

# Scrutiny review of the Council's relationship with the voluntary and community sector

## Final Report by the Review Board

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March 2008

Community Services Scrutiny Committee – 12 March 2008

Cabinet – 3 June 2008

Full Council – 22 July 2008

**The report of the Scrutiny Review of the Council’s relationship with the voluntary and community sector**

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## Executive Summary

- The review considered three specific aspects of the Council's relationship with the voluntary and community sector (VCS). Firstly, the establishment of a Local Involvement Network (LINK) for East Sussex. Secondly, funding and procurement arrangements and thirdly, the role of individual councillors in working with the VCS. This report focuses on the latter two areas as an interim report on the establishment of a LINK was produced in July 2007.

### ***Funding and procurement***

- It is a time of transition for VCS funding, with changes to key national funding streams and with statutory organisations moving increasingly to a contract-based/commissioning approach aligned to their own priorities.
- Grant funding has a number of benefits such as fostering innovation, supporting VCS infrastructure, match-funding to bring in more grants and supporting non-service delivery aspects of VCS work such as advocacy or responding to consultations. The Council grant funds the VCS in three ways: a corporate grants programme; departmental grants and administering some funds obtained from external sources.
- Corporate small grants programmes can be most effective in fostering innovation and supporting VCS infrastructure. Opportunities to align funding streams with those of statutory partners should continue to be pursued. More needs to be done to ensure co-ordination and sharing of good practice on grant funding between departments, and to ensure compliance with corporate protocols.
- To assist the VCS to access external funds the Council provides support on identifying opportunities and constructing bids. This expertise needs to be shared as widely as possible, particularly via the Councils for Voluntary Service, to ensure voluntary and community organisations (VCOs) develop skills and capacity to bring in funds. There may be opportunities for Council departments to attract more external funding through dedicated bidding officer support in those departments currently without it.
- As statutory agencies increasingly move from grant funding VCOs towards commissioning specific services in a competitive environment, VCOs face new challenges and must 'adapt to survive'. Likewise the Council must examine its commissioning and procurement processes if it is to marry up the aims of achieving value for money, quality services and a strong and vibrant VCS in East Sussex.
- There is a need to develop the skills and capacity of VCOs to tender for contracts. Both the County Council and the Councils for Voluntary Service have roles in this process. VCOs may need to change aspects of their governance and internal procedures in order to bid successfully and many are currently in a time of transition, leading them to request support and flexibility from the Council. VCOs are concerned that levels of volunteering may be impacted by VCOs increasing role as deliverers of services under contract.
- The Council's procurement processes must adapt to the increasing diversity of providers. Current procedures are not always consistent across the Council, or indeed between statutory partners. There are opportunities to facilitate better co-ordination within the Council and between partners which the Review Board believe should be explored.
- A particular challenge is to ensure that providers are competing on a 'level playing field' whilst also recognising the value of the local VCS. A forthcoming Sussex-wide third sector procurement project offers an opportunity to look at this issue in more detail.

### ***Role of individual councillors***

- Council Members (councillors) see involvement with the local VCS as an important part of their community leadership role. Members tend to have three types of involvement with VCOs:
  - County Council nomination
  - Formal involvement – involved in running of organisation but not as Council nominee
  - Informal advisory role – offers advice, attends meetings but no formal role
- County Council nominations have often been made on the basis of historic grant funding arrangements. The role of such nominees is unclear and now that VCOs are increasingly likely to be bidding for Council contracts there is potential for conflicts of interest. There is a strong case for reviewing the system of nominations and to focus instead on supporting Members to develop relationships with locality based organisations in line with the increasing emphasis on community leadership.
- Members in formal roles within VCOs, but not nominated by the Council, have some concerns about their liabilities, potential conflicts of interest and indemnity arrangements. Further guidance for Members is needed in this area.
- Members operating in an informal advisory role require signposting to information on the local VCS, and funding sources in particular, to enable them to build relationships and offer advice to VCOs. The benefits of effective relationships with local VCOs are considerable since the Member's role as community leader relies on a network of local contacts and communication channels.
- VCOs have found the involvement of Members to be beneficial, although there is sometimes ambiguity about their role. Members reported that VCOs are often unclear about the Member role and that more information about the Council's political and departmental structure is needed.

## Recommendations

Recommendation	Page
1 <b>The Council’s External Funding Team should share their bidding expertise as widely as possible with particular focus on developing the team’s relationship with the Councils for Voluntary Service who have been tasked with building the capacity of the VCS in this area.</b>	16
2 <b>The Review Board supports the current project to network the four Councils for Voluntary Service across the County as this will put them in a better position to provide support to the VCS, particularly to smaller organisations. A greater proportion of the Community Partnership Finance programme funding is now being directed towards the Councils for Voluntary Service to enable them to provide extended support. The Board recommends that the impact of this additional support should be evaluated to determine whether this approach is most appropriate in the longer term.</b>	16
3 <b>The East Sussex Statutory Sector Funding Group should align local statutory organisations’ funding streams where appropriate and to develop common systems for the VCS to apply for funding from these organisations.</b>	16
4 <b>The role of the County Council’s ‘Bidders Internal Group’ must be strengthened by ensuring active participation by appropriate representatives from all Council departments. The group should continue to facilitate co-ordination between and within departments and to ensure that the Corporate Funding Protocol and Corporate External Funding Strategy are always adhered to by officers involved in funding work. In particular, the group should develop actions for embedding the use of the Compact principles and Corporate Funding Protocol within departments.</b>	16
5 <b>The Children’s Services and Adult Social Care departments should seriously consider appointing dedicated bidding officers on the principle of ‘invest to save’, and in order to ensure compliance with the Corporate Funding Protocol.</b>	16
6 <b>The Grant Tracker database should be used to record all contract arrangements with VCS organisations if its use would prevent duplication, share knowledge, or improve the management of contracts.</b>	21
7 <b>The Council’s corporate Procurement Steering Group should:</b>  <b>a) improve the guidance and support for Council officers, in particular: sharing existing good practice; and applying the procurement process flexibly and proportionately, particularly in relation to smaller contracts.</b>  <b>b) identify actions which can improve the process within the Council as it relates to the VCS, as well as making any wider recommendations to the pan-Sussex Third Sector procurement project. In particular the group should develop actions for embedding the use of the Compact principles within departments and improving feedback to VCOs on unsuccessful bids.</b>	22
8 <b>The forthcoming Third Sector procurement project, which will involve the Council’s Corporate Procurement team, should include consideration of:</b>  <b>a) How the added value brought by the VCS can be recognised in contracting processes, without compromising the robustness of the process.</b>  <b>b) How consortia bids from smaller organisations can best be facilitated within procurement processes.</b>	22

	<p>c) How the processes of statutory agencies in relation to procurement from the VCS/third sector can best be aligned.</p> <p>d) How the procurement process can be flexed in proportion to the size of the contract in order to reduce bureaucracy for VCS and small organisations.</p> <p>VCS organisations and Council officers should have opportunities to feed their experiences into the work of the Third Sector procurement project.</p>	
9	The internal Council training for officers on funding and procurement processes (adapted as appropriate) should be made available to VCS organisations, particularly the Councils for Voluntary Service.	22
10	A toolkit should be developed (in hard copy or in electronic format), based around the training programme, which can be made available to all potential providers, recognising the need for a 'level playing field'.	22
11	The County Council should cease nominations to the boards/management committees of VCOs based on funding arrangements from May 2009 and review the system thoroughly. In the context of the changing funding environment and the increasing emphasis on the community leadership role of local councillors it is now more appropriate for Members to develop relationships with groups relevant to their locality as appropriate and as invited by VCOs rather than through a system of formal Council nominations.	26
12	<p>The Council should review insurance and indemnity arrangements for Members who are involved with VCOs outside the system of formal nominations and then:</p> <p>a) determine what arrangements are possible and appropriate in a community leadership context; and</p> <p>b) provide a revised guidance note to Members on their liabilities and responsibilities.</p>	26
13	A concise 'signposting' resource should be developed for Members, highlighting the existing information and support available about working with the VCS in East Sussex. This should be incorporated within induction material for new Members. It should be supported by training as part of the ongoing Member Development Programme, which should involve VCS representatives. The potential to integrate the resource with locality based information for members on the Council's redeveloped intranet should be considered.	27
14	Members should be actively encouraged to establish two way communications with local VCS infrastructure organisations as a key route to building relationships with local VCOs. This communication should be promoted by the Voluntary and Community Services Co-ordinator through his work with the Councils for Voluntary Service.	27
15	The training for Council officers on 'working in a political environment' should be adapted and offered as a short training session for the VCS via the Councils for Voluntary Service networks.	27

Action against recommendations will be monitored at 6, 12 and 18 months by the Community Services Scrutiny Committee.

# 1. Background

## ***The voluntary and community sector in East Sussex***

1. The voluntary and community sector (VCS) in East Sussex is diverse, comprising a wide range of organisations, estimated to number 2,600 in total<sup>1</sup>. The sector employs approximately 4,000 people, with a further 34,000 people<sup>2</sup> volunteering their time to deliver services and activities to local communities.

