/11 work programme the Committee agreed to undertake a review of the Council's grant allocation system.

3. The terms of reference for the inquiry were:

   To assess the effectiveness of Cardiff Council's grants allocation system's strategic coordination of funding across the council.

   In order to establish this, the research focused on the effectiveness and equity of the assessment criteria, including: The link to the corporate priorities (Corporate Plan); Eligibility criteria; Needs testing; and Review criteria. In addition it focused on the role of commissioning services alongside grant funding.

4. Members of the task & finish group were:
   - Councillor Fenella Bowden[1] (Chair)
   - Councillor Paul Chaundy
   - Councillor Brian Jones

   Members will note that the inquiry was chaired by Councillor Fenella Bowden who left the Committee in May 2011, but who agreed to continue leading the inquiry to ensure its completion.

5. This inquiry marked the trial of a new approach to a Scrutiny task & finish inquiry and was conducted as a 'research heavy' inquiry. This type of inquiry has a heavier emphasis on research than a standard Scrutiny inquiry, but still involves one or more meetings at which stakeholder and expert witnesses are heard, with the aim of placing a lighter workload on Members in recognition of the restriction on their time.

6. The inquiry involved four meetings, with a reasonable gap between meeting 1 and meeting 2 to allow the research to be completed. The meeting schedule was as follows:

   1. Develop research brief
   2. Discuss findings of research & decide on witnesses
   3. Hear witnesses
   4. Discuss and agree draft key findings and recommendations.

7. The Task & Finish Group received evidence from the following witnesses:

Steve Robinson	OM, Procurement and Supplies
Glender Charles	Arts Development Manager
Cllr Mark Stephens	Executive Member Finance and Service Delivery
Sally Jenkins	Assistant Director at Barnardos Cymru
Mike Friel	OM, Housing Strategy Advice & Support
Richard Anthony	Principal Grants & Voluntary Sector Officer

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[1] Councillor Fenella Bowden was a member of the Policy Review and Performance Committee from May 2008 until May 2011.

Way Forward

8. Attached at **Appendix A** is the final draft report of the task group. Members are particularly referred to the Key Findings (*pages 12-17*) and the 11 Recommendations (*pages 18*). These are based on the research and evidence heard throughout the Task & Finish Group Inquiry.

9. Members may wish to consider the report and agree whether to approve the report and refer it for consideration by the Executive.

Legal Implications

10. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Executive/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

11. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in

this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Executive/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

The Committee is recommended to:

1. Consider the research heavy inquiry report of the Task and Finish Group.

2. Agree the report, subject to any comments the Committee wish to make and agree that it is forwarded for consideration by the Executive at the earliest opportunity.

MIKE DAVIES
Head of Service
Scrutiny, Performance & Improvement
17 November 2011

s c r u t i n y

A Report of the
Policy Review and Performance Committee

Cardiff Council Grant Allocation System

November 2011

CARDIFF
CAERDYDD

County Council of The City and County of Cardiff

CONTENTS

1. CHAIR'S FOREWORD

There is no doubt that Cardiff Council has a good record of providing grants to organisations, and over many years. For many, this grant funding service provides essential support to the work that an organisation is delivering but, for others, they are unable to access funding – however innovative their project. In the face of increasing pressure on budgets, the Council will need to look at how it is delivering its services to the citizens of Cardiff; and how grant-making can be made equitable, open, and transparent and used to shape the market to better effect.

Historical arrangements between the Council and many grant recipients has led us to a position today in which we are not perhaps asking ourselves sufficiently challenging questions such as : What is the value of the intervention the Council is continuing to grant? How do we encourage diversity within the supply chain? How do smaller niche services fit access the supply chain? How do we develop a flexible grant allocation system that is both robust but which also does not place undue burden on the voluntary sector? These are difficult questions but essential if we are to use the cash that is available to best advantage.

This report identifies a number of issues that the Task & Finish Group feel need to be addressed. Making all the Council's grant schemes accessible to everyone in an open and transparent way; moving towards commissioning of some services which receive grant funding year on year; ensuring that we allocate funding in line with corporate objectives are just some of the challenges. We hope that this report will serve as a useful resource as the Council considers the grant allocation process within the context of its Transformational Change Programme.

We were grateful for the contributions from individuals both within the Council and the voluntary sector and the depth of knowledge that they were able to share with us. My thanks go to Councillors Paul Chaundy and Brian Jones,

whose thoughtful questioning and comments were insightful and valuable to this Inquiry. And finally, our thanks go to the Research Team, for whom this was a research-heavy inquiry, and members of the Scrutiny Team who supported us extremely well throughout our deliberations.

Councillor Fenella Bowden

Chair of the Task Group
November 2011

2. TERMS OF REFERENCE   4

As a part of its 2010/11 work programme the Policy Review & Performance Scrutiny Committee agreed to undertake a task & finish inquiry into the Council's approach to the allocation of grants. The Terms of Reference agreed for the inquiry were:

To assess the effectiveness of Cardiff Council's grants allocation system's strategic coordination of funding across the council.

In order to establish this, the research focused on:

- The effectiveness and equity of the assessment criteria, including:
  - The link to the corporate priorities (corporate plan)
  - Eligibility criteria
  - Needs testing
  - Review criteria

- The role of commissioning services alongside grant funding

Members of the Task & Finish Group were:

- Councillor Fenella Bowden[1] (Chair)
- Councillor Paul Chaundy
- Councillor Brian Jones

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[1] Councillor Fenella Bowden was a member of the Policy Review and Performance Committee from May 2008 until May 2011.

3. CONTEXT

Over the past 15 years, UK Government policy has increasingly emphasised the role of the voluntary sector in the hope it can help both develop and deliver better public services. Currently, government funding accounts for 38% of total income for general charities, making the state their single largest contributor[2]. The drive to encourage the Third Sector to both deliver and develop public services was partly borne out of dissatisfaction with previous public sector delivery.

Cardiff Council currently engages in a range of voluntary sector funding activities which could be described as giving, investing and shopping. These include:

- pure grant funding in support of organisations or activities proposed by the sector where light touch monitoring is applied (including small grants);
- grant funding toward the running cost of infrastructure or other strategically significant organisations;
- grant funding for particular types of activity or service, often subject to a service level agreement, in some cases located through competitive grants processes;
- funding designed to capacity-build or improve practice within organisations;
- procurement of specific services under contract.[3]

The Council gives grants to a wide range of voluntary sector organisations in Cardiff. For the current financial year (2011-2012) the Council is supporting almost 100 voluntary sector organisations with a total of just under £3.4m.

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[2] Chater, D. (2008) *Coming in from the cold? The impact of the contract culture on voluntary sector homelessness agencies in England, London:* London School of Economics

[3] Cooke, S. (2007) *Why Grants are Important for a Healthy Local VCS,* London: NACVA

Cardiff Council has been working closely with the voluntary sector in delivering improvements to its grant funding arrangements. In March 2006, a Tripartite Voluntary Sector Compact was established. This Compact is a formal partnership agreement between the voluntary sector in Cardiff and the two main statutory bodies: Cardiff Council and the Local NHS (including Cardiff and Vale University Health Board and the Velindre NHS Trust). In terms of cooperation on improving the Grants system, the Compact has previously established an annual timetable, a biennial grant survey, a set of corporate grant procedures and documents, and the *Cardiff Commissioning & Funding Framework*.

Cardiff Council recognises that there are a myriad of reasons for funding the voluntary sector. For example, it believes that the sector's can add value in terms of:

- nurturing complementary and preventative services;
- delivering services in ways the local authority may not be so good at;
- increasing the signposting of potentially vulnerable individuals to appropriate services;
- building social capital and connections within the community;
- building capacity for community self help;
- breeding a culture of co-operation, communication and networking;
- encouraging diversity and responsiveness;
- enabling leverage of resources into the locality from elsewhere;
- providing insight into local communities;
- enhancing potential for engagement with communities;
- enabling the involvement of users in the design and delivery of services;
- acting as advocates for those who otherwise would have no voice;
- contributing to local democracy;
- nurturing an independent sector capable of responding to current and future service needs.

Currently, there are a number of policy drivers causing local authorities to review the way in which they fund the voluntary sector. Not least of these is the emphasis that Government has placed on the sector's service delivery

role in recent years. Local authorities, like the rest of the public sector, are under increasing pressure to make efficiency savings and to demonstrate value for money in the way they utilise their resources. For some authorities, the combined effect of these drivers has meant a shift away from grant funding toward an increasingly contractual relationship with the voluntary sector.

Cardiff Council's Budget Strategy 2011/12 report addressed the potential impact on the voluntary sector. The report explained that the voluntary sector is a significant partner in delivering council functions and is seen as a major player in contributing to local community life. The report further explained that the Council's Executive would resist passing on significant cuts to its voluntary sector partners, if at all possible, but went on to explain that efficiencies were needed in the medium term and the Council would work with the sector to rationalise costs.

In line with national policy, as part of the Commissioning and Procurement Transformational Change Programme, the 'Grants Process' project is currently looking into adjusting the balance between grant funding and procured services, as well as revising the existing grants guidance and procedures.

The 'Grants Process' project brief states that the project's objective is to redesign the current grants process and deliver a grants system that is consistent across the Council and shared by all partners. The project will be developed in conjunction with the separate projects of Commissioning & Procurement strategy, Commissioning Framework and the Integrated Partnership board, Families First project.

The purpose of the Grants project is to seek a collaborative approach to how grants are proportioned by the Council towards the Third Sector. The project will look to actively involve other partners and funders to maximise the contribution of the Third Sector to addressing community needs and priorities. The project aims to implement a centralised managed system that will

encompass a cross-service approach to commissioning, procurement and the use of grant funding.

The following have been identified as benefits and outcomes of the project:

- **Improved service specification design:** by developing a process where all partners and funders are able to design, comment on, add to and improve proposed specifications.
- **Remove duplication:** by ensuring that all partners share proposals for service delivery, managed by a central procurement system
- **Transparency:** by delivering a simple well designed and inclusive process.
- **Cost-effective funding management:** by developing a Commissioning and procurement led process which will drive efficiencies while delivering needs based services.
- **Outcome based results:** ensuring contracts and grant agreements specify measurable outcomes with a robust monitoring system which produces the required evaluation reports from service providers.

During the inquiry agreement was sought from the Executive Member Finance and Service Delivery for this scrutiny inquiry to feed into and inform the Grants Process transformation project.

4. METHODOLOGY

This inquiry was conducted as a 'research heavy' inquiry. This type of inquiry has a heavier emphasis on research than a standard Scrutiny inquiry, but still involves one or more meetings at which stakeholder and expert witnesses are heard.

This 'research heavy inquiry' was tried as a new approach which places a lighter workload on Members in recognition of the restriction on Members' time.

This inquiry involved four meetings, with a reasonable gap between meeting 1 and meeting 2 to allow the research to be completed.

1. Develop research brief
2. Discuss findings of research & decide on witnesses
3. Hear witnesses
4. Discuss and agree draft key findings and recommendations

During meeting two, Members were presented with the research findings which enabled them to

- further explore certain views expressed in the research in more depth by inviting the relevant stakeholders as witnesses before the Task Group;
- further explore areas identified by the research as gaps;
- use the research as background information for in-depth questioning of relevant officers.

The research took a qualitative approach including interviews and document analysis. Fourteen interviews were conducted:

- 9 Service Area representatives
- 5 voluntary sector organisations

Alongside these interviews relevant grants documents were analysed.

The following broad topic guide was used for all interviews:

- Strategic approach
  - Corporate strategy for grants
  - Priorities linked to corporate priorities
- Grant application and allocation
  - Process
  - Application forms
  - Decision making
  - Openness and transparency
  - Proactive approach
- Monitoring

- Renewal of grant aid
- Duplication & overlap
- Grants versus procured services
- Key strengths of Cardiff Council's grants system
- Key weaknesses of Cardiff Council's grants system.

In addition, a brief literature review was conducted.

Members heard evidence from the following witnesses:

Steve Robinson	OM, Procurement and Supplies
Glender Charles	Arts Development Manager
Cllr Mark Stephens	Executive Member Finance and Service Delivery
Sally Jenkins & Colleague	Assistant director at Barnardos Cymru
Mike Friel Richard Anthony	OM, Housing Strategy Advice & Support Principal Grants & voluntary sector Officer

5. KEY FINDINGS

5.1. Key strengths of Cardiff Council's grants system

The research identified four perceived key strengths of the Council's Grants system:

- Both internal grants officers and external voluntary sector organisations recognise that the grants system has significantly improved over the last few years due to the implementation of the *Cardiff Commissioning and Funding Framework*;
- The grants process being aligned to the budget process is perceived to work well and appreciated by voluntary organisations;
- There is good local knowledge within service areas which is beneficial for the grant allocation process;
- There is a general consensus that the corporate grants officer is a great asset to the organisation.