2. The range of voluntary and community organisations (VCOs) is vast in terms of size, type and focus. There exist county-wide VCOs, local branches of National VCOs, Borough, District, and Parish based, right down to town, village, and to smaller community groups which may be based around neighbourhoods or common interests or experience such as faith, ethnic origin, disability or leisure interests. In addition there are a number of infrastructure organisations or 'umbrella' groups which provide support, development and co-ordination functions. These include the Councils for Voluntary Service, rural community councils and volunteer centres.

3. The VCS makes a large and essential contribution to the economic, social and environmental wellbeing of East Sussex. The VCS can also bring specific advantages to the design, delivery and evaluation of public services through, for example:

- contributing expertise and experience to policy formulation;
- advocacy on behalf of communities and the individuals they serve and represent;
- a commitment to equality;
- having the experience and independence to innovate;
- encouraging volunteering and active citizenship;
- building the skills and experience of volunteers;
- building social capital by promoting self-organised local community and collective action;
- knowledge and expertise to meet complex personal needs and tackling difficult social issues;
- an ability to be flexible and offer joined up service delivery; and
- providing employment and income, thereby contributing to overall economic output.

4. Nationally, the role of the voluntary and community sector is increasing in importance. Government published a national Compact in 1998, setting out a number of commitments as to how it would work with the VCS. In 2004 the 'Change Up' programme was launched, with the intention to invest in developing the infrastructure of the VCS to develop its role in providing services in the future. Government also introduced 'Future Builders' to invest in the development of VCOs' role in service delivery. Both initiatives have focused cross sector discussions on how to improve the level of infrastructure support to the VCS and to develop the role of the VCS in public service delivery. Developing and implementing both initiatives continues both locally and strategically. Several government departments have established initiatives aimed at developing the role of the VCS e.g. Third Sector Task Force, Social Enterprise Unit (Department of Health), National Strategic Partnership Forum.

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<sup>1</sup> source – 'How many?!' - RAISE Baseline Research, Nov 2000

<sup>2</sup> source – 'Hidden Asset' – A RAISE report to demonstrate the value of the voluntary/community sector in the South East, 2005

## ***County Council interaction with the VCS***

5. The County Council interacts with the VCS in a variety of ways:
- Through the work of local councillors with local groups (some formally nominated by the Council, others with an informal relationship)
  - Through quarterly voluntary sector liaison meetings with representatives from county-wide VCOs and the CVS
  - Within other partnership arrangements and structures, e.g East Sussex Strategic Partnership
  - Through the VCS involvement in the Local Area Agreement (LAA)
  - Within consultation and community engagement processes
  - To support the development of voluntary and community sector infrastructure through participating in local implementation of the government's 'Change Up' programme
  - By contracting for the delivery of certain services (the Council has approximately 90 contracts with VCOs totalling over £6million – based on figures from 2005)
  - By administrating, managing, and promoting various funding streams such as Community Partnership Finance programme, Global Grants, Interreg, Adult Learning (the Council administers grants to approximately 150 VCOs totalling over £1.5million – based on figures from 2005)
  - By providing VCOs access to the web-based funding search tool, GRANTnet
6. The County Council also led the development of, and is a signatory to, the East Sussex Compact. This is an agreement developed and agreed by statutory agencies such as local councils and NHS primary care trusts and the VCS. The Compact, through the six codes of practice, sets out a number of commitments about how the statutory sector and the VCS will work with and behave towards, each other. It was launched in October 2003 and revised in July 2005. The County Council co-ordinates the ongoing implementation of the Compact through the East Sussex Compact Steering Group.

## ***County Council structures***

7. A review of the way the Council works with the VCS was commissioned by Chief Officers Management Team in 2005. The first stage of this review was completed in February 2006, the key recommendations being:
- That the authority's co-ordinating role be located from 1 April 2006 in the Community Partnerships Team in the Chief Executive's Department (having historically been located within Social Services).
  - That each Council department identifies a VCS lead contact and retains the lead responsibility for contracts for service delivery, grant giving, consultation on specific service planning and existing volunteering arrangements related to that department.
  - That the Council adopt a 'Statement of Intent' setting out how it intends to work with the VCS.
8. Following these recommendations, the post of Voluntary and Community Services Co-ordinator was established within the Chief Executive's Department, Community Partnerships Team. In addition, liaison officers were identified within each Council department as recommended by the review.
9. The second stage of the review (8 May – 31 July 2007) was external in that it involved consulting with both the VCS and other statutory sector partners. The objective of the consultation paper was to look in more detail at specific ways in which the Council works with the VCS, in particular how the Council can:
- improve communication;

- provide support activities;
- encourage volunteering;
- co-ordinate grant-giving; and
- ensure joint work with the VCS focuses on priorities.

The consultation also included a draft Statement of Intent which VCOs and partners were invited to comment on. The final consultation report will be used to set the 2008/2009 Action Plan for the Council's Voluntary and Community Services Co-ordinator.

10. The Community Partnerships Team also undertook a review of the Community Partnership Finance programme in 2006 in consultation with the local VCS. This resulted in agreement that the Fund would move to become a contract based process (i.e. clear outcomes in return for all funding) divided into three priorities:

- funding infrastructure organisations;
- funding organisation's core costs; and
- a 'seedcorn fund' to promote innovation.

It was also agreed that the fund should become a three year process (transition period of two years from 07/08 to 08/09) to fit with the Council's three year grant settlement from Government and medium term strategy.

11. The Community Partnerships team now has a strategic responsibility for future links between the Council and the VCS, including the following functions:

- Leading on East Sussex County Council work with VCS, including regular liaison meetings with representatives from county-wide voluntary organisations and East Sussex Councils for Voluntary Service.
- The development and implementation of the Compact
- Administration of the refocused Community Partnership Finance programme
- County Council participation in Change Up
- Local Area Agreement (LAA) participation
- Administration and monitoring of Community Fund (now closed)

12. The annual budget for these functions is £408,000, which is broken down as follows:

Staff costs (to deliver range of activities outlined above)	£46,000
Community Partnership Finance programme	£362,000
<b>Total</b>	<b>£408,000</b>

### ***Targets and performance requirements***

13. There are no statutory requirements the Council must meet in relation to its corporate relationship with the VCS. Requirements may apply to aspects of individual departments' work with the VCS e.g. departmental contracts. However, of the Council's 64 policy steers, around half are dependent on a relationship with the VCS in some way for successful delivery.

14. There are the following targets related to VCS which the council has a role in delivering:

- LAA target 18.4
  - Increase the number of people from all sections of the community involved in volunteering by 15% by March 2009.
  - An increase in the number of people recorded, or reporting that they have engaged in formal volunteering on an average of at least two hours per week.

15. The Council also has the following commitments in terms of its relationship with the VCS:

- Implementing the Compact and Codes of Practice
- Assisting in the development of the infrastructure support services under the 'Change Up' programme
- Working towards developing funding opportunities that focus on the core costs of organisations and the development of service delivery through the Community Partnership Finance programme

## 2. Objectives and Scope of the Review

16. The objective of this review has been to examine how key aspects of the County Council's corporate relationship with the VCS can operate most effectively and to make recommendations for improvement.

17. The review has focussed on the County Council's role and activity in relation to the VCS, rather than other aspects of the VCS in East Sussex which are outside the Council's immediate sphere of influence. It has also focussed on the corporate VCS relationship, rather than arrangements specific to individual departments.

18. The review focussed on the following specific aspects of the Council's relationship with the VCS:

a) Funding and procurement:

- Maximising the impact of the Community Partnership Finance programme as it moves to a 3 year, contract based approach by 2009.
- Improving the way the Council procures services from the VCS and manages contracts with the VCS.
- Ensuring that the Council's contracts with the VCS support strategic priorities e.g. preventative services

b) The role of individual councillors in working with the VCS:

- Providing guidance for councillors for effective and appropriate engagement with VCS organisations, including in terms of the community leadership role.
- Improving the VCS understanding of the role and functions of the County Council and individual councillors.

c) The County Council's role in establishing a Local Involvement Network (LiNK):

- Assessing how the Council can best deliver this anticipated statutory duty.

19. There was a particular time pressure for agreeing how the Council would approach the duty to establish a LiNK. The Government expected local authorities to begin work on the contracting process to appoint a host organisation around October 2007 in order to establish a LiNK which could commence work from 1 April 2008. In addition, local stakeholders such as the existing Patient and Public Involvement Forums and VCS organisations were keen to begin working with the Council to prepare the ground for the LiNK.

20. For these reasons it was important that the Council agreed its approach as soon as possible so that preparation could begin. The Review Board therefore submitted an interim report on this part of the review to the Lead Member for Community Services on 31 July 2007 in order to inform his decision on the Council's approach to establishing a LiNK. The interim report is attached at appendix 3.

21. The Scrutiny Review and the subsequent Lead Member decision were instrumental in putting the Council and LiNK stakeholders in an excellent position to begin work proactively on establishing an East Sussex LiNK. As recommended by the Review Board, the Council established a multi-agency steering group to oversee the procurement of a 'host organisation' to support the LiNK and the procurement process is on schedule to appoint a host by March 2008, something which a number of other local authorities are not expecting to achieve. In line with the Review Board's recommendations, the Health Overview and Scrutiny Committee continues to monitor progress.