5.2. Key weaknesses of Cardiff Council's Grants system

The research identified seven perceived key weaknesses of the Council's Grants system:

- Monitoring of grants is not consistent across the organisation;
- There is little consistency in compliance with the *Cardiff Commissioning and Funding Framework*;
- There is little consistency in service areas deciding on funding being delivered via a procurement or grants process;
- Many grants are committed through year-on-year funding which results in difficulty for new organisations to gain access to grant funding;

- Not all grants are openly advertised;
- The Council is not proactive in allocating its grant funding;
- The grants process works less efficiently without the presence of the corporate grants officer.

5.3. Strategic approach

5.3.1. Corporate strategy for grants

The Cardiff corporate strategy on grants: the *Cardiff Commissioning and Funding Framework* aims to help improve and clarify commissioning and funding arrangements in Cardiff.

Even though this Corporate Framework is in place, there is a large degree of variation in compliance across the organisation. Some service areas acknowledge that they do not use the guidance on determining whether a grant funding or procurement route should be pursued when allocating funding.

In practice, the *Cardiff Commissioning and Funding Framework* has proven to have very little 'corporate teeth'. The Corporate Grants Officer has no powers to enforce compliance within service areas, which has led to a large degree of variation in compliance.

5.3.2. Priorities linked to corporate priorities

Across the Council, most grants are clearly linked to the corporate priorities. However, on a few occasions it was acknowledged that a specific service which was grant funded was not a close fit.

5.4. Grant application and allocation

5.4.1. Process

Cardiff Council has developed a timetable for the corporate decision making for Grants that ensures that recurring grants to local organisations are considered 'in sync' with the budget process and corporate planning timescale.

Both service area and voluntary sector respondents were very satisfied with this timetable.

Voluntary sector respondents felt that the fact that it is closely aligned to the budget process means that the voluntary sector can be meaningfully involved and informed in the grants allocation process.

Voluntary sector respondents agreed that the Council's corporate communication is very good. However, there was also a general consensus that service area communication is sometimes less consistent.

5.4.2. Application forms

An important criticism was raised regarding the 'rigid' process of needing to provide the required information for the grant application process, particularly for large voluntary sector organisations. Large organisations often apply for more than one Council administered grant. For each grant the organisation's accounts and relevant policies and procedures need to be submitted in hard copy. Members heard that this often amounts to several boxes of hard copy information provided for each grant application. Service areas acknowledged that the information is often not scrutinised in great detail for each application.

5.4.3. Openness and transparency

In theory, all grants should be openly and transparently advertised and be open to new organisations. However, this appears not to be the case on many occasions.

Many grants are committed through a year on year funding. This makes it difficult for new organisations to gain access to grant funding.

5.5.   Monitoring

There is no consistent approach to monitoring and evaluating grants across the Council.

There is currently no corporate overview of the level of monitoring and evaluation taking place in service areas. Monitoring data is held by the service areas rather than the corporate grant centre.

Currently there is not enough focus on monitoring 'outcomes' rather than outputs. Members were told that in the context of strengthening Results Based Accountability (RBA) across the Council, establishing and monitoring 'outcomes' will be enhanced.

Voluntary organisations do not always receive feedback on the monitoring information they supply. This meant that they did not feel that the information was actually used to its fullest extent.

5.6.   Renewal of grant aid

Members expressed concerns about the high level of apparently automatic renewals of grants. It is not always clear how monitoring and evaluation has resulted in the adjustment or discontinuation of grant funding.

Members felt that voluntary sector organisations are currently not sufficiently encouraged to seek funding elsewhere by the end of their contract. This results in organisations becoming dependent on Council funding through year on year grants.

Furthermore, Members suggested that some form of 'stress test' should be carried out on organisations to identify what effect reduced level of funding would have on organisations.

5.7. Duplication and overlap

The majority of respondents argued that there is very little evidence of duplication and/or overlap of funding in the Council.

However, no guarantees could be given that there is no duplication and there was some acknowledgement that, due to a lack over corporate overview, some duplication of management charges could take place.

Members were also concerned about the potential of duplication of funding to separate organisations which could be eliminated by bringing similar organisations together and result in efficiency savings. Members were told this is currently not occurring, but that the Transformational Change 'Grants Process' Project is currently looking into co-locating organisations to reduce back-office cost and reduce duplication of funding for other overheads.

5.8. Grants versus procured services

The *Cardiff Commissioning and Funding Framework* sets out guidance for determining whether a grant funding or procurement route should be pursued when funding is made available to fund voluntary sector services.

Whilst many service areas are progressively moving to procuring services rather than grant funding, service areas acknowledge that across the Council

there are still many services that are grant funded which should be commissioned.

Members were told that in the future grants will be seen within the Commissioning and Funding Framework. The Transformational Change project is aiming to develop a consistent approach to commissioning across the Council, and is looking to further clarify the distinction between services and projects that should be grant funded and those that should be commissioned.

Advantages of procuring services identified from the literature are:
- Greater accountability
- Encouraging professionalism within the Voluntary Sector / Drives up quality of service provision
- Increased transparency
- Drives up innovation and efficiency
- Provides stability of income

Disadvantages of procuring services are identified as:
- Benefits larger organisation which are able to absorb the cost of tendering
- Administrative strain can have adverse effect on service users.
- Inability to develop innovative services (due to overly prescriptive funding formulas)
- Can result in less flexible services, i.e. detailed contracts restrict ability to respond to individual need
- Limits the ability for voluntary organisations to set the type and method of the work they undertake
- Competition can undermine trust and long-established relationships within the voluntary sector
- Procurement officers do not have enough local knowledge.

6. RECOMMENDATIONS

The Committee recommend that the Executive:

6.1. Strategic approach

R1   Task the Transformational Change 'Grants Process' Project, in its guidance, to ensure regular reviews of ongoing grants to ensure that they are in line with the current priorities.

6.2. Grant application and allocation

R2   As part of the above guidance, develop a central accreditation scheme for large voluntary sector organisations to reduce the need to submit duplicate copies of relevant information such as accounts, policies and procedures. Organisations should be able to submit this information on-line.

R3   Task the Transformational Change 'Grants Process' Project to, in its guidance, ensure that grant application requirements are applied more flexibly and realistically according to the size and structure of the organisation so that larger organisations are not necessarily burdened by paperwork.

R4   Requires service areas to openly and transparently advertise all grants at the end of a contract, to allow new organisations a chance to apply.

R5   Ensures that service areas employ a proactive approach to grant allocation by identifying the desired needs and outcomes for each client group and proactively work with the voluntary sector to meet the gaps in provision through grant allocation.

6.3. Monitoring

R6   Task the Transformational Change 'Grants Process' Project to, in its guidance, establish a mechanism to develop a corporate overview of the level of monitoring and evaluation taking place in service areas and holding service areas to account for poor monitoring practices.

R7   Task the Transformational Change 'Grants Process' Project to, in its guidance, establish a protocol for appropriate and relevant feedback on monitoring information provided by voluntary sector organisations.

6.4. Renewal of grant aid

R8   Task the Transformational Change 'Grants Process' Project to, in its guidance, develop a mechanism to enforce robust assessments at the end of grant cycles in order to reduce the level of automatic renewals of grant funding.

R9   Task the Transformational Change 'Grants Process' Project to, in its guidance, develop a system to systematically apply 'Stress testing' to identify the impact of a reduction in grant funding on the effectiveness of the organisation or project.

6.5. Duplication and overlap

R10   Task the Transformational Change 'Grants Process' Project to, in its guidance, establish a robust centralised system of review that ensures limitation of duplication and overlap of funding.

6.6. Corporate centre

R11 Task the Transformational Change 'Grants Process' Project to, explore options for establishing a well-resourced corporate grants centre which has adequate resources and corresponding corporate teeth to:

- Develop and implement the reviewed Cardiff Commissioning and Funding Framework (or equivalent), to include ensuring the appropriate use of grant funding and procurement;
- Enforce a systematic approach to dealing with application forms;
- Enforce openness and transparency in advertising grant opportunities;
- Ensure a proactive approach to identifying needs and grant allocation;
- Enforce appropriate monitoring and evaluation;
- Ensure adequate reviews of automatic renewal of grant aid;
- Ensure a corporate oversight of duplication and overlap in grant funding.

7. KEY EVIDENCE

7.1. Strategic Approach

7.1.1. Corporate strategy for grants

Cardiff Commissioning and Funding Framework

Cardiff Council has a specific corporate strategy on grants: the *Cardiff Commissioning and Funding Framework*. This Framework was developed in close co-operation with the voluntary sector through the Cardiff voluntary sector Compact. The Compact is a formal partnership agreement between the voluntary sector in Cardiff and the two main statutory bodies: Cardiff Council and the Local NHS (including Cardiff and Vale University Health Board and the Velindre NHS Trust)[4].

The Framework aims to help improve and clarify commissioning and funding arrangements in Cardiff. It provides guidance for determining whether a grant funding or procurement route should be pursued when funding is made available to fund voluntary sector services. For this purpose, the Framework includes a clear process flow chart to provide assistance in deciding whether to adopt a grant or procurement route.

The Framework further clearly sets out agreed definitions of Commissioning, Procurement, Purchasing, Contracting and Grants:

Commissioning:
The process of specifying, securing and monitoring services to meet people's needs at a strategic level. This applies to all services, whether they are

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[4] The Compact Liaison Panel (CLP) Members include:
   4 from the Local Authority (3 Executive Members and a Senior Officer).
   4 from the local NHS (2 members from Cardiff Local Health Board, 1 member from Cardiff and Vale University Health Board and 1 member from Velindre Trust)
   5 from the voluntary sector (4 voluntary sector representatives or deputies and a Senior Officer from Voluntary Action Cardiff)

provided by the local authority, NHS, other public agencies or by private or voluntary services.

Procurement:
The process of acquiring goods, works and services, covering both acquisition from third parties, and from in-house providers. The procurement process spans the whole cycle from identification of needs through to the end of a services contract or the end of the useful life of an asset.

Purchasing:
The process of securing or buying services.

Contracting:
Placing the purchasing of services in a legally binding agreement.

The Framework specifies that the purchasing of public services through the third sector can be achieved through *procurement* or *grant arrangements*. Following the Welsh Assembly Government, the term Grant is defined as:

> Funding that can be provided by public bodies as a means of offering financial support to third sector organisations to enable them to undertake activities they wish to support. Grants may be aimed at assisting with the core costs of running and developing an organisation or more specifically to help it carry out a particular project or service. The grant giver is not contracting for a service that forms part of its own business.

Variation in compliance with corporate framework

Even though this Corporate Framework is in place, there is a large degree of variation in compliance across the organisation. Several service areas have spent time and resources on ensuring that funding is allocated through the most appropriate route. However, some service areas acknowledge that they do not use the guidance on determining whether a grant funding or procurement route should be pursued when allocating funding.

Some feel that their knowledge of a procurement route is not sufficient or that following a procurement route would be more complicated than allocating a grant. Others suggested that, as grant management is only one – sometimes small - element of their job, they do not have the resources to do a detailed analysis of the grants that they allocate.

In practice, the *Cardiff Commissioning and Funding Framework* has proven to have very little 'corporate teeth'. The Corporate Grants Officer has no powers to enforce compliance within service areas, which has led to a large degree of variation in compliance.

Moreover, the *Commissioning and Funding Framework* is currently not referenced within the Council's procurement guidance. This means that the grants route is not pointed out as an alternative option for those who are looking into allocating funding through a procurement route.

The Transformational Change 'Grants Process' Project is currently revising the guidance on grants in relation to procurement.

7.1.2. Priorities linked to corporate priorities

Grant priorities should be linked to the priorities set out in the Cardiff *What Matters 2010-2020 Strategy*, the *Corporate Plan* and the other relevant strategies and plans.

What Matters focuses on delivering seven strategic outcomes to ensure that:
- People in Cardiff are healthy;
- People in Cardiff have a clean, attractive and sustainable environment;
- People in Cardiff are safe and feel safe;
- Cardiff has a thriving and prosperous economy;
- People in Cardiff achieve their full potential;
- Cardiff is a great place to live, work and play;

- Cardiff is a fair, just and inclusive society.

Each service area develops a *strategic statement* in which it outlines the contribution the funding programme will make to one or more of the outcomes stated in the relevant strategy and plans.

Across the Council, most grants are clearly linked to the corporate priorities. However, on a few occasions it was acknowledged that a specific service which was grant funded was not a close fit. However, a decision was made to continue funding these services as they were deemed to make an essential contribution. Therefore, the service area was being pragmatic. On other occasions, grants were funded on a historical basis, year on year, and no recent assessment had taken place to assess the link to the current corporate priorities.

7.2. Grant application and allocation

7.2.1. Process

Time table aligned to budget cycle

Cardiff Council, in co-operation with the voluntary sector Compact, has developed a timetable for the corporate decision making for grants that ensures that recurring grants to local organisations are considered 'in sync' with the budget process and corporate planning timescale. It also ensures that grant scheme budgets (schemes that invite and consider grants during the financial year) are also agreed.

The Corporate Decision Making Framework determines that, from September onwards, and prior to the start of a new financial year, service areas begin to consider grant budget levels in line with other budgetary pressures. For recurring grants, application packs and monitoring requests are sent out at this time for return by the end of October/early November. During November assessments are made and recommendations for both recurring grants and grant schemes budgets are considered by Executive Members and/or at portfolio meetings.

In December service area recommendations are returned to the Corporate Grants Officer for compilation within a Council wide report to the Executive. Organisations then receive in-principal notifications in January and during this time, fine tuning of the budget takes place. Following formal consideration by the Executive and approval of the Council's budget, formal offers can be made from the end of February onwards.

A detailed version of the timetable is as follows:

April – September	**All Grants** Service Area to begin to develop priorities/ideas for grant schemes and funding for next financial year.
	Grant Schemes - Various grant schemes to be published during the financial year (dates will vary).
April - June	**Recurring Grants** - Receive & evaluate end of year monitoring reports from previous year.
	Grant Schemes - Service Area to evaluate monitoring information for grants awarded in previous year.
June – September	- Service Area to evaluate data fed into priorities/ideas for grant funding in next financial year.
September	**Recurring Grants** - First year - Send out applications. - 2nd & 3rd Year – Send out 6 monthly monitoring request. Request funding information and confirmation of organisational details for next year.
End of October/ Early November	**Recurring Grants** - Annual or First Year funding - Deadline for receipt of applications - Assessment of applications by Service Areas against: Scheme Criteria; Service Area Priorities; and Corporate Objectives. - 2nd & 3rd year – Evaluation of 6 month monitoring information and confirmation of organisational details.
End of October - November	**Grant Schemes** - Grant Schemes currently in operation - If appropriate evaluate monitoring information against set objectives, performance indicators and targets.
November	**All Grants** - Consider the budgetary implications of preliminary grant proposals in accordance with corporate planning process. - Consultation with lead Executive Member on proposals. - In some cases individual service area recommendations to portfolio.
	Recurring Grants - Clarification/Negotiation with first year applicant organisations.

December	**All Grants**
	▪ Overview of service area proposals to be compiled.
January	**All Grants**
	▪ Corporate Grants Overview – Recommendations to be submitted to Executive
	▪ Corporate Portfolio meeting
	▪ Scrutiny Consideration
	▪ Update to be provided to the Compact Liaison Panel
	▪ Fine tuning of in-principle grant proposals.
	Recurring Grants
	▪ First Year - Service Areas to notify organisations of in-principle proposals.
	▪ 2nd & 3rd Year - Service Areas to notify organisations of in-principle decision to continue/ amend arrangements.
	▪ If required further clarification/negotiation.
February	**All Grants**
	▪ Final Corporate Grants Report for Executive.
	▪ Approval of Grant Recommendations by Council.
February – March	**Recurring Grants**
	▪ 1st Year Grant to be formally offered and agreement to be signed.
	▪ 2nd & 3rd year advise that grant arrangements are to continue.
	Grant Schemes
	▪ Prepare 'Rolling Programme' grant scheme literature

Grant process much improved over recent years

Both service area and voluntary sector respondents were very satisfied with this timetable. Voluntary sector respondents felt that the fact that it is closely aligned to the budget process means that the voluntary sector can be meaningfully involved and informed in the grants allocation process. Voluntary sector respondents particularly appreciated the early notice given of the financial realities of the council and potential changes in levels of grant funding or priorities, which gives organisations time to realign their activities if necessary. It also means that they can adequately do their forward planning, which provides a higher level of security for the sector. It was felt that the current process is an improvement on the more 'hap hazard' process previously employed, when projects were often up and running before the final grant decision was made.

Voluntary sector respondents also felt that the process is on the whole very effective. For example, it was mentioned that the forms arrive on time, applications are considered on time and the grant cheques arrive on time.

Very good corporate communication.

Finally, voluntary sector respondents agreed that the Council's corporate communication is very good. However, there was also a general consensus that service area communication is sometimes less consistent. This could vary between service areas, but also between individuals within service areas.

7.2.2. Application form

Uniform application forms

The Council has uniform applications forms and standard terms and conditions for all grants.

Two corporate grant application forms are in use:
- Small   – up to £2,000
- Standard – £2,001 - £50,000

Application guidance is available for both.

In addition, the Council has established three categories of terms and conditions:

Basic   – Up to £2,000
Standard   – £2,001 - £50,000
Comprehensive   – £50,001 and over

The application forms and terms and conditions of smaller grants are fairly simple whilst larger grants require more detail.

Too much paperwork

Whilst the uniform application forms were appreciated by the voluntary sector respondents, they felt that there could be more variation both within the small, but particularly within the standard application form. It was felt that for some, too much standard information was required, while for others it meant not enough detail.

An important criticism was raised regarding the 'rigid' process of needing to provide the required information for the grant application process, particularly

for large voluntary sector organisations. Large organisations often apply for more than one Council administered grant. For each grant the organisation's accounts and relevant policies and procedures need to be submitted in hard copy. Members heard that this often amounts to several boxes of hard copy information provided for each grant application. Service areas acknowledged that the information is often not scrutinised in great detail for each application.

It was suggested that a 'passport' or 'accreditation' scheme would be beneficial. This would mean that once an organisation has submitted their relevant policies and procedures, and have become an accredited organisation, they would not need to provide these again. Organisation should be, however, under the obligation to resubmit the documents in the event of changes.

It was felt that such an accreditation scheme would free up resources both within Council and within the voluntary sector organisation.

More consideration for structures of large organisations

Moreover, a voluntary sector representative pointed out that there needs to be a recognition that large voluntary sector organisations have different structures to small organisations. For example, Members heard that one large voluntary sector organisation repeatedly ran into the problem of being asked for their management committee signatures. As a large organisation, their management committee is located at head office and are not able to sign every grant application. Therefore if was felt that grant applications need to be applied more flexibly according to the size and structure of the organisation.

7.2.3. Decision making

Service areas currently have responsibility for making decisions on grant budgets as they are deemed to have the local expertise. Following assessment by service area grants officers, during the budget setting process initial grant proposals are considered by Service Area senior management

teams and by the Executive Member with Portfolio responsibility. Recommendations are then returned to the Corporate Grants Officer for compilation and corporate consideration. Organisations are subsequently notified of in principle proposals whilst fine tuning of the budget and consultation takes place.

The Corporate Grants Officer has a good overview of all grants that fall within the budget. There is a central database of all these grants.

7.2.4. Openness and transparency

Not all grants openly advertised

Cardiff Council has established corporate grant arrangements to attempt to ensure a consistent approach to grant scheme management. Comprehensive guidance and corporate template documentation are available on the Council's Intranet (CIS).

In theory, all grants should be openly and transparently advertised and be open to new organisations. However, this appears not to be the case on many occasions.

Widespread year on year funding

There are several grants within the Council that have been continuously funded for a number of years without being openly advertised. The relevant service areas felt that given their limited grants budget, the funding was allocated to highly respected organisations which were not worth losing.

Members questioned whether if a service was essential and commissioned year on year, it should possibly be procured rather than grant funded. If it was to be grant funded, however, it should be opened up to a transparent process. They felt that historical clients should be challenged and that if other organisations can provide the service better, they should be given a chance.

7.2.5. Proactive approach

Both service area and voluntary sector respondents agree that Cardiff Council does not apply a proactive approach to grant allocation.

Rather than identifying a need and actively going out to find organisations that could develop a specific service/project to meet this need, service areas generally wait for grant applications to come forward and assess these against the current priorities. Service areas claim that they do not have the resources to be more proactive than they are now due to the fact that grants officers have a heavy workload. Service areas, however, do feel that local organisations have sufficient local expertise to ensure that if a need exists they will apply for funding.

Market shaping

Members were told that the Transformational Change 'Grants Process' Project will be looking into how the Council can engage more in 'market shaping'.

Service areas are envisaged to increasingly use Results Based Accountability (RBA) for their business planning. Once the needs and outcomes for a certain group have been established, gaps can be identified and the service area will be in the position to work with the voluntary sector to identify how they can best meet these gaps. This approach might require the provision of developmental support to local organisations so that they can shape and develop a service.

7.3. Monitoring

The Council's *Annual Grants Decision Making Process* sets out its monitoring and evaluation process. It states that the Council wants to ensure that its

grants make a difference. Monitoring and evaluation are therefore ways of ensuring that a grant project or scheme is progressing as intended, with the purpose of maintaining quality and informing future practice.

In this document, *monitoring* is defined as:

> The process of gathering and recording information on a regular basis; it keeps account of progress and work undertaken against a set of agreed objectives - the performance targets and indicators. Monitoring is done against the stated objectives, looking at quantitative data.

Evaluation, on the other hand, is defined as:

> Seeking to establish whether a scheme or project has been effective in meeting its overall objectives, and whether the objectives themselves are the right ones. It is a process that looks at outputs or results - what has been done. It is qualitative, assessing the outcomes in terms of impact on the original problem.

There are two categories that determine the appropriate monitoring and evaluation approach:

Small Grants of up to £2,000

> A *simple monitoring form* should be used at the end of the financial year or at the end of the project/scheme.

Grants of £2,001 and over

> The *standard monitoring form* will be used at the end of the project/scheme or financial year.

Interim Monitoring

> The *Interim Monitoring Form* should be used in accordance with the nature and payment regime of the grant funded activities. For annually funded organisations this should, at the very least, take place half way through the year to coincide with budget considerations for the forthcoming financial year. Depending on the size, type and individual circumstances, interim monitoring can take place more frequently (e.g.

quarterly) though officers should be careful not to over burden organisations with unnecessary requests to complete interim monitoring forms.

Monitoring not consistent

From the research it emerged that there is no consistent approach to monitoring and evaluating grants across the Council. Some service areas are rigorous whilst others adopt a more informal approach. Voluntary sector respondents also identified inconsistencies within service areas.

Several voluntary sector respondents felt that on occasion monitoring is too rigorous and resource intensive for the amount of funding provided, whilst in other instances monitoring is not rigorous enough.

No corporate overview of level of monitoring and evaluation in service areas

There is currently no corporate overview of the level of monitoring and evaluation taking place in service areas. Monitoring data is held by the service areas rather than the corporate grant centre.

Until a few years ago, a Council wide survey identifying the compliance with grant monitoring and evaluation was conducted. Unfortunately this survey was abandoned due to resource constraints and changing priorities.

Not enough focus on 'outcomes' (RBA)

Both service areas and voluntary sector respondents recognise that currently there is not enough focus on monitoring 'outcomes' rather than outputs. Members were told that in the context of strengthening RBA across the Council, establishing and monitoring 'outcomes' will be strengthened.

Don't always get feedback

Several voluntary sector respondents expressed a concerned that they do not always receive feedback on the monitoring information they supply. This meant that they did not feel that the information was actually used to its fullest extent.

Many voluntary sector respondents would welcome some form of constructive feedback and potentially some further discussion on the basis of their monitoring information.

7.4. Renewal of grant aid

The research found little evidence that monitoring information is used to discontinue or change grant specifications. As identified above, many grants in the Council have been allocated on a rolling basis for a considerable period of time.

Often automatic renewal

Members expressed concern about the high level of apparently automatic renewals of grants. It is not always clear how monitoring and evaluation has resulted in the adjustment or discontinuation of grant funding.

Several service areas acknowledge that, often due to resource constraints, adequate tests are not always in place. Members were told that once RBA is firmly established, monitoring evaluation and subsequent appropriate renewal of grant funding will be improved. Moreover, if the intention is that if a service is grant funded year on year, the service area should consider whether it should in fact be commissioned rather than grant funded.

Start expectation to raise funding elsewhere

Members felt that voluntary sector organisations are currently not sufficiently encouraged to seek funding elsewhere by the end of their contract. This

makes the organisation dependent on Council funding and leaves it open to the risk of closure if Council funding is withdrawn.

Stress testing

Furthermore, Members suggested that some form of 'stress test' should be carried out on organisations to identify what effect reduced level of funding would have on organisations. This would potentially identify the added value of Council grant funding but also identify areas of savings to be made.

7.5. Duplication & overlap

No evidence of duplication

The majority of respondents argued that there is very little evidence of duplication and/or overlap of funding in the Council.

Organisations are required to supply the service area with information on their other sources of funding which is subsequently collated by the corporate grants officer. In addition, regular meetings are held within and between service areas to ensure duplication does not take place. Service areas are confident they know what organisations receive from other funders.

However, no guarantees could be given that there is no duplication and there was some acknowledgement that some duplication of management charges could take place.

Back office co-location

Members were also concerned about the potential of duplication of funding to organisations which could be eliminated by bringing similar organisations together by co-location, which could result in efficiency savings.

Members were told this is currently not occurring, but that the Transformational Change project is looking into co-locating organisations to reduce back-office cost and reduce duplication of funding for other overheads.