22. The remainder of this report focuses on parts (a) and (b) of the review listed above.

## 3. Findings

### *Funding and procurement*

#### *General messages*

23. From talking to both Council officers and voluntary and community organisations (VCOs), the Review Board found that it is a time of transition and upheaval for VCS funding. For example:

- Changes in national funding streams such as lottery funding and feeling the impact of funding being diverted to activities surrounding the 2012 Olympics;
- Statutory agencies have ever-tightening funds and are moving increasingly to a contract-based/commissioning approach aligned to their own priorities.

24. It was widely acknowledged that both VCOs and the County Council are having to adapt to this environment. This was found to be creating some friction between the Council and the local VCS during the time of transition. However, the reasons for this were generally recognised and the relationship between the Council and the VCS was felt to be improving overall. The Compact Code of Practice on Funding and Procurement should provide a framework within which funding and procurement activity takes place.

25. The Review Board found that the issues relating to grant funding of the VCS and those relating to procurement and contracts with the VCS were very different. The Board's findings in each area are therefore presented separately below.

#### **Grant funding**

26. Grant funding (as opposed to commissioning services through a procurement process) has a number of benefits. Grants can be used to foster innovation, encouraging organisations to take the risk of developing a new service which, once tried and tested, statutory organisations may wish to commission more formally. Grants can also help support a strong VCS infrastructure and contribute to core costs, putting VCOs in a better position to pursue further funding opportunities, whether grant or contract based. Match funding, or pump-priming through grants can ultimately bring significantly more money into the county. Grants can also be used to support non-service delivery aspects of VCS work such as campaigning, advocacy or responding to consultations as part of policy development.

27. The Council is involved in grant funding the VCS through three routes. Firstly, the corporate grant-funding mechanism is the £362,000 per annum Community Partnership Finance programme, administered by the Community Partnerships Team. Secondly, individual departments allocate grant funding from their own budgets and thirdly, the Council administers some funding obtained from external sources (e.g. lottery, Global Grants), managing the distribution of grants to the VCS from this funding. The total value of grant funding from all three routes is estimated at £1.5million (figures from 2005).

### **Corporate Grant Funding**

28. The transition of Community Partnership Finance programme (CPF) to new priorities (see paragraph 10) has been difficult for some VCOs. The changes were a response to VCS views that the fund should focus on organisations' core costs and supporting infrastructure organisations. Although the reasons for the changes are generally understood, there have inevitably been organisations which have previously been funded but have 'lost out' under the new system. CPF's new emphasis on supporting the Councils for Voluntary Service as the key infrastructure organisations was cautiously welcomed and understood by VCOs who submitted views to the Board. Some parties want to see an evaluation of the work funded and its impact and the need for this was acknowledged by both Councils for Voluntary Service and County Council representatives.

29. There is significant support amongst VCOs and County Council Members and officers for continuation of a small grants programme as a way to encourage innovation and support smaller organisations to develop new services. The CPF contains a £50,000 per annum 'Seedcorn Fund' to perform this role and it is recognised that the success of this new approach will need to be evaluated. The Council, in partnership with Hastings Voluntary Action and the Seedcorn assessment panel, are carrying out a review of the 2007/2008 Seedcorn fund.

30. There is a clear desire within the VCS to see more pooling of funds between statutory sector partners (e.g. District/Borough Councils, County Council, NHS organisations) in order to minimise the number of bids VCOs must submit and to maximise the use of these funds. The County Council has convened a Statutory Sector Funding Group, with representation from these organisations, which is exploring ways the pooling of funds might be developed.

### **Departmental Grants**

31. As well as the corporate Community Partnership Finance programme, individual Council departments allocate some grant funding to VCOs. The review did not look in detail at the arrangements in individual departments. However, some issues did arise in relation to how the various grant funds are co-ordinated internally.

32. Council departments have different approaches to grant funding and are not always aware of the grants being allocated by other parts of the Council. This includes which VCOs are receiving these grants and how bids are being invited and assessed. This means there is potential for duplication between departments and differing quality of processes. In addition, problems experienced by one department with a particular VCS grant recipient may not be communicated to other departments whose decisions could benefit from this knowledge. These findings are corroborated by recent work by the Council's Internal Audit team on grant funding governance arrangements. As well as creating risks for the Council, the differences in processes between departments can also cause difficulties for VCOs who may experience different expectations and bidding procedures depending on which area of the Council they are dealing with.

#### **Example 1**

A VCO was found to be approaching different parts of the Council separately to bid for funding in an attempt to maximise its income. The departments being approached were unaware that the VCO was already in contact with colleagues in other departments. When the issue eventually came to light, a meeting was organised between departments to discuss the situation. The discussion identified that the Council may have been double funding the VCO to carry out the same activity.

33. There are mechanisms in place to facilitate internal co-ordination and consistency. The Council's External Funding Team has developed a Corporate Funding Protocol and Corporate External Funding Strategy, agreed by Chief Officer Management Team. These are designed to set out Council requirements and procedures for officers bidding for funding and allocating grants and to help ensure a co-ordinated and consistent approach. However, the Review Board and the Internal Audit work found that these are not always used by officers in departments. This can result in bidding and grant decisions not going through the required approvals, a lack of professionalism and coherence in the Council's approach with external organisations and ultimately, introducing risks for the Council in its bidding and funding activities.

#### Example 2

A department set up a new grants fund to allocate to VCOs to develop services. The department did not adhere to the Corporate Funding Protocol when doing this. This meant that a robust procedure was not in place for allocating the grants, and arrangements for monitoring the outcomes and evaluating the projects at the end of their life were not specified. Consequentially the VCS experienced different expectations from this department compared to other Council grant funding processes and the Council is unable to evaluate the impact of the funding accurately.

34. A 'Bidders Internal Group' has been established, at which representatives from each department (except currently Children's Services) share knowledge and practice in relation to bidding for external funding and allocating grants. This is a key forum for information exchange to prevent duplication, inconsistency and for ensuring compliance with the Corporate Funding Protocol within departments. However, as not all departments are regularly represented and some departments' representatives are at a strategic rather than operational level, the group's effectiveness is limited. The Review Board concluded that the Bidders Internal Group should be strengthened with active and appropriate representation from all departments as a forum to encourage co-ordination and good practice.

#### Example 3

A Council department had experienced problems working with a VCO due to a disagreement about working practices for a target audience. The department decided it would no longer enter contracts or grant-giving arrangements with that organisation. This information was not shared via the Bidders Internal Group or Grant Tracker. This resulted in the VCO receiving funding from the Global Grants fund as the External Funding Team were unaware of the problems experienced by the other department.

35. The External Funding Team has developed the 'Grant Tracker' database which has been successfully sold to other local authorities. It offers the facility to record the details of all grants allocated or received by the Council and information on any issues arising. It was agreed as part of the Corporate Funding Protocol that this would be used to record all Council grants corporately and within departments. However, although the Community Partnership Finance programme allocations and grants administered by the External Funding Team are recorded here, the database is not always used to record departmental grants (as confirmed by Internal Audit research) and is therefore incomplete. This inevitably limits its usefulness and creates risks that key elements of the Corporate Funding Protocol are not being followed.

## ***External Funding***

36. In addition to the grant funds available corporately and within departments, the Council sometimes bids for additional funds available from external funders (e.g Global Grants) on behalf of East Sussex and then administers the distribution of these funds in the form of grants to local VCOs. The External Funding Team also provide bidding training and support to officers and the VCS with the intention of maximising the funding coming into East Sussex, either to the VCS direct, or via the Council.

37. Within the County Council, the External Funding Team works with officers across the Council. The Transport and Environment and Chief Executive's departments have full-time bidding officers but the Adult Social Care and Children's Services departments no longer have dedicated bidding officers. They instead nominate an officer with the role added to their 'day job' in order to meet the corporate requirement for departments to have a bidding co-ordinator. Since the loss of the dedicated officers from these departments the External Funding Team and the Internal Audit research have noted significant funding opportunities (e.g. European Social Fund, Interreg) being missed due to the lack of capacity to seek out and bid for appropriate funding. Likewise, local schools have very limited bidding skills and capacity and have missed opportunities such as bidding to the Extended Schools Fund.

38. There is a case for Adult Social Care and Children's Services departments to reconsider full-time bidding officers as 'invest to save' measure as they have the potential to bring in more funding than the role costs. The Internal Audit project found that dedicated bidding officer in Transport and Environment department is able to secure enough grant funding to cover his salary costs many times over. Bidding officers also have an important role in ensuring compliance with the Corporate Funding Protocol, as evidenced by the fact that the two departments with dedicated officers demonstrated higher levels of compliance with procedures in the Internal Audit review.

39. In terms of direct support for the VCS, the County Council subscribes to 'Grant Net', a database of funding opportunities, and makes this available on the Council's website for all VCOs, Members and officers to access. The External Funding Team produce and widely circulate a monthly 'Bidding Bulletin' listing opportunities, and provide training on constructing successful bids. The team also offer a bid documentation checking service which is highly valued but oversubscribed. The VCS welcome the funding information and bidding support, but emphasise that there is always room for more support.