7.6. Grants versus procured services

Cardiff Commissioning and Funding Framework

As outlined above, the *Cardiff Commissioning and Funding Framework* sets out guidance for determining whether a grant funding or procurement route should be pursued when funding is made available to fund voluntary sector services. The flow chart is outlined below:

```
Identification of the strategic
need eg, population need,
market analysis, risk analysis
        │
        ▼
Establish legal authority and policy intent and
common service purpose between agencies, eg,
community strategy, joint commissioning
strategy, common budget and market
management
        │
        ▼
Develop objectives with
stakeholders examining
best practice and any
guidance
```

```
Undertake resource
analysis
        │
        ▼
Potential funding identified and
agreement to proceed
```

```
Consider funding
channel                    Consider the potential to
                           merge with existing
                           funding programmes
```

```
Service        Development    Community          Strategic
                              projects / activities
   │              │               │                 │
   ▼              ▼               ▼                 ▼
State of market   Grant          Grant             Grant
supply            arrangement    arrangement       arrangement
   │
   ├──────────┐
   ▼          ▼
Healthy       Limited
competition   competition
   │             │
   ▼             ▼
Decision to   Discuss with
purchase  ◄── procurement
              professionals
```

```
Design of          Design of grant
specification      scheme / strategic
                   statement
```

Common strategy monitoring and review

Contract monitoring and review

```
Tendering and      Grant scheme
contract           management
management
```

```
Contract monitoring and review  ◄───

                                      Monitoring and review
Common strategy monitoring and review ◄───
```

Commissioning and Funding Framework

Many grants should be commissioned services

Whilst many service areas are progressively moving to procuring services rather than grant funding, service areas acknowledge that across the Council there are still many services that are grant funded which should be commissioned.

The reason given is that a move from a grant to procurement route is labour intensive. Resource issues within service areas are often prohibit sufficient time being available to make this move.

Members were told that in the future grants will be seen within the Commissioning and Funding Framework. The Transformational Change Project is aiming to develop a consistent approach to commissioning across the Council, and is looking to further clarify the distinction between services and projects that should be grant funded and those that should be commissioned. This might mean a reduced grant budget, but that budget would be genuine grant funding. In this context, grant funding is envisaged to be mainly provided for organisations and projects that support the overall value of the Council's work, rather than for specific services to deliver the Council's obligations, as well as for innovative or developmental project. For the latter, once appropriate need and outcomes have been identified and an innovative service has been established, the service area will consider whether this service should be procured in future.

The *Commissioning and Funding Framework* will be reviewed as part of the Transformational Change Project.

Advantages and disadvantages of procuring services

Traditionally, the third sector's financial relationship to state funding has been limited to grant funding. However, more recently, the traditional funding arrangements between public and third sector have been challenged and increasingly public sector funders have shown a preference for contracting

services rather than offering funding through grant programmes. Significantly greater sums are available to the third sector via commissioning and contracts than via grant aid and this trend is notably increasing across the sector.

Formally, contracting involves earning income from payment for goods and services delivered according to the terms set out in a contract between an organisation and a third party known as a purchaser. Contracts between public bodies and the third sector specify service requirements and make clear what and how a service is to be delivered, and for what payment. Broadly, contracting services to the third sector from public bodies is a three stage process (The Finance Hub, 2008)[5]:

1.   Commissioning
Commissioning involves assessing the needs of people in a local area, designing services and then securing them. The UK government has adopted eight principles of good commissioning:

i.   Understand the needs of users and other communities by ensuring that, alongside other consultees, they engage with the third-sector organisations, as advocates, to access their specialist knowledge;

ii.   Consult potential provider organisations, including those from the third sector and local experts, well in advance of commissioning new services, working with them to set priority outcomes for that service;

iii.   Outcomes for users are at the heart of the strategic planning process;

iv.   Map the fullest practical range of providers with a view to understanding the contribution they could make to delivering those outcomes;

v.   Consider investing in the capacity of the provider base, particularly those working with hard-to-reach groups;

vi.   Ensure contracting processes are transparent and fair, facilitating the involvement of the broadest range of suppliers, including considering sub-contracting and consortia building, where appropriate;

vii.   Seek to ensure long-term contracts and risk sharing, wherever appropriate, as ways of achieving efficiency and effectiveness;

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[5] Research reports from http://www.financehub.org.uk/research/default.aspa

viii. Seek feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local needs (Murray, 2009)[6].

2. Procurement

Procurement is the process by which central and local government arrange for public services to be delivered by external suppliers. Procurement covers the specific activities within the commissioning cycle that focus on the process of buying services, from the initial advertising through to the final contract arrangements. Simply put, procurement is the process of acquiring goods, works and services.

3. Tendering

The final stage of the contracting process, a tender is a written bid outlining a supplier's desire, capacity and plan to deliver a piece of work, service or supplies. Exact contents will be determined by the requirements outlined in the service specification and must demonstrate how a third sector supplier will meet these requirements. Tendering is the process of bidding and negotiating for a contract.

The advantages of commissioning

From both a state and third sector perspective the commissioning of services is seen to offer very specific advantages as compared to traditional streams of revenue such as grant funding.

Firstly, from a state perspective contracting places a much tighter set of controls, legally enforceable, upon charities and the services they provide (Chater, 2008)[7]. It is argued that therefore, that commissioning services which are then legally enshrined in contract guarantees greater accountability from third sector service providers (House of Commons, 2008).

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[6] Murray J.G., (2009) *Towards a Common Understanding of the differences between Purchasing Procurement and Commissioning in the UK Public Sector,* Journal of Purchasing & Supply Management, Vol.15, pp.198–202

[7] Chater, D. (2008) *Coming in from the cold? The impact of the contract culture on voluntary sector homelessness agencies in England,* London: London School of Economics

Secondly, in evidence submitted to a 2008 Select Committee, many third sector bodies welcomed commissioning as a means of encouraging nascent professionalism within the sector. In addition, commissioning was cited to result in higher quality provision, particularly if service provision requires specialist expertise and skills which perhaps do not exist within existing mainstream services. The move to commissioning has, in the experience of many of the organisations interviewed by the Select Committee, resulted in closer co-operation with mainstream statutory services (House of Commons, 2008). Moreover, research has found that the change in required skill sets could have positive impacts on the overall effectiveness of the trustee board. Some have suggested that such a change may be necessary for producing higher quality services (Chater, 2008). Research by Chater (2008) identifies that while some charities perceived that the development of local authority contracting had certainly introduced a tighter set of constraints on their work, surprisingly, this was almost universally welcomed as driving up the quality of support available to service users. The consequent trade-off in the increasing bureaucracy necessary was perceived to be manageable.

Thirdly, a number of third sector bodies lauded the transparency involved in the commissioning process (Carmel and Harlock)[8], particularly as a means of encouraging full cost recovery.[9]

Fourthly, commissioning the delivery of public services has had the far from unintended effect of introducing a 'quasi-market' mechanism in the delivery of public services. In doing this, commissioning has introduced a form of competition which is perceived by policy makers as a means of driving innovation and efficiency (Kelly, 2010)[10].

A final, crucial advantage of the commissioning process is the stability of income it provides in contrast to grant based forms of funding. In principle,

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[8] Carmel, E. and Harlock, J. (2008) 'Instituting the 'third sector' as a governable terrain: partnership, procurement and performance in the UK', *Policy & Politics, Vol.* 36, No.2, pp.155–71
[9] Grant funding often does not take account of overhead costs in providing a service for example, adequate finance, human resources, management, and IT systems as a result charities often have to subsidise much of these costs as an organisation. 'Full cost recovery' is the claiming back of the true cost of the project or service.
[10] Kelly, J. (2007) 'Reforming Public Services In The UK: Bringing In The third sector', *Public Administration*, Vo..85, No.4, pp.1003–1022

contracts may provide a particularly stable basis for funding by setting out clear terms, conditions and payment arrangements (House of Commons, 2008).

Disadvantages of commissioning

Despite the perceived advantages of the commissioning process listed above, commentators, academics and third sector organisations themselves have raised significant concerns about the nature of commissioning and the effect it may have on both the third sector and service users.

Firstly, one particularly damaging effect of the move to commissioning public services is the impact it has on smaller third sector organisations. Small organisations, particularly those which are largely reliant on State funding are often forced to reduce the level of assistance they provide to service users when preparing tender documentation (Neville, 2010)[11] (Buckingham, 2009) [12]. Larger organisations are perceived to benefit adversely through the commissioning process as they are better able to absorb the costs of tendering.

Secondly, in order to comply with contract reporting requirements, charities may be forced to invest resources in administrative capacity. Evidencing performance against a contract, maintaining detailed financial records, and even ensuring that computer systems are compatible with funding bodies may all place greater administrative demands on voluntary organisations (Chater 2008). One research study found up to 40 per cent of individual staff hours were spent reporting against existing contracts or bidding for new ones (Chater, 2008) This administrative strain can be particularly acute where organisations hold multiple contracts with multiple reporting requirements. This can have a negative impact on service users.

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[11] Neville, A. (2010) 'Drifting or holding firm? Public funding and the values of third sector organisations', *Policy & Politics*, Vol. 38, No.4

[12] Buckingham, H. (2009) 'Competition and contracts in the voluntary sector: Exploring the implications for homelessness service providers in Southampton', *Policy & Politics, Vol.*37, No.2, p9. 235-54

Related to this, the drive towards commissioning has made significant demands on voluntary organisations in terms of both skills and expertise. This can have possible implications on staff training and supervision with negotiating, contracting and organisational development skills become essential for skills for managers (Chater, 2008). Some voluntary organisations have been forced to adopt additional strategies for acquiring the required knowledge and competencies, including the employment of external consultants to write tenders (Buckingham, 2009).

It is argued that these organisational changes inherently favour larger, professionalised voluntary organisations and social enterprises "in which the economies of scale permit the employment (or training) of specialised staff" (Buckingham, 2009). Competitive tendering also favours organisations that have access to personnel with experience of tendering in other parts of the country (Buckingham, 2009). Concerns are often expressed that smaller, local voluntary organisations might be unable to compete successfully with these larger providers (Buckingham, 2009).

Thirdly, Research by the Finance Hub also suggests the commissioning process is having a negative impact on both the range and volume of services the sector is able to deliver (The Finance Hub, 2008). Many third sector organisations, especially smaller community groups that do not aspire to public service delivery, are concerned at an overall narrowing of focus and purpose and find themselves increasingly excluded (The Finance Hub, 2008). Neville (2010) argues that far from encouraging innovation, commissioning and the overly prescriptive funding formulas it produces can restrict an agencies' ability to innovate: "innovation is difficult, if not impossible".

Fourthly, commissioning may also undermine what has made third sector delivery so unique in the first place. The third sector's comparative advantage over statutory delivery agencies is often its greater connection to the community and corresponding responsiveness to individual need. However, Neville draws attention to the fact that many of the sources of commission based funding originate centrally, adhering to the prescriptions of centrally based funding, combined with an expanding bureaucratic burden therefore

stifles the ability of the third sector to respond to individual, community based need (Neville, 2010).

Fifthly, competitive tendering, where providers bid against each other to deliver pre-determined services, may remove a charity's ability to set the type and method of work they undertake (Chater, 2008). From a third sector perspective, commissioning may further lead to a blurring of 'mission'. Research by the Finance Hub suggests activities increasingly determined more by funders' criteria than the original ethos of the voluntary or charitable organisation. This may be due to a fundamental incompatibility in objectives and outcomes. Local Authorities are interested primarily in buying effective, value-for-money services and less interested in safeguarding the future of the organisations that could provide those services (Finance Hub, 2008).

Finally, concerns are raised as to the effect commissioning can have on relationships between voluntary organisations. The free-market principle, whilst potentially driving competition and innovation in the private sector, is not necessarily applicable to the third sector. third sector service providers assert that trusting relations between voluntary and charitable organisations are essential in enabling them to work effectively together. Voluntary organisations suggest that competing for tenders can have the effect of undermining trust and long-established relationships between voluntary organisations (Buckingham, 2009).

Respondents views

Respondents mirror the advantages and disadvantages of procuring services identified in academic research.

In addition, voluntary respondents felt that in their experience, procurement officers do not have enough local knowledge to deal effectively with the voluntary sector and to work up appropriate contracts.

One key concern voiced by a large voluntary sector organisation was that procurement in Wales in general is not a very mature world. Some

organisations are concerned by the level of sophistication of Cardiff Council to manage the procurement process effectively.

7.7. Key strengths of Cardiff council's grants system

The research identified four perceived key strengths of the Council's Grants system:

- Both internal grants officers and external voluntary sector organisations recognise that the grants system has significantly improved over the last few years due to the implementation of the *Cardiff Commissioning and Funding Framework*;
- The grants process being aligned to the budget process is perceived to work well and appreciated by voluntary organisations;
- There is good local knowledge within service areas which is beneficial for the grant allocation process;
- There is a general consensus that the corporate grants officer is a great asset to the organisation.