40. Through the refocusing of the Community Partnership Finance programme, the Council has provided additional funding (a 13% increase in 2007/8 compared to the previous year) to the four local Councils for Voluntary Service for them to provide additional support in preparing bids and tenders. It was widely recognised that provision of this additional support is in its early stages and needs to develop. It is a big challenge for the Councils for Voluntary Service given the significant need to build capacity with limited resources, and the substantial culture change underway to adjust to the changing funding environment. It will be important for both the Council and the VCS to see the impact of this additional funding and to ensure that the support from the Councils for Voluntary Service adds to, rather than duplicates, that available from the Council's External Funding Team.

## ***The future of grant funding***

41. Although the Council is increasingly commissioning specific services through a competitive procurement process, there is strong support from both the VCS and County Council Members and officers for an ongoing corporate grant funding programme. However, it is also clear that grant funding must now be targeted towards areas of infrastructure and core costs where it is difficult to secure funding through other routes and to support innovation and capacity building in the VCS, as opposed to funding ongoing service delivery. It is also clear that procedures for grant-giving, at corporate and departmental level and across statutory partners must be robust, co-ordinated and consistent in order to ensure the most effective use of grants.

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**Recommendation 1**

**The Council's External Funding Team should share their bidding expertise as widely as possible with particular focus on developing the team's relationship with the Councils for Voluntary Service who have been tasked with building the capacity of the VCS in this area.**

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**Recommendation 2**

**The Review Board supports the current project to network the four Councils for Voluntary Service across the County as this will put them in a better position to provide support to the VCS, particularly to smaller organisations. A greater proportion of the Community Partnership Finance programme funding is now being directed towards the Councils for Voluntary Service to enable them to provide extended support. The Board recommends that the impact of this additional support should be evaluated to determine whether this approach is most appropriate in the longer term.**

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**Recommendation 3**

**The East Sussex Statutory Sector Funding Group should align local statutory organisations' funding streams where appropriate and to develop common systems for the VCS to apply for funding from these organisations.**

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**Recommendation 4**

**The role of the County Council's 'Bidders Internal Group' must be strengthened by ensuring active participation by appropriate representatives from all Council departments. The group should continue to facilitate co-ordination between and within departments and to ensure that the Corporate Funding Protocol and Corporate External Funding Strategy are always adhered to by officers involved in funding work. In particular, the group should develop actions for embedding the use of the Compact principles and Corporate Funding Protocol within departments.**

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**Recommendation 5**

**The Children's Services and Adult Social Care departments should seriously consider appointing dedicated bidding officers on the principle of 'invest to save', and in order to ensure compliance with the Corporate Funding Protocol.**

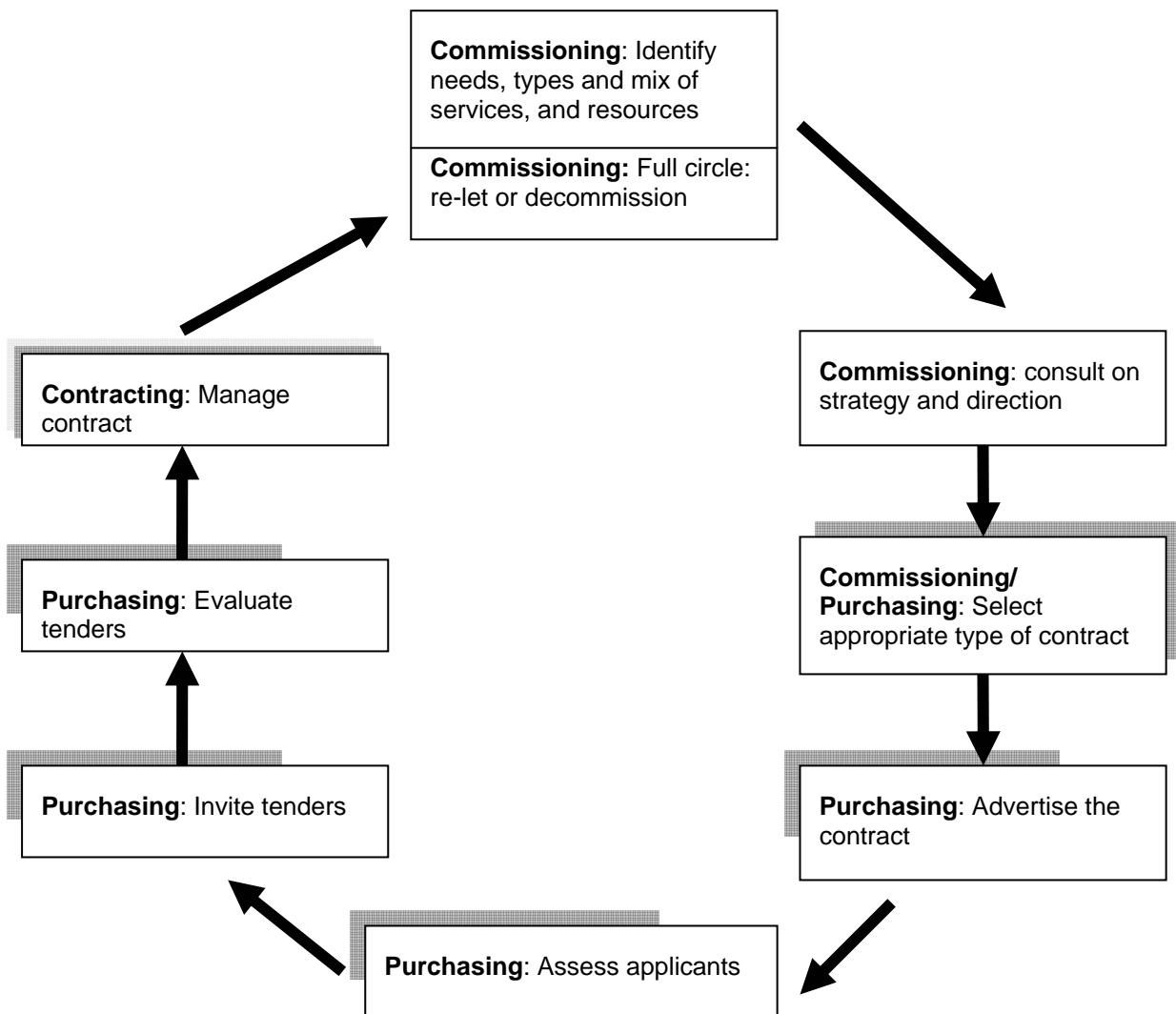
## Procurement

42. Where there is a specific service to be provided, statutory sector commissioners are increasingly using a procurement approach as opposed to grant-funding. A procurement process can be used in a range of scenarios – for example:

- where a new service is being commissioned;
- where a service is currently provided by the statutory sector but the organisation wishes to invite tenders from other providers; or
- where a service has been provided by a VCO through grant funding but the funder now wishes to move to a formally commissioned/ contracted arrangement.

Common factors in a procurement process are the need for a specification of the service to be delivered, a competitive process between potential providers based on submission of tenders, and evaluation of tenders by commissioners against pre-determined criteria. VCOs may therefore find themselves competing against private sector providers or other not-for-profit organisations such as social enterprises. By inviting tenders in this way commissioners are able to demonstrate best value for limited resources and a formalised contract ensures the provider is held to account for delivery of defined outcomes. The various stages in a procurement process are illustrated in figure 1 below.

Figure 1: Steps in the procurement process (source: Corporate Procurement Team)



43. As statutory agencies increasingly move from grant funding voluntary organisations towards commissioning specific services in a competitive environment, VCOs face new challenges and must 'adapt to survive'. Likewise, the Council must examine its commissioning and procurement processes if it is to marry up the aims of achieving value for money, quality services and a strong and vibrant voluntary and community sector in East Sussex.

44. The Review Board heard evidence that the move towards formal contracts and tendering was broadly welcomed by the VCS as it brings recognition of what they provide to the local community and acknowledgement that VCOs have won contracts on merit. However, not all VCOs want to bid for contracts. Some, especially smaller organisations, will always depend on small grants and local fundraising because they do not have the infrastructure or capacity to construct bids or to deliver contracts or because service delivery is not part of their remit. Others are already delivering significant contracts and have the skills, capacity and structures in place to compete successfully against other providers. However, there are a significant number of organisations who want and/or need to begin tendering for contracts and require support in order to kick start the process.

### ***Challenges for the VCS***

45. It is widely recognised that there is a lack of capacity and skills to tender for contracts within the VCS and that the Councils for Voluntary Service have a demanding job to do in developing capacity. Their support is being supplemented by County Council procurement officers who are developing free training sessions for VCOs intended to increase understanding of the Council's approach to funding and procurement. There is a lack of understanding of County Council procurement processes within the VCS and potential for the Corporate Procurement Team to work with VCS 'umbrella' organisations to build understanding.