7.8. Key weaknesses of Cardiff council's grants system

The research identified several perceived key weaknesses of the Council's Grants system:

- Monitoring of grants is not consistent across the organisation;
- There is little consistency in compliance with the *Cardiff Commissioning and Funding Framework*;
- There is little consistency in service areas deciding on funding being delivered via a procurement or grants process;
- Many grants are committed through year-on-year funding which results in difficulty for new organisations to gain access to grant funding;
- Not all grants are openly advertised;

- The Council is not proactive in allocating its grant funding;
- The grants process works less efficiently without the presence of the corporate grants officer.

8. LEGAL IMPLICATIONS

The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without modification. Any report with recommendations for decision that goes to Executive / Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal power of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. standing orders and financial regulations; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

9. FINANCIAL IMPLICATIONS

The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications.

10. POLICY, REVIEW AND PERFORMANCE COMMITTEE TERMS OF REFERENCE

- To scrutinise, monitor and review the overall operation of the Cardiff Programme for Improvement and the effectiveness of the general implementation of the Council's policies, aims and objectives.

- To scrutinise, monitor and review the effectiveness of the Council's systems of financial control and administration and use of human resources.

- To report to an appropriate Executive or Council meeting on its findings and to make recommendations on measures which may enhance Council performance in this area?

11. COMMITTEE MEMBERSHIP

Councillor
Dianne Rees
(Chairperson)

Councillor Roger Burley

Councillor **Joseph Carter**

Councillor **Paul Chaundy**

Councillor Russell Goodway

Councillor **Keith Hyde**

Councillor Brian Jones

Councillor Francesca Montemaggi

Councillor David Walker

scrutiny

A Report of the
Policy Review and Performance Committee

Cardiff Council Grant Allocation System

November 2011

County Council of The City and County of Cardiff

CONTENTS

1. CHAIR'S FOREWORD

There is no doubt that Cardiff Council has a good record of providing grants to organisations, and over many years. For many, this grant funding service provides essential support to the work that an organisation is delivering but, for others, they are unable to access funding – however innovative their project. In the face of increasing pressure on budgets, the Council will need to look at how it is delivering its services to the citizens of Cardiff; and how grant-making can be made equitable, open, and transparent and used to shape the market to better effect.

Historical arrangements between the Council and many grant recipients has led us to a position today in which we are not perhaps asking ourselves sufficiently challenging questions such as : What is the value of the intervention the Council is continuing to grant? How do we encourage diversity within the supply chain? How do smaller niche services fit access the supply chain? How do we develop a flexible grant allocation system that is both robust but which also does not place undue burden on the voluntary sector? These are difficult questions but essential if we are to use the cash that is available to best advantage.

This report identifies a number of issues that the Task & Finish Group feel need to be addressed. Making all the Council's grant schemes accessible to everyone in an open and transparent way; moving towards commissioning of some services which receive grant funding year on year; ensuring that we allocate funding in line with corporate objectives are just some of the challenges. We hope that this report will serve as a useful resource as the Council considers the grant allocation process within the context of its Transformational Change Programme.

We were grateful for the contributions from individuals both within the Council and the voluntary sector and the depth of knowledge that they were able to share with us. My thanks go to Councillors Paul Chaundy and Brian Jones,

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whose thoughtful questioning and comments were insightful and valuable to this Inquiry. And finally, our thanks go to the Research Team, for whom this was a research-heavy inquiry, and members of the Scrutiny Team who supported us extremely well throughout our deliberations.

Councillor Fenella Bowden

Chair of the Task Group
November 2011

2. TERMS OF REFERENCE

As a part of its 2010/11 work programme the Policy Review & Performance Scrutiny Committee agreed to undertake a task & finish inquiry into the Council's approach to the allocation of grants. The Terms of Reference agreed for the inquiry were:

To assess the effectiveness of Cardiff Council's grants allocation system's strategic coordination of funding across the council.

In order to establish this, the research focused on:

- The effectiveness and equity of the assessment criteria, including:
  - The link to the corporate priorities (corporate plan)
  - Eligibility criteria
  - Needs testing
  - Review criteria

- The role of commissioning services alongside grant funding

Members of the Task & Finish Group were:

- Councillor Fenella Bowden[1] (Chair)
- Councillor Paul Chaundy
- Councillor Brian Jones

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[1] Councillor Fenella Bowden was a member of the Policy Review and Performance Committee from May 2008 until May 2011.

Over the past 15 years, UK Government policy has increasingly emphasised the role of the voluntary sector in the hope it can help both develop and deliver better public services. Currently, government funding accounts for 38% of total income for general charities, making the state their single largest contributor[2]. The drive to encourage the Third Sector to both deliver and develop public services was partly borne out of dissatisfaction with previous public sector delivery.

Cardiff Council currently engages in a range of voluntary sector funding activities which could be described as giving, investing and shopping. These include:

- pure grant funding in support of organisations or activities proposed by the sector where light touch monitoring is applied (including small grants);
- grant funding toward the running cost of infrastructure or other strategically significant organisations;
- grant funding for particular types of activity or service, often subject to a service level agreement, in some cases located through competitive grants processes;
- funding designed to capacity-build or improve practice within organisations;
- procurement of specific services under contract.[3]

The Council gives grants to a wide range of voluntary sector organisations in Cardiff. For the current financial year (2011-2012) the Council is supporting almost 100 voluntary sector organisations with a total of just under £3.4m.

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[2] Chater, D. (2008) *Coming in from the cold? The impact of the contract culture on voluntary sector homelessness agencies in England, London:* London School of Economics

[3] Cooke, S. (2007) *Why Grants are Important for a Healthy Local VCS*, London: NACVA

Cardiff Council has been working closely with the voluntary sector in delivering improvements to its grant funding arrangements. In March 2006, a Tripartite Voluntary Sector Compact was established. This Compact is a formal partnership agreement between the voluntary sector in Cardiff and the two main statutory bodies: Cardiff Council and the Local NHS (including Cardiff and Vale University Health Board and the Velindre NHS Trust). In terms of cooperation on improving the Grants system, the Compact has previously established an annual timetable, a biennial grant survey, a set of corporate grant procedures and documents, and the *Cardiff Commissioning & Funding Framework*.

Cardiff Council recognises that there are a myriad of reasons for funding the voluntary sector. For example, it believes that the sector's can add value in terms of:

- nurturing complementary and preventative services;
- delivering services in ways the local authority may not be so good at;
- increasing the signposting of potentially vulnerable individuals to appropriate services;
- building social capital and connections within the community;
- building capacity for community self help;
- breeding a culture of co-operation, communication and networking;
- encouraging diversity and responsiveness;
- enabling leverage of resources into the locality from elsewhere;
- providing insight into local communities;
- enhancing potential for engagement with communities;
- enabling the involvement of users in the design and delivery of services;
- acting as advocates for those who otherwise would have no voice;
- contributing to local democracy;
- nurturing an independent sector capable of responding to current and future service needs.

Currently, there are a number of policy drivers causing local authorities to review the way in which they fund the voluntary sector. Not least of these is the emphasis that Government has placed on the sector's service delivery

role in recent years. Local authorities, like the rest of the public sector, are under increasing pressure to make efficiency savings and to demonstrate value for money in the way they utilise their resources. For some authorities, the combined effect of these drivers has meant a shift away from grant funding toward an increasingly contractual relationship with the voluntary sector.

Cardiff Council's Budget Strategy 2011/12 report addressed the potential impact on the voluntary sector. The report explained that the voluntary sector is a significant partner in delivering council functions and is seen as a major player in contributing to local community life. The report further explained that the Council's Executive would resist passing on significant cuts to its voluntary sector partners, if at all possible, but went on to explain that efficiencies were needed in the medium term and the Council would work with the sector to rationalise costs.

In line with national policy, as part of the Commissioning and Procurement Transformational Change Programme, the 'Grants Process' project is currently looking into adjusting the balance between grant funding and procured services, as well as revising the existing grants guidance and procedures.

The 'Grants Process' project brief states that the project's objective is to redesign the current grants process and deliver a grants system that is consistent across the Council and shared by all partners. The project will be developed in conjunction with the separate projects of Commissioning & Procurement strategy, Commissioning Framework and the Integrated Partnership board, Families First project.

The purpose of the Grants project is to seek a collaborative approach to how grants are proportioned by the Council towards the Third Sector. The project will look to actively involve other partners and funders to maximise the contribution of the Third Sector to addressing community needs and priorities. The project aims to implement a centralised managed system that will

encompass a cross-service approach to commissioning, procurement and the use of grant funding.

The following have been identified as benefits and outcomes of the project:

- **Improved service specification design:** by developing a process where all partners and funders are able to design, comment on, add to and improve proposed specifications.
- **Remove duplication:** by ensuring that all partners share proposals for service delivery, managed by a central procurement system
- **Transparency:** by delivering a simple well designed and inclusive process.
- **Cost-effective funding management:** by developing a Commissioning and procurement led process which will drive efficiencies while delivering needs based services.
- **Outcome based results:** ensuring contracts and grant agreements specify measurable outcomes with a robust monitoring system which produces the required evaluation reports from service providers.

During the inquiry agreement was sought from the Executive Member Finance and Service Delivery for this scrutiny inquiry to feed into and inform the Grants Process transformation project.

4. METHODOLOGY

This inquiry was conducted as a 'research heavy' inquiry. This type of inquiry has a heavier emphasis on research than a standard Scrutiny inquiry, but still involves one or more meetings at which stakeholder and expert witnesses are heard.

This 'research heavy inquiry' was tried as a new approach which places a lighter workload on Members in recognition of the restriction on Members' time.

This inquiry involved four meetings, with a reasonable gap between meeting 1 and meeting 2 to allow the research to be completed.

1. Develop research brief
2. Discuss findings of research & decide on witnesses
3. Hear witnesses
4. Discuss and agree draft key findings and recommendations

During meeting two, Members were presented with the research findings which enabled them to

- further explore certain views expressed in the research in more depth by inviting the relevant stakeholders as witnesses before the Task Group;
- further explore areas identified by the research as gaps;
- use the research as background information for in-depth questioning of relevant officers.

The research took a qualitative approach including interviews and document analysis. Fourteen interviews were conducted:

- 9 Service Area representatives
- 5 voluntary sector organisations

Alongside these interviews relevant grants documents were analysed.

The following broad topic guide was used for all interviews:

- Strategic approach
  - Corporate strategy for grants
  - Priorities linked to corporate priorities
- Grant application and allocation
  - Process
  - Application forms
  - Decision making
  - Openness and transparency
  - Proactive approach
- Monitoring

- Renewal of grant aid
- Duplication & overlap
- Grants versus procured services
- Key strengths of Cardiff Council's grants system
- Key weaknesses of Cardiff Council's grants system.

In addition, a brief literature review was conducted.

Members heard evidence from the following witnesses:

Steve Robinson	OM, Procurement and Supplies
Glender Charles	Arts Development Manager
Cllr Mark Stephens	Executive Member Finance and Service Delivery
Sally Jenkins & Colleague	Assistant director at Barnardos Cymru
Mike Friel Richard Anthony	OM, Housing Strategy Advice & Support Principal Grants & voluntary sector Officer

5. KEY FINDINGS

5.1. Key strengths of Cardiff Council's grants system

The research identified four perceived key strengths of the Council's Grants system:

- Both internal grants officers and external voluntary sector organisations recognise that the grants system has significantly improved over the last few years due to the implementation of the *Cardiff Commissioning and Funding Framework*;
- The grants process being aligned to the budget process is perceived to work well and appreciated by voluntary organisations;
- There is good local knowledge within service areas which is beneficial for the grant allocation process;
- There is a general consensus that the corporate grants officer is a great asset to the organisation.

5.2. Key weaknesses of Cardiff Council's Grants system

The research identified seven perceived key weaknesses of the Council's Grants system:

- Monitoring of grants is not consistent across the organisation;
- There is little consistency in compliance with the *Cardiff Commissioning and Funding Framework*;
- There is little consistency in service areas deciding on funding being delivered via a procurement or grants process;
- Many grants are committed through year-on-year funding which results in difficulty for new organisations to gain access to grant funding;

- Not all grants are openly advertised;
- The Council is not proactive in allocating its grant funding;
- The grants process works less efficiently without the presence of the corporate grants officer.

5.3. Strategic approach

5.3.1. Corporate strategy for grants

The Cardiff corporate strategy on grants: the *Cardiff Commissioning and Funding Framework* aims to help improve and clarify commissioning and funding arrangements in Cardiff.

Even though this Corporate Framework is in place, there is a large degree of variation in compliance across the organisation. Some service areas acknowledge that they do not use the guidance on determining whether a grant funding or procurement route should be pursued when allocating funding.

In practice, the *Cardiff Commissioning and Funding Framework* has proven to have very little 'corporate teeth'. The Corporate Grants Officer has no powers to enforce compliance within service areas, which has led to a large degree of variation in compliance.

5.3.2. Priorities linked to corporate priorities

Across the Council, most grants are clearly linked to the corporate priorities. However, on a few occasions it was acknowledged that a specific service which was grant funded was not a close fit.

5.4. Grant application and allocation

5.4.1. Process

Cardiff Council has developed a timetable for the corporate decision making for Grants that ensures that recurring grants to local organisations are considered 'in sync' with the budget process and corporate planning timescale.

Both service area and voluntary sector respondents were very satisfied with this timetable.

Voluntary sector respondents felt that the fact that it is closely aligned to the budget process means that the voluntary sector can be meaningfully involved and informed in the grants allocation process.

Voluntary sector respondents agreed that the Council's corporate communication is very good. However, there was also a general consensus that service area communication is sometimes less consistent.

5.4.2. Application forms

An important criticism was raised regarding the 'rigid' process of needing to provide the required information for the grant application process, particularly for large voluntary sector organisations. Large organisations often apply for more than one Council administered grant. For each grant the organisation's accounts and relevant policies and procedures need to be submitted in hard copy. Members heard that this often amounts to several boxes of hard copy information provided for each grant application. Service areas acknowledged that the information is often not scrutinised in great detail for each application.

5.4.3. Openness and transparency

In theory, all grants should be openly and transparently advertised and be open to new organisations. However, this appears not to be the case on many occasions.

Many grants are committed through a year on year funding. This makes it difficult for new organisations to gain access to grant funding.

5.5. Monitoring

There is no consistent approach to monitoring and evaluating grants across the Council.

There is currently no corporate overview of the level of monitoring and evaluation taking place in service areas. Monitoring data is held by the service areas rather than the corporate grant centre.

Currently there is not enough focus on monitoring 'outcomes' rather than outputs. Members were told that in the context of strengthening Results Based Accountability (RBA) across the Council, establishing and monitoring 'outcomes' will be enhanced.

Voluntary organisations do not always receive feedback on the monitoring information they supply. This meant that they did not feel that the information was actually used to its fullest extent.

5.6. Renewal of grant aid

Members expressed concerns about the high level of apparently automatic renewals of grants. It is not always clear how monitoring and evaluation has resulted in the adjustment or discontinuation of grant funding.

Members felt that voluntary sector organisations are currently not sufficiently encouraged to seek funding elsewhere by the end of their contract. This results in organisations becoming dependent on Council funding through year on year grants.

Furthermore, Members suggested that some form of 'stress test' should be carried out on organisations to identify what effect reduced level of funding would have on organisations.

5.7. Duplication and overlap

The majority of respondents argued that there is very little evidence of duplication and/or overlap of funding in the Council.

However, no guarantees could be given that there is no duplication and there was some acknowledgement that, due to a lack over corporate overview, some duplication of management charges could take place.

Members were also concerned about the potential of duplication of funding to separate organisations which could be eliminated by bringing similar organisations together and result in efficiency savings. Members were told this is currently not occurring, but that the Transformational Change 'Grants Process' Project is currently looking into co-locating organisations to reduce back-office cost and reduce duplication of funding for other overheads.

5.8. Grants versus procured services

The *Cardiff Commissioning and Funding Framework* sets out guidance for determining whether a grant funding or procurement route should be pursued when funding is made available to fund voluntary sector services.

Whilst many service areas are progressively moving to procuring services rather than grant funding, service areas acknowledge that across the Council

there are still many services that are grant funded which should be commissioned.

Members were told that in the future grants will be seen within the Commissioning and Funding Framework. The Transformational Change project is aiming to develop a consistent approach to commissioning across the Council, and is looking to further clarify the distinction between services and projects that should be grant funded and those that should be commissioned.

Advantages of procuring services identified from the literature are:
- Greater accountability
- Encouraging professionalism within the Voluntary Sector / Drives up quality of service provision
- Increased transparency
- Drives up innovation and efficiency
- Provides stability of income

Disadvantages of procuring services are identified as:
- Benefits larger organisation which are able to absorb the cost of tendering
- Administrative strain can have adverse effect on service users.
- Inability to develop innovative services (due to overly prescriptive funding formulas)
- Can result in less flexible services, i.e. detailed contracts restrict ability to respond to individual need
- Limits the ability for voluntary organisations to set the type and method of the work they undertake
- Competition can undermine trust and long-established relationships within the voluntary sector
- Procurement officers do not have enough local knowledge.

6. RECOMMENDATIONS

The Committee recommend that the Executive:

6.1. Strategic approach

R1   Task the Transformational Change 'Grants Process' Project, in its guidance, to ensure regular reviews of ongoing grants to ensure that they are in line with the current priorities.

6.2. Grant application and allocation

R2   As part of the above guidance, develop a central accreditation scheme for large voluntary sector organisations to reduce the need to submit duplicate copies of relevant information such as accounts, policies and procedures. Organisations should be able to submit this information on-line.

R3   Task the Transformational Change 'Grants Process' Project to, in its guidance, ensure that grant application requirements are applied more flexibly and realistically according to the size and structure of the organisation so that larger organisations are not necessarily burdened by paperwork.

R4   Requires service areas to openly and transparently advertise all grants at the end of a contract, to allow new organisations a chance to apply.

R5   Ensures that service areas employ a proactive approach to grant allocation by identifying the desired needs and outcomes for each client group and proactively work with the voluntary sector to meet the gaps in provision through grant allocation.

6.3. Monitoring

R6   Task the Transformational Change 'Grants Process' Project to, in its guidance, establish a mechanism to develop a corporate overview of the level of monitoring and evaluation taking place in service areas and holding service areas to account for poor monitoring practices.

R7   Task the Transformational Change 'Grants Process' Project to, in its guidance, establish a protocol for appropriate and relevant feedback on monitoring information provided by voluntary sector organisations.

6.4. Renewal of grant aid

R8   Task the Transformational Change 'Grants Process' Project to, in its guidance, develop a mechanism to enforce robust assessments at the end of grant cycles in order to reduce the level of automatic renewals of grant funding.

R9   Task the Transformational Change 'Grants Process' Project to, in its guidance, develop a system to systematically apply 'Stress testing' to identify the impact of a reduction in grant funding on the effectiveness of the organisation or project.

6.5. Duplication and overlap

R10   Task the Transformational Change 'Grants Process' Project to, in its guidance, establish a robust centralised system of review that ensures limitation of duplication and overlap of funding.

6.6. Corporate centre

R11   Task the Transformational Change 'Grants Process' Project to, explore options for establishing a well-resourced corporate grants centre which has adequate resources and corresponding corporate teeth to:

- Develop and implement the reviewed Cardiff Commissioning and Funding Framework (or equivalent), to include ensuring the appropriate use of grant funding and procurement;
- Enforce a systematic approach to dealing with application forms;
- Enforce openness and transparency in advertising grant opportunities;
- Ensure a proactive approach to identifying needs and grant allocation;
- Enforce appropriate monitoring and evaluation;
- Ensure adequate reviews of automatic renewal of grant aid;
- Ensure a corporate oversight of duplication and overlap in grant funding.

7. KEY EVIDENCE

7.1. Strategic Approach

7.1.1. Corporate strategy for grants

Cardiff Commissioning and Funding Framework

Cardiff Council has a specific corporate strategy on grants: the *Cardiff Commissioning and Funding Framework*. This Framework was developed in close co-operation with the voluntary sector through the Cardiff voluntary sector Compact. The Compact is a formal partnership agreement between the voluntary sector in Cardiff and the two main statutory bodies: Cardiff Council and the Local NHS (including Cardiff and Vale University Health Board and the Velindre NHS Trust)[4].

The Framework aims to help improve and clarify commissioning and funding arrangements in Cardiff. It provides guidance for determining whether a grant funding or procurement route should be pursued when funding is made available to fund voluntary sector services. For this purpose, the Framework includes a clear process flow chart to provide assistance in deciding whether to adopt a grant or procurement route.

The Framework further clearly sets out agreed definitions of Commissioning, Procurement, Purchasing, Contracting and Grants:

Commissioning:
The process of specifying, securing and monitoring services to meet people's needs at a strategic level. This applies to all services, whether they are

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[4] The Compact Liaison Panel (CLP) Members include:
   4 from the Local Authority (3 Executive Members and a Senior Officer).
   4 from the local NHS (2 members from Cardiff Local Health Board, 1 member from Cardiff and Vale University Health Board and 1 member from Velindre Trust)
   5 from the voluntary sector (4 voluntary sector representatives or deputies and a Senior Officer from Voluntary Action Cardiff)

provided by the local authority, NHS, other public agencies or by private or voluntary services.

Procurement:
The process of acquiring goods, works and services, covering both acquisition from third parties, and from in-house providers. The procurement process spans the whole cycle from identification of needs through to the end of a services contract or the end of the useful life of an asset.

Purchasing:
The process of securing or buying services.

Contracting:
Placing the purchasing of services in a legally binding agreement.

The Framework specifies that the purchasing of public services through the third sector can be achieved through *procurement* or *grant arrangements*. Following the Welsh Assembly Government, the term Grant is defined as:

> Funding that can be provided by public bodies as a means of offering financial support to third sector organisations to enable them to undertake activities they wish to support. Grants may be aimed at assisting with the core costs of running and developing an organisation or more specifically to help it carry out a particular project or service. The grant giver is not contracting for a service that forms part of its own business.

Variation in compliance with corporate framework

Even though this Corporate Framework is in place, there is a large degree of variation in compliance across the organisation. Several service areas have spent time and resources on ensuring that funding is allocated through the most appropriate route. However, some service areas acknowledge that they do not use the guidance on determining whether a grant funding or procurement route should be pursued when allocating funding.

Some feel that their knowledge of a procurement route is not sufficient or that following a procurement route would be more complicated than allocating a grant. Others suggested that, as grant management is only one – sometimes small - element of their job, they do not have the resources to do a detailed analysis of the grants that they allocate.

In practice, the *Cardiff Commissioning and Funding Framework* has proven to have very little 'corporate teeth'. The Corporate Grants Officer has no powers to enforce compliance within service areas, which has led to a large degree of variation in compliance.

Moreover, the *Commissioning and Funding Framework* is currently not referenced within the Council's procurement guidance. This means that the grants route is not pointed out as an alternative option for those who are looking into allocating funding through a procurement route.

The Transformational Change 'Grants Process' Project is currently revising the guidance on grants in relation to procurement.

7.1.2. Priorities linked to corporate priorities

Grant priorities should be linked to the priorities set out in the Cardiff *What Matters 2010-2020 Strategy*, the *Corporate Plan* and the other relevant strategies and plans.

What Matters focuses on delivering seven strategic outcomes to ensure that:
- People in Cardiff are healthy;
- People in Cardiff have a clean, attractive and sustainable environment;
- People in Cardiff are safe and feel safe;
- Cardiff has a thriving and prosperous economy;
- People in Cardiff achieve their full potential;
- Cardiff is a great place to live, work and play;

- Cardiff is a fair, just and inclusive society.

Each service area develops a *strategic statement* in which it outlines the contribution the funding programme will make to one or more of the outcomes stated in the relevant strategy and plans.

Across the Council, most grants are clearly linked to the corporate priorities. However, on a few occasions it was acknowledged that a specific service which was grant funded was not a close fit. However, a decision was made to continue funding these services as they were deemed to make an essential contribution. Therefore, the service area was being pragmatic. On other occasions, grants were funded on a historical basis, year on year, and no recent assessment had taken place to assess the link to the current corporate priorities.

7.2. Grant application and allocation

7.2.1. Process

Time table aligned to budget cycle

Cardiff Council, in co-operation with the voluntary sector Compact, has developed a timetable for the corporate decision making for grants that ensures that recurring grants to local organisations are considered 'in sync' with the budget process and corporate planning timescale. It also ensures that grant scheme budgets (schemes that invite and consider grants during the financial year) are also agreed.

The Corporate Decision Making Framework determines that, from September onwards, and prior to the start of a new financial year, service areas begin to consider grant budget levels in line with other budgetary pressures. For recurring grants, application packs and monitoring requests are sent out at this time for return by the end of October/early November. During November assessments are made and recommendations for both recurring grants and grant schemes budgets are considered by Executive Members and/or at portfolio meetings.

In December service area recommendations are returned to the Corporate Grants Officer for compilation within a Council wide report to the Executive. Organisations then receive in-principal notifications in January and during this time, fine tuning of the budget takes place. Following formal consideration by the Executive and approval of the Council's budget, formal offers can be made from the end of February onwards.