46. The Board heard evidence that the increasingly competitive environment may mean more fundamental changes for VCOs. Some organisations (e.g. individual branches of a national or regional body) may need to think about working together (e.g. join up cross-county) to collaborate and pool resources in order to be in the best position to compete. This does not necessarily mean merger – the local identity can be retained whilst capitalising on economies of scale for administration or management. VCOs need to be wary of potential 'mission drift' – i.e. being diverted from their original aims by chasing available contracts or funding opportunities which may not directly support these. VCOs need to adapt to survive but without compromising their original aims or inadvertently contravening their constitution.

47. In preparation for bidding for contracts for the provision of services, VCOs need to put certain processes, policies and governance arrangements in place to meet County Council contractor requirements. VCS representatives emphasised to the Board that this takes time and that VCOs need 'support and flexibility' during the time of transition to enable them to adapt within a realistic timescale. Many VCOs are conscious of the overheads involved in managing and evaluating contracts and the need to submit bids on a 'full cost recovery' basis. Through the Compact, the Council and the VCS theoretically recognise that it is legitimate for VCOs to include the relevant element of overheads in their bids for providing services. However, this recognition must be played out in practice and is not always consistently acknowledged by both parties. VCOs also pointed out that some features regarded as assets in a procurement context (e.g. appropriate financial reserves) were previously seen as a disadvantage when applying for grant funding and again requested a flexible approach during a transitional period.

48. Experienced VCOs already delivering contracts emphasised the need for the VCS to develop negotiating skills in order to develop new services in partnership with statutory organisations which meet both their and VCS aims, as opposed to taking on inflexible specifications defined by statutory agencies which do not harness the VCOs knowledge and input. VCOs also highlighted the need to negotiate effectively for appropriate outcome measures by which contracts are performance managed.

#### Example 4

One VCO explained that it sometimes disagreed with public sector organisations on the most appropriate outcomes or the best design of services to meet specified outcomes. It is important to be clear about roles. The VCO sees it as the commissioners' role to specify the desired outcomes, leaving the VCS to specify how best to deliver these, using their expertise of delivering services to the client group.

49. There is some concern about the impact of a more contract-oriented environment on volunteering. There is a view that volunteers should not be used to provide services which the County Council was previously paying for in order to save money, and volunteers must not feel they are being used to provide statutory services. This could result in loss of existing volunteers who do not wish to deliver these types of services, or difficulties in attracting new volunteers.

50. The need for the VCS to communicate its needs and issues more effectively to statutory partners emerged clearly. Through the Councils for Voluntary Service, the County Council is assisting in the development of a VCS strategic network model that will enable VCOs to communicate their needs, liaise with the Council, and develop their representation roles.

#### **Current County Council procurement process**

51. In addition to the evolution being required of the VCS, the County Council's own procurement processes must adapt in the light of the new diversity of providers, to ensure they support the Sustainable Community Strategy aim to 'develop and strengthen the VCS' in East Sussex. A number of issues emerged in relation to the current procurement process.

52. The Board found that whilst overall knowledge of Council procurement procedures amongst officers appears good, there is evidence of a gap in understanding, particularly amongst officers less experienced in procurement. Particular problems include:

- how to apply the process appropriately in different scenarios;
- confidence about flexing the process to suit the circumstances, especially with smaller contracts;
- resulting in unnecessarily burdensome procedures for VCOs (and other providers) to follow.

53. In addition, there is sometimes a lack of understanding about how to offer informal advice and guidance to VCOs prior to the start of the formal tendering procedure. Fear of compromising the process can lead to lack of communication which is frustrating for VCOs and leaves them feeling unsupported. However, communication with the VCS about the contracting process, deadlines etc is crucial, and can happen without compromising the process. These gaps in officer understanding can mean that the experience of a VCO tendering for a contract can be dependent on the individual officer they are dealing with rather than the Council process.

54. Communication with a current VCS contractor regarding the Council's future intentions for that contract needs to happen as early as possible. It should allow for a run-down period if the VCO is unsuccessful in the re-tender or if the service is being discontinued.

55. More direct communication is needed between Council commissioners and VCS potential providers on difficult to resolve issues such as: full-cost recovery, clarifying the Council's minimum requirements of providers, and resolving contradictions in expectations between grant bids and tenders. VCOs need to be clear on the Council's position and conflicting advice avoided.

56. The Corporate Procurement Team has produced supplementary guidance on working with the VCS but this is not widely publicised. In addition, the comprehensive procurement guidance available on the Council's Intranet does not link as well as it could to the Compact – more cross-referencing is needed.

57. As with grant-funding, there are differences in procedure between departments and a lack of links between them. There are potential roles for the corporate Voluntary and Community Services Co-ordinator in Chief Executive's Department and/or the corporate Procurement Steering Group on facilitating better co-ordination between departments. There is potential for the 'Grant Tracker' database to be extended to all contracts with the VCS to form a database of financial dealings with VCOs across the Council. However, there may be high initial workload to establish this, and it relies on all departments keeping the database up to date.

58. Local statutory sector organisations each have a slightly different procurement process. There is a desire from the VCS to see a single, or at least aligned, process between agencies in order to reduce time spent on preparing bids.

59. From summer 2008, the Corporate Procurement Team will be working with Sussex-wide statutory sector organisations on a sustainable procurement project for the Third Sector which will examine the implications of new and diverse providers such as social enterprises and VCS providers. This will be a further opportunity to examine how to balance the competitive environment with recognition of the value of the local VCS. It will then be easier to identify the consequent changes to commissioning organisations' processes needed to facilitate the VCS ability to compete on a level playing field.

### ***Adapting the process***

60. It is clear that there are new challenges for commissioners arising from the growing number of VCS providers and the Council's desire to encourage this within a competitive environment.

61. The Board found examples of services which have been developed by a local VCO through grant-funding or a small scale contract which, when taken forward through a formal competitive tender process or expanded into a county-wide contract, were lost to the VCO in question. Clearly, contracts will change hands in a competitive environment. However, the Board considered that some VCOs had been put at an unnecessary disadvantage if:

- their local knowledge and experience had not been recognised;
- the contract was simply too big for the localised organisation to realistically deliver;
- they had not been given adequate notice of the decision to formally tender for the service and had not been able to put in place required governance or procedural changes.

#### **Example 5**

A VCO approached the Council with a proposal for a new local project in the county. A Council department decided to fund the project for an initial period of two years. Towards the end of the two year period the Council decided to roll out the successful project across East Sussex. It made the VCO aware of this plan and began a tendering process. The tender was publicly advertised but the adverts were not seen by the VCO. Council officers did not inform the VCO that the tender adverts had been placed, believing (incorrectly) that this could compromise the tendering process. The contract was awarded to a larger organisation from another part of the country before the VCO became aware of the process. The VCO is now working with the new provider on parts of the project, but feels the process was poorly managed and not in line with Compact codes of practice.

62. Solutions to the challenges presented by diverse providers may require procurement to become more complex for the County Council in order for it become easier for the VCS. To maximise the VCS ability to bid, or to stimulate VCOs' interest in bidding, the Council may have to be more creative and flexible. For example, commissioners must in future consider the size and scale of contracts more carefully and consider packaging contracts into smaller chunks or accepting consortia bids so that VCOs (which are often smaller organisations than private sector providers) have more opportunities to bid. In this context, the skill involved in writing specifications becomes more important. A well constructed specification can stimulate innovation and encourage VCOs or small to medium sized enterprises to do business with the Council. A poorly constructed specification can do the opposite.

63. A significant issue is how the local knowledge or 'added value' of the VCS can be recognised within competitive tendering processes without the process becoming compromised or 'unfair'. VCOs may not always be able to compete with large (often regional or national) private sector providers on price alone, but may bring valuable local networks, links or knowledge which are not always recognised within tender evaluation criteria.

### ***Focussing on Council priorities***

64. In order for funding directed towards the VCS to focus on the Council's priorities, it is essential that County Council departments are explicit about their departmental aims, plans and priorities and communicate these effectively. This enables the VCS to see what is expected and where they may be able to develop or offer services. For example, the commissioning strategies developed recently by Adult Social Care, in consultation with the VCS, have given a clear steer to VCOs about the department's priorities and commissioning intentions. One VCO commented that the strategies, developed in consultation with the VCS, give greater clarity about the outcomes the Council is looking for.

65. Departments could take this a stage further by identifying the areas of work where the VCS are most likely to be key partners and focus on developing VCS providers in these areas.

### ***Contract and performance monitoring***

66. Robust performance monitoring is generally viewed positively by VCOs if the level is appropriate to the size of contract and not unduly bureaucratic. Statutory bodies putting in place robust performance monitoring to assess the impact of grant funding is an important and helpful way to prepare VCOs for a contractual relationship.

67. There is a well-recognised need to move more towards monitoring 'outcomes' rather than 'outputs' and to agree appropriate outcome measures with VCS (and other) providers. This is already beginning to happen.