A detailed version of the timetable is as follows:

April – September	**All Grants** Service Area to begin to develop priorities/ideas for grant schemes and funding for next financial year.
	Grant Schemes ▪ Various grant schemes to be published during the financial year (dates will vary).
April - June	**Recurring Grants** ▪ Receive & evaluate end of year monitoring reports from previous year.
	Grant Schemes ▪ Service Area to evaluate monitoring information for grants awarded in previous year.
June – September	▪ Service Area to evaluate data fed into priorities/ideas for grant funding in next financial year.
September	**Recurring Grants** ▪ First year - Send out applications. ▪ 2nd & 3rd Year – Send out 6 monthly monitoring request. Request funding information and confirmation of organisational details for next year.
End of October/ Early November	**Recurring Grants** ▪ Annual or First Year funding - Deadline for receipt of applications ▪ Assessment of applications by Service Areas against: Scheme Criteria; Service Area Priorities; and Corporate Objectives. ▪ 2nd & 3rd year – Evaluation of 6 month monitoring information and confirmation of organisational details.
End of October - November	**Grant Schemes** ▪ Grant Schemes currently in operation - If appropriate evaluate monitoring information against set objectives, performance indicators and targets.
November	**All Grants** ▪ Consider the budgetary implications of preliminary grant proposals in accordance with corporate planning process. ▪ Consultation with lead Executive Member on proposals. ▪ In some cases individual service area recommendations to portfolio. **Recurring Grants** ▪ Clarification/Negotiation with first year applicant

	organisations.
December	**All Grants** ▪ Overview of service area proposals to be compiled.
January	**All Grants** ▪ Corporate Grants Overview – Recommendations to be submitted to Executive ▪ Corporate Portfolio meeting ▪ Scrutiny Consideration ▪ Update to be provided to the Compact Liaison Panel ▪ Fine tuning of in-principle grant proposals.
	Recurring Grants ▪ First Year - Service Areas to notify organisations of in-principle proposals. ▪ 2nd & 3rd Year - Service Areas to notify organisations of in-principle decision to continue/ amend arrangements. ▪ If required further clarification/negotiation.
February	**All Grants** ▪ Final Corporate Grants Report for Executive. ▪ Approval of Grant Recommendations by Council.
February – March	**Recurring Grants** ▪ 1st Year Grant to be formally offered and agreement to be signed. ▪ 2nd & 3rd year advise that grant arrangements are to continue.
	Grant Schemes ▪ Prepare 'Rolling Programme' grant scheme literature

Grant process much improved over recent years

Both service area and voluntary sector respondents were very satisfied with this timetable. Voluntary sector respondents felt that the fact that it is closely aligned to the budget process means that the voluntary sector can be meaningfully involved and informed in the grants allocation process. Voluntary sector respondents particularly appreciated the early notice given of the financial realities of the council and potential changes in levels of grant funding or priorities, which gives organisations time to realign their activities if necessary. It also means that they can adequately do their forward planning, which provides a higher level of security for the sector. It was felt that the current process is an improvement on the more 'hap hazard' process previously employed, when projects were often up and running before the final grant decision was made.

Voluntary sector respondents also felt that the process is on the whole very effective. For example, it was mentioned that the forms arrive on time, applications are considered on time and the grant cheques arrive on time.

Very good corporate communication.

Finally, voluntary sector respondents agreed that the Council's corporate communication is very good. However, there was also a general consensus that service area communication is sometimes less consistent. This could vary between service areas, but also between individuals within service areas.

7.2.2. Application form

Uniform application forms

The Council has uniform applications forms and standard terms and conditions for all grants.

Two corporate grant application forms are in use:
- Small   – up to £2,000
- Standard   – £2,001 - £50,000

Application guidance is available for both.

In addition, the Council has established three categories of terms and conditions:

Basic   – Up to £2,000

Standard   – £2,001 - £50,000

Comprehensive   – £50,001 and over

The application forms and terms and conditions of smaller grants are fairly simple whilst larger grants require more detail.

Too much paperwork

Whilst the uniform application forms were appreciated by the voluntary sector respondents, they felt that there could be more variation both within the small, but particularly within the standard application form. It was felt that for some, too much standard information was required, while for others it meant not enough detail.

An important criticism was raised regarding the 'rigid' process of needing to provide the required information for the grant application process, particularly for large voluntary sector organisations. Large organisations often apply for more than one Council administered grant. For each grant the organisation's accounts and relevant policies and procedures need to be submitted in hard copy. Members heard that this often amounts to several boxes of hard copy information provided for each grant application. Service areas acknowledged that the information is often not scrutinised in great detail for each application.

It was suggested that a 'passport' or 'accreditation' scheme would be beneficial. This would mean that once an organisation has submitted their relevant policies and procedures, and have become an accredited organisation, they would not need to provide these again. Organisation should be, however, under the obligation to resubmit the documents in the event of changes.

It was felt that such an accreditation scheme would free up resources both within Council and within the voluntary sector organisation.

More consideration for structures of large organisations

Moreover, a voluntary sector representative pointed out that there needs to be a recognition that large voluntary sector organisations have different structures to small organisations. For example, Members heard that one large voluntary sector organisation repeatedly ran into the problem of being asked for their management committee signatures. As a large organisation, their management committee is located at head office and are not able to sign every grant application. Therefore if was felt that grant applications need to be applied more flexibly according to the size and structure of the organisation.

7.2.3. Decision making

Service areas currently have responsibility for making decisions on grant budgets as they are deemed to have the local expertise. Following

assessment by service area grants officers, during the budget setting process initial grant proposals are considered by Service Area senior management teams and by the Executive Member with Portfolio responsibility. Recommendations are then returned to the Corporate Grants Officer for compilation and corporate consideration. Organisations are subsequently notified of in principle proposals whilst fine tuning of the budget and consultation takes place.

The Corporate Grants Officer has a good overview of all grants that fall within the budget. There is a central database of all these grants.

7.2.4. Openness and transparency

Not all grants openly advertised

Cardiff Council has established corporate grant arrangements to attempt to ensure a consistent approach to grant scheme management. Comprehensive guidance and corporate template documentation are available on the Council's Intranet (CIS).

In theory, all grants should be openly and transparently advertised and be open to new organisations. However, this appears not to be the case on many occasions.

Widespread year on year funding

There are several grants within the Council that have been continuously funded for a number of years without being openly advertised. The relevant service areas felt that given their limited grants budget, the funding was allocated to highly respected organisations which were not worth losing.

Members questioned whether if a service was essential and commissioned year on year, it should possibly be procured rather than grant funded. If it was to be grant funded, however, it should be opened up to a transparent process. They felt that historical clients should be challenged and that if other organisations can provide the service better, they should be given a chance.

7.2.5. Proactive approach

Both service area and voluntary sector respondents agree that Cardiff Council does not apply a proactive approach to grant allocation.

Rather than identifying a need and actively going out to find organisations that could develop a specific service/project to meet this need, service areas generally wait for grant applications to come forward and assess these against the current priorities. Service areas claim that they do not have the resources to be more proactive than they are now due to the fact that grants officers have a heavy workload. Service areas, however, do feel that local organisations have sufficient local expertise to ensure that if a need exists they will apply for funding.

Market shaping

Members were told that the Transformational Change 'Grants Process' Project will be looking into how the Council can engage more in 'market shaping'.

Service areas are envisaged to increasingly use Results Based Accountability (RBA) for their business planning. Once the needs and outcomes for a certain group have been established, gaps can be identified and the service area will be in the position to work with the voluntary sector to identify how they can best meet these gaps. This approach might require the provision of developmental support to local organisations so that they can shape and develop a service.

7.3.   Monitoring

The Council's *Annual Grants Decision Making Process* sets out its monitoring and evaluation process. It states that the Council wants to ensure that its grants make a difference. Monitoring and evaluation are therefore ways of ensuring that a grant project or scheme is progressing as intended, with the purpose of maintaining quality and informing future practice.

In this document, *monitoring* is defined as:

> The process of gathering and recording information on a regular basis; it keeps account of progress and work undertaken against a set of agreed objectives - the performance targets and indicators. Monitoring is done against the stated objectives, looking at quantitative data.

Evaluation, on the other hand, is defined as:

> Seeking to establish whether a scheme or project has been effective in meeting its overall objectives, and whether the objectives themselves are the right ones. It is a process that looks at outputs or results - what has been done. It is qualitative, assessing the outcomes in terms of impact on the original problem.

There are two categories that determine the appropriate monitoring and evaluation approach:

Small Grants of up to £2,000

> A *simple monitoring form* should be used at the end of the financial year or at the end of the project/scheme.

Grants of £2,001 and over

> The *standard monitoring form* will be used at the end of the project/scheme or financial year.

Interim Monitoring

> The *Interim Monitoring Form* should be used in accordance with the nature and payment regime of the grant funded activities. For annually funded organisations this should, at the very least, take place half way through the year to coincide with budget considerations for the

forthcoming financial year. Depending on the size, type and individual circumstances, interim monitoring can take place more frequently (e.g. quarterly) though officers should be careful not to over burden organisations with unnecessary requests to complete interim monitoring forms.

Monitoring not consistent

From the research it emerged that there is no consistent approach to monitoring and evaluating grants across the Council. Some service areas are rigorous whilst others adopt a more informal approach. Voluntary sector respondents also identified inconsistencies within service areas.

Several voluntary sector respondents felt that on occasion monitoring is too rigorous and resource intensive for the amount of funding provided, whilst in other instances monitoring is not rigorous enough.

No corporate overview of level of monitoring and evaluation in service areas

There is currently no corporate overview of the level of monitoring and evaluation taking place in service areas. Monitoring data is held by the service areas rather than the corporate grant centre.

Until a few years ago, a Council wide survey identifying the compliance with grant monitoring and evaluation was conducted. Unfortunately this survey was abandoned due to resource constraints and changing priorities.

Not enough focus on 'outcomes' (RBA)

Both service areas and voluntary sector respondents recognise that currently there is not enough focus on monitoring 'outcomes' rather than outputs. Members were told that in the context of strengthening RBA across the Council, establishing and monitoring 'outcomes' will be strengthened.

Don't always get feedback

Several voluntary sector respondents expressed a concerned that they do not always receive feedback on the monitoring information they supply. This meant that they did not feel that the information was actually used to its fullest extent.

Many voluntary sector respondents would welcome some form of constructive feedback and potentially some further discussion on the basis of their monitoring information.

7.4. Renewal of grant aid

The research found little evidence that monitoring information is used to discontinue or change grant specifications. As identified above, many grants in the Council have been allocated on a rolling basis for a considerable period of time.

Often automatic renewal

Members expressed concern about the high level of apparently automatic renewals of grants. It is not always clear how monitoring and evaluation has resulted in the adjustment or discontinuation of grant funding.

Several service areas acknowledge that, often due to resource constraints, adequate tests are not always in place. Members were told that once RBA is firmly established, monitoring evaluation and subsequent appropriate renewal of grant funding will be improved. Moreover, if the intention is that if a service is grant funded year on year, the service area should consider whether it should in fact be commissioned rather than grant funded.

Start expectation to raise funding elsewhere

Members felt that voluntary sector organisations are currently not sufficiently encouraged to seek funding elsewhere by the end of their contract. This

makes the organisation dependent on Council funding and leaves it open to the risk of closure if Council funding is withdrawn.

Stress testing

Furthermore, Members suggested that some form of 'stress test' should be carried out on organisations to identify what effect reduced level of funding would have on organisations. This would potentially identify the added value of Council grant funding but also identify areas of savings to be made.

7.5. Duplication & overlap

No evidence of duplication

The majority of respondents argued that there is very little evidence of duplication and/or overlap of funding in the Council.

Organisations are required to supply the service area with information on their other sources of funding which is subsequently collated by the corporate grants officer. In addition, regular meetings are held within and between service areas to ensure duplication does not take place. Service areas are confident they know what organisations receive from other funders.

However, no guarantees could be given that there is no duplication and there was some acknowledgement that some duplication of management charges could take place.

Back office co-location

Members were also concerned about the potential of duplication of funding to organisations which could be eliminated by bringing similar organisations together by co-location, which could result in efficiency savings.

Members were told this is currently not occurring, but that the Transformational Change project is looking into co-locating organisations to reduce back-office cost and reduce duplication of funding for other overheads.

7.6. Grants versus procured services

Cardiff Commissioning and Funding Framework

As outlined above, the *Cardiff Commissioning and Funding Framework* sets out guidance for determining whether a grant funding or procurement route should be pursued when funding is made available to fund voluntary sector services. The flow chart is outlined below:

Identification of the strategic need eg, population need, market analysis, risk analysis

Establish legal authority and policy intent and common service purpose between agencies, eg, community strategy, joint commissioning strategy, common budget and market management

Develop objectives with stakeholders examining best practice and any guidance

Undertake resource analysis

Potential funding identified and agreement to proceed

Consider funding channel

Consider the potential to merge with existing funding programmes

Service

Development

Community projects / activities

Strategic

State of market supply

Grant arrangement

Grant arrangement

Grant arrangement

Healthy competition

Limited competition

Decision to purchase

Discuss with procurement professionals

Common strategy monitoring and review

Contract monitoring and review

Design of specification

Design of grant scheme / strategic statement

Tendering and contract management

Grant scheme management

Contract monitoring and review

Monitoring and review

Common strategy monitoring and review

DRAFT

Commissioning and Funding Framework

Many grants should be commissioned services

Whilst many service areas are progressively moving to procuring services rather than grant funding, service areas acknowledge that across the Council there are still many services that are grant funded which should be commissioned.

The reason given is that a move from a grant to procurement route is labour intensive. Resource issues within service areas are often prohibit sufficient time being available to make this move.

Members were told that in the future grants will be seen within the Commissioning and Funding Framework. The Transformational Change Project is aiming to develop a consistent approach to commissioning across the Council, and is looking to further clarify the distinction between services and projects that should be grant funded and those that should be commissioned. This might mean a reduced grant budget, but that budget would be genuine grant funding. In this context, grant funding is envisaged to be mainly provided for organisations and projects that support the overall value of the Council's work, rather than for specific services to deliver the Council's obligations, as well as for innovative or developmental project. For the latter, once appropriate need and outcomes have been identified and an innovative service has been established, the service area will consider whether this service should be procured in future.

The *Commissioning and Funding Framework* will be reviewed as part of the Transformational Change Project.

Advantages and disadvantages of procuring services

Traditionally, the third sector's financial relationship to state funding has been limited to grant funding. However, more recently, the traditional funding arrangements between public and third sector have been challenged and increasingly public sector funders have shown a preference for contracting

services rather than offering funding through grant programmes. Significantly greater sums are available to the third sector via commissioning and contracts than via grant aid and this trend is notably increasing across the sector.

Formally, contracting involves earning income from payment for goods and services delivered according to the terms set out in a contract between an organisation and a third party known as a purchaser. Contracts between public bodies and the third sector specify service requirements and make clear what and how a service is to be delivered, and for what payment. Broadly, contracting services to the third sector from public bodies is a three stage process (The Finance Hub, 2008)[5]:

1.   Commissioning
Commissioning involves assessing the needs of people in a local area, designing services and then securing them. The UK government has adopted eight principles of good commissioning:

i.   Understand the needs of users and other communities by ensuring that, alongside other consultees, they engage with the third-sector organisations, as advocates, to access their specialist knowledge;

ii.   Consult potential provider organisations, including those from the third sector and local experts, well in advance of commissioning new services, working with them to set priority outcomes for that service;

iii.   Outcomes for users are at the heart of the strategic planning process;

iv.   Map the fullest practical range of providers with a view to understanding the contribution they could make to delivering those outcomes;

v.   Consider investing in the capacity of the provider base, particularly those working with hard-to-reach groups;

vi.   Ensure contracting processes are transparent and fair, facilitating the involvement of the broadest range of suppliers, including considering sub-contracting and consortia building, where appropriate;

vii.   Seek to ensure long-term contracts and risk sharing, wherever appropriate, as ways of achieving efficiency and effectiveness;

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[5] Research reports from http://www.financehub.org.uk/research/default.aspa

viii. Seek feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local needs (Murray, 2009)[6].

2.   Procurement

Procurement is the process by which central and local government arrange for public services to be delivered by external suppliers. Procurement covers the specific activities within the commissioning cycle that focus on the process of buying services, from the initial advertising through to the final contract arrangements. Simply put, procurement is the process of acquiring goods, works and services.

3.   Tendering

The final stage of the contracting process, a tender is a written bid outlining a supplier's desire, capacity and plan to deliver a piece of work, service or supplies. Exact contents will be determined by the requirements outlined in the service specification and must demonstrate how a third sector supplier will meet these requirements. Tendering is the process of bidding and negotiating for a contract.

The advantages of commissioning

From both a state and third sector perspective the commissioning of services is seen to offer very specific advantages as compared to traditional streams of revenue such as grant funding.

Firstly, from a state perspective contracting places a much tighter set of controls, legally enforceable, upon charities and the services they provide (Chater, 2008)[7]. It is argued that therefore, that commissioning services which are then legally enshrined in contract guarantees greater accountability from third sector service providers (House of Commons, 2008).

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[6] Murray J.G., (2009) *Towards a Common Understanding of the differences between Purchasing Procurement and Commissioning in the UK Public Sector,* Journal of Purchasing & Supply Management, Vol.15, pp.198–202

[7] Chater, D. (2008) *Coming in from the cold? The impact of the contract culture on voluntary sector homelessness agencies in England, London:* London School of Economics

Secondly, in evidence submitted to a 2008 Select Committee, many third sector bodies welcomed commissioning as a means of encouraging nascent professionalism within the sector. In addition, commissioning was cited to result in higher quality provision, particularly if service provision requires specialist expertise and skills which perhaps do not exist within existing mainstream services. The move to commissioning has, in the experience of many of the organisations interviewed by the Select Committee, resulted in closer co-operation with mainstream statutory services (House of Commons, 2008). Moreover, research has found that the change in required skill sets could have positive impacts on the overall effectiveness of the trustee board. Some have suggested that such a change may be necessary for producing higher quality services (Chater, 2008). Research by Chater (2008) identifies that while some charities perceived that the development of local authority contracting had certainly introduced a tighter set of constraints on their work, surprisingly, this was almost universally welcomed as driving up the quality of support available to service users. The consequent trade-off in the increasing bureaucracy necessary was perceived to be manageable.

Thirdly, a number of third sector bodies lauded the transparency involved in the commissioning process (Carmel and Harlock)[8], particularly as a means of encouraging full cost recovery.[9]

Fourthly, commissioning the delivery of public services has had the far from unintended effect of introducing a 'quasi-market' mechanism in the delivery of public services. In doing this, commissioning has introduced a form of competition which is perceived by policy makers as a means of driving innovation and efficiency (Kelly, 2010)[10].

A final, crucial advantage of the commissioning process is the stability of income it provides in contrast to grant based forms of funding. In principle,

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[8] Carmel, E. and Harlock, J. (2008) 'Instituting the 'third sector' as a governable terrain: partnership, procurement and performance in the UK', *Policy & Politics, Vol.* 36, No.2, pp.155–71

[9] Grant funding often does not take account of overhead costs in providing a service for example, adequate finance, human resources, management, and IT systems as a result charities often have to subsidise much of these costs as an organisation. 'Full cost recovery' is the claiming back of the true cost of the project or service.

[10] Kelly, J. (2007) 'Reforming Public Services In The UK: Bringing In The third sector', *Public Administration*, Vo..85, No.4, pp.1003–1022

contracts may provide a particularly stable basis for funding by setting out clear terms, conditions and payment arrangements (House of Commons, 2008).

Disadvantages of commissioning

Despite the perceived advantages of the commissioning process listed above, commentators, academics and third sector organisations themselves have raised significant concerns about the nature of commissioning and the effect it may have on both the third sector and service users.

Firstly, one particularly damaging effect of the move to commissioning public services is the impact it has on smaller third sector organisations. Small organisations, particularly those which are largely reliant on State funding are often forced to reduce the level of assistance they provide to service users when preparing tender documentation (Neville, 2010)[11] (Buckingham, 2009) [12]. Larger organisations are perceived to benefit adversely through the commissioning process as they are better able to absorb the costs of tendering.

Secondly, in order to comply with contract reporting requirements, charities may be forced to invest resources in administrative capacity. Evidencing performance against a contract, maintaining detailed financial records, and even ensuring that computer systems are compatible with funding bodies may all place greater administrative demands on voluntary organisations (Chater 2008). One research study found up to 40 per cent of individual staff hours were spent reporting against existing contracts or bidding for new ones (Chater, 2008) This administrative strain can be particularly acute where organisations hold multiple contracts with multiple reporting requirements. This can have a negative impact on service users.

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[11] Neville, A. (2010) 'Drifting or holding firm? Public funding and the values of third sector organisations', *Policy & Politics*, Vol. 38, No.4

[12] Buckingham, H. (2009) 'Competition and contracts in the voluntary sector: Exploring the implications for homelessness service providers in Southampton', *Policy & Politics, Vol.*37, No.2, p9. 235-54

Related to this, the drive towards commissioning has made significant demands on voluntary organisations in terms of both skills and expertise. This can have possible implications on staff training and supervision with negotiating, contracting and organisational development skills become essential for skills for managers (Chater, 2008). Some voluntary organisations have been forced to adopt additional strategies for acquiring the required knowledge and competencies, including the employment of external consultants to write tenders (Buckingham, 2009).

It is argued that these organisational changes inherently favour larger, professionalised voluntary organisations and social enterprises "in which the economies of scale permit the employment (or training) of specialised staff" (Buckingham, 2009). Competitive tendering also favours organisations that have access to personnel with experience of tendering in other parts of the country (Buckingham, 2009). Concerns are often expressed that smaller, local voluntary organisations might be unable to compete successfully with these larger providers (Buckingham, 2009).

Thirdly, Research by the Finance Hub also suggests the commissioning process is having a negative impact on both the range and volume of services the sector is able to deliver (The Finance Hub, 2008). Many third sector organisations, especially smaller community groups that do not aspire to public service delivery, are concerned at an overall narrowing of focus and purpose and find themselves increasingly excluded (The Finance Hub, 2008). Neville (2010) argues that far from encouraging innovation, commissioning and the overly prescriptive funding formulas it produces can restrict an agencies' ability to innovate: "innovation is difficult, if not impossible".

Fourthly, commissioning may also undermine what has made third sector delivery so unique in the first place. The third sector's comparative advantage over statutory delivery agencies is often its greater connection to the community and corresponding responsiveness to individual need. However, Neville draws attention to the fact that many of the sources of commission based funding originate centrally, adhering to the prescriptions of centrally based funding, combined with an expanding bureaucratic burden therefore

stifles the ability of the third sector to respond to individual, community based need (Neville, 2010).

Fifthly, competitive tendering, where providers bid against each other to deliver pre-determined services, may remove a charity's ability to set the type and method of work they undertake (Chater, 2008). From a third sector perspective, commissioning may further lead to a blurring of 'mission'. Research by the Finance Hub suggests activities increasingly determined more by funders' criteria than the original ethos of the voluntary or charitable organisation. This may be due to a fundamental incompatibility in objectives and outcomes. Local Authorities are interested primarily in buying effective, value-for-money services and less interested in safeguarding the future of the organisations that could provide those services (Finance Hub, 2008).

Finally, concerns are raised as to the effect commissioning can have on relationships between voluntary organisations. The free-market principle, whilst potentially driving competition and innovation in the private sector, is not necessarily applicable to the third sector. third sector service providers assert that trusting relations between voluntary and charitable organisations are essential in enabling them to work effectively together. Voluntary organisations suggest that competing for tenders can have the effect of undermining trust and long-established relationships between voluntary organisations (Buckingham, 2009).

Respondents views

Respondents mirror the advantages and disadvantages of procuring services identified in academic research.

In addition, voluntary respondents felt that in their experience, procurement officers do not have enough local knowledge to deal effectively with the voluntary sector and to work up appropriate contracts.

One key concern voiced by a large voluntary sector organisation was that procurement in Wales in general is not a very mature world. Some

organisations are concerned by the level of sophistication of Cardiff Council to manage the procurement process effectively.

7.7. Key strengths of Cardiff council's grants system

The research identified four perceived key strengths of the Council's Grants system:

- Both internal grants officers and external voluntary sector organisations recognise that the grants system has significantly improved over the last few years due to the implementation of the *Cardiff Commissioning and Funding Framework*;
- The grants process being aligned to the budget process is perceived to work well and appreciated by voluntary organisations;
- There is good local knowledge within service areas which is beneficial for the grant allocation process;
- There is a general consensus that the corporate grants officer is a great asset to the organisation.

7.8. Key weaknesses of Cardiff council's grants system

The research identified several perceived key weaknesses of the Council's Grants system:

- Monitoring of grants is not consistent across the organisation;
- There is little consistency in compliance with the *Cardiff Commissioning and Funding Framework*;
- There is little consistency in service areas deciding on funding being delivered via a procurement or grants process;
- Many grants are committed through year-on-year funding which results in difficulty for new organisations to gain access to grant funding;
- Not all grants are openly advertised;

- The Council is not proactive in allocating its grant funding;
- The grants process works less efficiently without the presence of the corporate grants officer.

8. LEGAL IMPLICATIONS

The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without modification. Any report with recommendations for decision that goes to Executive / Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal power of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. standing orders and financial regulations; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

9. FINANCIAL IMPLICATIONS

The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications.

10. POLICY, REVIEW AND PERFORMANCE COMMITTEE TERMS OF REFERENCE

- To scrutinise, monitor and review the overall operation of the Cardiff Programme for Improvement and the effectiveness of the general implementation of the Council's policies, aims and objectives.

- To scrutinise, monitor and review the effectiveness of the Council's systems of financial control and administration and use of human resources.

- To report to an appropriate Executive or Council meeting on its findings and to make recommendations on measures which may enhance Council performance in this area?

11.COMMITTEE MEMBERSHIP

Councillor
Dianne Rees
(Chairperson)

Councillor Roger Burley

Councillor **Joseph Carter**

Councillor **Paul Chaundy**

Councillor Russell Goodway

Councillor **Keith Hyde**

Councillor **Brian Jones**

Councillor **Francesca Montemaggi**

Councillor **David Walker**