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## **Recommendation 6**

**The Grant Tracker database should be used to record all contract arrangements with VCS organisations if its use would prevent duplication, share knowledge, or improve the management of contracts.**

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### **Recommendation 7**

**The Council's corporate Procurement Steering Group should:**

- a) improve the guidance and support for Council officers, in particular: sharing existing good practice; and applying the procurement process flexibly and proportionately, particularly in relation to smaller contracts.**
- b) identify actions which can improve the process within the Council as it relates to the VCS, as well as making any wider recommendations to the pan-Sussex Third Sector procurement project. In particular the group should develop actions for embedding the use of the Compact principles within departments and improving feedback to VCOs on unsuccessful bids.**

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### **Recommendation 8**

**The forthcoming Third Sector procurement project, which will involve the Council's Corporate Procurement team, should include consideration of:**

- a) How the added value brought by the VCS can be recognised in contracting processes, without compromising the robustness of the process.**
- b) How consortia bids from smaller organisations can best be facilitated within procurement processes.**
- c) How the processes of statutory agencies in relation to procurement from the VCS/third sector can best be aligned.**
- d) How the procurement process can be flexed in proportion to the size of the contract in order to reduce bureaucracy for VCS and small organisations.**

**VCS organisations and Council officers should have opportunities to feed their experiences into the work of the Third Sector procurement project.**

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### **Recommendation 9**

**The internal Council training for officers on funding and procurement processes (adapted as appropriate) should be made available to VCS organisations, particularly the Councils for Voluntary Service.**

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### **Recommendation 10**

**A toolkit should be developed (in hard copy or in electronic format), based around the training programme, which can be made available to all potential providers, recognising the need for a 'level playing field'.**

## ***The role of individual councillors in working with the VCS***

68. Council Members (County Councillors) are involved in a very wide range of voluntary and community organisations (VCOs). There are a range of ways they may have become involved, for example:

- a Member may be nominated formally by the County Council to the board or management committee of a specific VCO;
- Involvement with a VCO because of a long-term personal interest, previous employment or specific expertise;
- Involvement with a VCO due to its links with the Member's local community – this involvement is often more closely linked to the role as local Councillor, although Members often have a long history as active local citizens and their involvement with local organisations may precede their election.

69. The Council makes 11 formal nominations to specific VCOs based on historical funding of these organisations and a further 10-15 to other VCOs/charitable organisations (depending on how these are defined) particularly groups managing nature reserves. However, these are far outweighed by the amount of contact Members have with VCOs outside the formal system of nominations.

70. Members' involvement with the VCS, particularly VCOs linked to communities within their electoral division, is seen as an important part of the community leadership role. Many Members find their involvement an invaluable source of information on local issues and views. Members' involvement in local groups can help local people work together to resolve issues. Members also recognise that voluntary services are of considerable value to the Council in terms of services supplied to the community.

71. For VCOs, Members can be a source of advice and support and can signpost organisations to the relevant officers for specific advice. This is particularly helpful for organisations who are unfamiliar with the County Council's structures and ways of working. Members can often offer continuity and a long-term community 'memory' and may be able to bring 'neutrality' to a contentious local issue.

### ***Types of involvement***

72. The way members get involved with individual VCOs varies from formal involvement to an informal advisory role:

- County Council nomination – Member nominated to represent the Council on the board of a VCO.
- Formal involvement – Member is involved in the running of the organisation through sitting on the board or management committee, but not as a Council nominee.
- Informal advisory role – Member offers advice as required, attends meetings as an observer/member of the public, maintains two-way communication, but has no formal role in the running of the organisation.

73. Many Members make conscious choices about what type of involvement they prefer. Some believe that their role should be a formal one, getting involved in the running of the organisation in some way. However, other Members, particularly those who are also district or borough councillors, intentionally choose not to become directly involved in local groups as there is a concern that the organisation would see the Member as a 'lever' to funding or other opportunities. Some Members are wary of 'inadvertently crossing the line' in terms of conflict of interest and prefer to take an informal advisory role. This they feel enables them to spread their involvement across a larger number of VCOs.

74. Issues relating to each of these types of involvement are outlined below.

### ***County Council nominated representatives***

75. The County Council formally nominates Members to sit on the boards of a number of voluntary sector organisations (particularly where funding has been given to an organisation). There appears to be uncertainty on the role of a these nominees, both from Members and VCOs. Nominees are not required to pass on any information to other Members, officers or the County Council on outcomes or achievements and are not always clear about their role and objectives. One advantage of a role as formal Council nominee is that the Council has appropriate insurance which indemnifies the Member from any personal liability.

76. The system of nominations to VCOs appears to be largely historical and relates to the old-style grant-giving environment where there was a greater need to oversee the use of Council funding. Given that VCOs are increasingly likely to be bidding for Council contracts to provide services, nominating Members to sit on VCO boards may create difficult conflicts of interest and may no longer be appropriate. Coupled with Members' uncertainties about the objectives and value of the roles, there is a strong case for reviewing the system of nominations to determine whether it is appropriate.

77. In the light of the changing funding environment and the increasing emphasis on Members' community leadership role, it would appear that supporting members to focus on developing relationships with locality based organisations within their division is preferable to a system of nominations to a selection of VCOs based on historical funding arrangements.

78. It should be noted that, whilst this review focussed on nominations to VCOs, many of the same issues relate to Council nominations to other bodies and the Council may wish to consider a wider review of the roles and feedback mechanisms of these nominees, as well as the rationale for nominations.

### ***Formal involvement***

79. Some VCOs view Members in a formal role, such as on their governing body, as an advantage and an opportunity to raise awareness of their cause. However, it is not always understood that this may result in a conflict of interest when decisions are taken which relate to that organisation and that Members may wish to keep to an advisory role for that reason. It can also be difficult for Members to distinguish clearly between their own view as an individual County Councillor and the view of 'the Council' as a whole, especially if decisions taken by the VCO conflicted with the Council's policies.

80. Some Members have found it difficult to determine the circumstances in which a prejudicial interest exists whilst others are clear that such interests usually come into play when a vote is to be taken. Under the Cabinet and Scrutiny system, this has become easier as decision-making usually rests with Cabinet Members, making it less likely that non-Executive Members will need to declare a prejudicial interest. It was also suggested that the approach by the Standards Board for England towards prejudicial interests is becoming less restrictive.

81. Members have concerns about their liability from their formal involvement with VCOs and the possibility of legal implications. Suppose for example, a Member challenges poor management and brings the problem to the Council's attention, and then this leads to the organisation losing funding or a contract. The VCO may consider taking action against the member in these circumstances. Balancing loyalties to the VCO and to the Council becomes an issue here, and members are not always clear what action is open to them in such circumstances. It is important that Members have access to consistent legal advice and are that there are clear ways to raise concerns if these arise.

82. Members are not always confident about their understanding of personal liabilities and responsibilities. In addition, Members may not be aware that they do not have insurance cover to indemnify them unless in an appointed role on behalf of the Council. There is a need for further guidance for Members in this area as the current Members' Handbook gives information which only relates to Members' nominated by the Council.

### ***Informal advisory role***

83. Members taking an informal advisory role do not face the same problems in relation to liabilities and conflicts of interest, although the need to raise concerns about an organisation's management may still apply. The informal advisory role requires access to information and resources in order to offer support to local VCOs, and skills in developing and maintaining relationships with local VCOs. The Member's role as community leader relies on a network of local contacts and two-way communication channels and the local VCS can play a significant role.

84. The Review Board found that Members want and need:

- signposting to the information available about the voluntary sector in East Sussex, through, for example, the East Sussex Community Information Service (ESCIS) which lists local VCOs;
- guidance on working with the VCS in a range of different roles and the potential issues to consider - this would add to the formal guidance on Council nominated positions currently available in the Members handbook;
- information on VCS issues relevant to their local area, which could be facilitated through feedback via Councils for Voluntary Service and increased contact with the Council's Voluntary and Community Services Co-ordinator;
- information on sources of funding so they can signpost VCOs to this more effectively, for example details of Grant Net and the Bidding Bulletin;
- contact details for relevant officers, to enable them to more effectively respond to enquiries from VCOs.

85. The Review Board found that Members are aware of the move towards more contract-based funding and have concerns about how voluntary organisations will attract volunteers with the right skills to put forward bids and funding plans, particularly in more deprived areas. Ensuring Members are aware of the advice and resources available would be a good additional way to ensure such information reaches local VCOs. Members can also have a positive role in explaining the outcomes of funding decisions locally and the limitations on what is achievable within finite resources.

### ***The VCS understanding of the Council and Councillors' roles***

86. The Review Board obtained views from a range of VCOs known to have County Councillor involvement in some way. The majority of these organisations have found the involvement of Members to be mutually beneficial. Members are informed of local issues and are a means of advising on and getting a response from public services. VCOs found that the relationship helped to develop mutual understanding of roles and brought a wider perspective to their work. Members were also viewed as a potential source of funding information and advice.

87. VCOs had experienced few significant difficulties in working with Members but had found that their roles could be ambiguous. It is important for Members to be aware of the objectives from their involvement, their role in the organisation and also to be clear about the independence of the voluntary organisation. VCOs also noted that there could be variable attendance at meetings and that Members' involvement can sometimes be driven by a narrow focus on a particular local issue.

88. The VCOs interviewed had a good understanding of the role of a Councillor and the Council. However, Members reported that VCOs are often unclear about the Member role, particularly the different roles of Cabinet and non-Executive members and felt that more information for the VCS on the structure of the Council would be helpful. VCOs did express some difficulty in understanding the departmental structures of the Council, and relied on establishing relationships with appropriate officers as contact points. The funding/budgeting cycle of the Council was one area where further information would be welcomed. It was suggested that relationships between the Council and the VCS could be further developed through initiatives such as joint training, work shadowing and VCS involvement in Member and officer induction programmes.

89. VCOs recognise that they have a responsibility in communicating effectively to local Councillors about what they do and demonstrating the relevance of their work, if they are to encourage local Member involvement.

90. VCOs commented that both Members and Council managers could benefit from a closer relationship with local VCOs in order to gain a better insight into the needs and views of local people, particularly in areas of deprivation, and with marginalised groups. VCS representatives viewed a positive relationship as a mutually beneficial partnership where both parties' roles and strengths are recognised.

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#### **Recommendation 11**

**The County Council should cease nominations to the boards/management committees of VCOs based on funding arrangements from May 2009 and review the system thoroughly. In the context of the changing funding environment and the increasing emphasis on the community leadership role of local councillors it is now more appropriate for Members to develop relationships with groups relevant to their locality as appropriate and as invited by VCOs rather than through a system of formal Council nominations.**

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#### **Recommendation 12**

**The Council should review insurance and indemnity arrangements for Members who are involved with VCOs outside the system of formal nominations and then:**

- a) determine what arrangements are possible and appropriate in a community leadership context; and**
- b) provide a revised guidance note to Members on their liabilities and responsibilities.**

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**Recommendation 13**

**A concise ‘signposting’ resource should be developed for Members, highlighting the existing information and support available about working with the VCS in East Sussex. This should be incorporated within induction material for new Members. It should be supported by training as part of the ongoing Member Development Programme, which should involve VCS representatives. The potential to integrate the resource with locality based information for members on the Council’s redeveloped intranet should be considered.**

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**Recommendation 14**

**Members should be actively encouraged to establish two way communications with local VCS infrastructure organisations as a key route to building relationships with local VCOs. This communication should be promoted by the Voluntary and Community Services Co-ordinator through his work with the Councils for Voluntary Service.**

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**Recommendation 15**

**The training for Council officers on ‘working in a political environment’ should be adapted and offered as a short training session for the VCS via the Councils for Voluntary Service networks.**

## **Appendix 1 – Methodology**

### ***Review Board membership and project support***

The Review Board Members: Councillor Barry Taylor (Chairman), Councillor John Livings, Councillor David Rogers, Councillor Maurice Skilton, Councillor Paul Sparks, Councillor Sylvia Tidy, Councillor Trevor Webb

The Project Manager was Claire Lee (Scrutiny Lead Officer) with logistics and support provided by Sam White (Scrutiny Support Officer)

Paul Rideout (Voluntary and Community Services Co-ordinator) provided ongoing support to the Board throughout the review.

### ***Review Board meetings***

The Review Board met on 9 occasions between February 2007 and February 2008. The three parts of the review were considered as follows:

March – June 2007	The Council's role in establishing a Local Involvement Network (interim report – July 2007)
May – November 2007	Funding and procurement
November 2007 – February 2008	Role of individual councillors in working with the VCS

### ***Witnesses providing evidence***

The Board would like to thank all the witnesses who provided evidence in person at Board meetings, through case study visits, focus groups and telephone interviews:

#### ***Voluntary and Community Sector***

Liz Abi-Aad, Co-Manager, The Bridge Children's Centre, Hastings

Graham Amy, Chairman, Castle Hill Nature Reserve, Newhaven

Lesley Goble, Chief Executive, Eastbourne Association of Voluntary Services

Topsy Jewell, Common Cause, based in Lewes

Steve Hare, Chief Executive, Age Concern East Sussex

James Leathers, CVS Partnership Development Officer, Hastings Voluntary Action

Jeremy Leggett, Action in Rural Sussex

Veronica Locke, Manager, NCH

Debby Matthews, Director, Southdowns CVS

Katharine Rayner, Common Cause, based in Lewes

Sarah Rideout, Common Cause, based in Lewes

Gina Sanderson, Chief Officer, Rother Voluntary Action

Julie Sutton, Co-Manager, The Bridge Children's Centre, Hastings

Moira Ward, The Bridge Children's Centre, Hastings

Attendees at the VCS Liaison Meeting on 10 December 2007

**ESCC Officers**

Barry Atkins, Head of Strategic Commissioning, Adult Social Care  
Sherlyn Barrow, External Funding Officer  
Jonathan Campbell, Corporate Procurement Manager  
Mary Clarke, Head of Democratic Services  
Alison Jeffery, Children’s Trust Manager, Children’s Services  
Geraldine O’Shea, Strategic Commissioning Manager – Older People  
Amelia Peacock, Assistant Waste Services Manager  
Martyn Perry, Waste Services Manager  
Veronique Poutrel, External Funding Manager  
Nick Smith, Head of Passenger Services, Transport and Environment  
Sue Talbot, Health Advisor  
Attendees at the Bidders Internal Group meeting on 4 June 2007

**County Council Members’ Focus Group with the Review Board  
14 January 2008 - Uckfield**

Councillor Kathryn Field  
Councillor Jay Kramer  
Councillor Bob Lacey  
Councillor Stephen Shing  
Councillor Rupert Simmons  
Councillor Meg Stroude  
Councillor Roger Thomas  
Councillor Olive Woodall

**County Council Members’ Focus Group with the Review Board  
21 January 2008 – Hastings**

Councillors John Barnes  
Councillor David Elkin  
Councillor Martyn Forster  
Councillor Keith Glazier  
Councillor Beryl Healy  
Councillor Pat Ost  
Councillor Joy Waite  
Councillor John Wilson

**Evidence documents**

The Board considered the following papers:

	Advice to members servicing on outside bodies – extract from East Sussex County Council Codes and Protocols	October 2006
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	County Councillors nominated to outside organisations	June 2005
	East Sussex County Council Corporate Funding Protocol	April 2007
	A Compact for East Sussex – multi-sector working group publication	Undated – annually reviewed
	East Sussex County Council and the Voluntary and Community Sector consultation report	28 <sup>th</sup> September 2007
	GRANTtracker – information sheet	undated
	GRANTnet Plus information	undated
	Hearts and Minds: commissioning from the voluntary sector – Public Services Summary –Audit Commission	July 2007
	Are you sitting comfortably? A code of practice for local authority members and officers serving on the boards of voluntary organisations – Local Government Association	November 2002
	Sustaining grants – why local grant aid is vital for a healthy voluntary and community sector and thriving local communities – National Association for Voluntary and Community Action (NAVCA)	June 2007
	Why grants are important for a healthy local VCS – a study of four local authorities' policies – NAVCA	June 2007
	Internal Audit draft report on Grant Funding Governance Arrangements System	Draft as at February 2008
	Telephone questionnaire with VCS representatives responses and summary	January / February 2008

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## Appendix 2 - Glossary

**Active citizenship** – Active involvement of citizens in their community. An active citizen is described as someone who has roles and responsibilities within the community and one who is concerned with and actively involved in public life. An active citizen has a sense of "belonging" because he or she is effectively engaged with the community through involvement in political and social activities and membership of community groups and organisations.

**Bidders Internal Group** – Group of Council officers who have a role in bidding for external funding who meet monthly to discuss issues relating to bidding practice and processes and to exchange information.

**Commissioning** – The cycle of identifying needs, specifying services to meet needs, buying those services, monitoring their delivery and evaluating their success and re-evaluating needs.

**Community Partnership Finance Programme** – East Sussex County Council's grant funding for local voluntary and community organisations.

**Community Partnerships Team** – Team of officers within East Sussex County Council's Policy and Communications department that aims to ensure co-ordination of County Council activity in key strategic partnerships, particularly those relating to community planning.

**Compact** – An agreement between statutory agencies and the local voluntary and community sector setting out principles and standards for how the two sectors will work together.

**Core costs** – An organisation's overheads such as office, management and administration costs. These functions support the activities of the organisation and without them the organisation cannot survive.

**Corporate External Funding Strategy** – an East Sussex County Council document setting out how the Council will optimise funding coming into the Council and East Sussex, including key funding streams, training and co-ordination.

**Corporate Funding Protocol** – A document for East Sussex County Council officers setting out requirements and standards for managing bids for external funding and the allocation of grants.

**Corporate Procurement Team** – Team of officers within East Sussex County Council responsible for best practice procurement and advice across the Council, all corporate procurement projects and developments and for best value corporate contracts for goods and services.

**CVS** – Council for Voluntary Service – an infrastructure organisation which provides support and advice to voluntary and community organisations.

**ESCIS** – East Sussex Community Information Service – an on-line database of local and community information

**External Funding Team** – Team of two officers within East Sussex County Council's Strategic Economic Development and Skills Team who work on issues relating to bidding for and distributing funding from all external sources such as the Lottery, European Funding, sponsorship, trusts and government.

**Full cost recovery** – Securing funding for – or 'recovering' – all costs, including the direct costs of projects and all overheads.

**Grant Net** – An on-line database listing potential funding opportunities for voluntary and community groups. In East Sussex this is provided via the East Sussex County Council website.

**Grant Tracker** – A database developed by the Council's External Funding Team to record details of grants given and received by the Council to/from other organisations.

**Infrastructure organisation** – Organisations whose primary purpose is to provide infrastructure functions or services (support and development, co-ordination, representation and promotion) to

front-line organisations. Local infrastructure organisations include Councils for Voluntary Service, rural community councils and volunteer bureaux.

**Interreg** – European programme worth £240m to work with organisations on the other side of the English Channel, aiming to encourage cross-border co-operation.

**LINK** – Local Involvement Network – a network of individuals and voluntary/community groups with an interest in health and social care who work to represent the views of patients, service users and the public about health and social care services in a given local authority area as part of a national system of patient and public involvement. LINKs will replace Patient and Public Involvement Forums from 1 April 2008.

**Patient and Public Involvement Forum** – Group of lay volunteers who work to represent the views of patients and the public to the NHS organisation they relate to as part of a national system of patient and public involvement in healthcare.

**Procurement** – The process of specifying, buying and monitoring the delivery of goods or services.

**Procurement Steering Group** – Group of Council officers, representing each department with a contracts team, which meets quarterly as the Council's strategic procurement body.

**RAISE** – Regional Action and Involvement South East – Regional infrastructure organisation for the voluntary and community sector

**Seedcorn fund** – Part of East Sussex County Council's Community Partnership Finance programme. A fund of £50,000 per year, currently administered on the Council's behalf by Hastings Voluntary Action. Local voluntary and community groups can bid for grants from the fund to pilot the delivery of services and/or develop new services.

**Social capital** - The individual and communal time and energy that is available for such things as community improvement, social networking, civic engagement, personal recreation, and other activities that create social bonds between individuals and groups.

**Social enterprise** - Organisations that are run along business lines, but where any profits are reinvested into the community or into service developments.

**Standards Board for England** – A national body set up to help build confidence in local democracy. They do so by providing guidance and promoting the ethical behaviour of members and co-opted members who serve on a range of authorities through receiving and investigating allegations that members may have breached the Code of Conduct.

**Statutory Sector Funding Group** – Local authority and NHS Primary Care Trust representatives who provide grant funding for voluntary and community organisations. The group explores and discusses how to better co-ordinate grant funding.

**Sustainable Community Strategy** - A plan, agreed by statutory sector and other partners in an area, which sets out a long-term, sustainable vision and priorities.

**Third sector** - Another name by which the non-profit, or voluntary sector is known (government and the private sector being the first two sectors).

**Umbrella organisation** – Another term used for 'infrastructure organisation' (see above).

**VCO** – Voluntary and community organisation

**VCS** – Voluntary and community sector – The collective name for all voluntary and community organisations, including charities, community associations and social enterprises. Voluntary organisations are non-profit driven, non-statutory, autonomous and run by people who do not get paid for running the organisation (although voluntary management committees/trustees may employ paid staff).

## **Appendix 3 – Interim report on establishing a Local Involvement Network (July 2007)**

### **Background to the Scrutiny Review**

1. The scrutiny review of the Council's relationship with the voluntary and community sector (VCS) was initiated in February 2007 and is led by the Community Services Scrutiny Committee.
2. The Review Board undertook a scoping exercise to determine the focus of the review within what is a wide-ranging area. The three areas the review would focus on were identified as:
  - The Council's role in establishing a Local Involvement Network (LINK) for East Sussex;
  - The Council's funding and procurement arrangements with the VCS; and
  - The role of individual councillors in working with the VCS.
3. This short report summarises the Review Board's findings and recommendations in relation to the first area – the establishment of a LINK.

### **Background to LINKs**

4. In July 2006, the Government signalled its intention to make changes to the structures for patient and public involvement in health. The Department of Health document 'A Stronger Local Voice' announced that the existing Patient and Public Involvement Forums (PPIFs) would be replaced by Local Involvement Networks (LINKs).
5. LINKs are intended to be a wide network of voluntary and community groups and interested individuals who will represent the views of patients and the public on healthcare issues. The key differences from PPIFs are:
  - They will have a much larger and wider membership, including groups as well as individuals.
  - They will have a remit to look at social care and well as health issues and powers to make recommendations to the Social Care authority as well as the NHS.
  - They will be co-terminous with the local social care authority's boundary and look at services commissioned or provided for the residents by any health or social care organisation.
  - They will determine their own structure and ways of working tailored to local circumstances and needs, within basic governance requirements set nationally.
6. In order to establish LINKs across the country, the Department of Health plans to allocate funding to the top-tier local authority for each area. The local authority will have a duty to tender for a contract with a 'host organisation' which will be commissioned to set up and support the LINK. The Department of Health will issue a 'model contract' for authorities to use, but this will have scope for local tailoring and it is possible for local areas to proactively 'design' their LINK and ensure this vision is reflected in the local contract. The host organisation is expected to be a local voluntary sector or not-for-profit organisation.

### **Timescale for establishing LINKs**

7. The legislation required to abolish PPIFs and establish LINKs is contained within the Local Government and Public Involvement in Health Bill currently progressing through parliament. A firm timescale and detailed guidance on the process local authorities must follow

and funding available cannot be published until this Bill gains Royal Assent. However, an indicative timescale is as follows:

July 2007	Dept of Health issues further general guidance on LINKs
Sept/Oct 2007	Local Government and Public Involvement in Health Bill gains Royal Assent
Oct 2007	Local Authorities receive details of procurement requirements and funding and begin contracting process
Oct/Nov	Drawing up contract specification in consultation with stakeholders
Nov 2007 – Feb/Mar 2008	Procurement of host organisation
Mar 2008	Contract to host organisation awarded
April 2008	LINKs established

8. To inform the guidance it plans to issue on the establishment of LINKs, the Department of Health has set up nine ‘early adopter projects’ around the country in a mix of rural and urban areas. The early adopters are not intended to be full pilots of LINKs as they do not have the powers, budget or administrative arrangements that LINKs will have. The projects are intended to network the existing PPIFs with local voluntary and community groups and interested individuals to ‘shadow’ the role and working arrangements of LINKs in order to learn lessons for their implementation.

## Findings and conclusions

### ***Role and remit of LINKs***

- LINKs need to build on the work of PPIFs by embracing the extended remit to include social care, extending membership and gaining more influence across the county.
- LINKs should look at the commissioning as well as delivery of services. While visiting premises is important it should be targeted.
- Although health would welcome more focus on commissioning, strategy and priority setting, there is a recognition that patient representatives will always want to look at the provision of services and this is important.
- Early adopter projects have struggled to define the role and remit of LINKs which has delayed their progress – establishing a shared understanding early on is important.
- LINKs will have to consider how they work with providers which offer services to residents in more than one LINK area. LINKs will need to work together on their approach to scrutinising these providers.

### ***LINKs structure and ways of working***

- The LINK structure should focus on connecting up existing groups and forums rather than starting from scratch - this would complement the work already in place by health and social care to engage service users and the public.
- Early adopter projects have spent significant time mapping existing networks and groups which could form the LINK – East Sussex could do this work early on to be in a good position to establish the LINK.

- Covering rural areas and specialist issues will be challenging. There may well be a need for locality and/or issue focussed sub-groups to help structure and manage the LINKs work, as well as making it relevant to local people.
- LINKs need to consider offering a variety of accessible ways for people to get involved, particularly harder to reach groups.
- The LINK should complement the Health Overview and Scrutiny Committee's (HOSC) work and also relate to Adult Social Care Scrutiny Committee.

### ***Establishing a LINK locally***

- Although further government guidance is needed, particularly on funding, East Sussex can start proactively developing a way forward on LINKs locally. This may help retain existing PPIF members.
- Early adopter projects have found it essential to establish a steering group to bring together the key stakeholders to determine what how a local LINK should operate.
- The host organisation is key to the LINK's success. They must be professional, with a local presence and have experience in community engagement and working with volunteers. There should also be no conflict of interest in terms of them providing services which the LINK would be scrutinising. It is unclear how many third sector organisations will be interested in bidding to become the host.

### ***Role of the Council***

- Other Councils are at a very early stage of determining their approach to LINKs. Lead officers are being identified from a variety of departments within different authorities, including policy and research, procurement, health scrutiny and adult social care.
- The Council should use its procurement expertise in drawing up the contract but must engage stakeholders and consult on the content.
- It would be difficult for Adult Social Care to lead the contracting work due to a perceived conflict of interest. Department of Health guidance reflects this, specifying that the work must not be led by Adult Social Care commissioners. Likewise there could be a perceived conflict of interest or confusion if the contracting work was led by health scrutiny officers.
- The contracting work requires both procurement expertise (available from the Corporate Procurement Team) and expertise in working with the voluntary sector and other partners (corporate VCS role is within the Chief Executive's department).
- The Council's ability to establish a LINK is dependent on receipt of additional funding from Government. The Contracting work within the Council will need to be resourced adequately, including the ongoing monitoring of the contract.

## **Recommendations**

9. The Review Board has made the following recommendations:

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### **Recommendation 1**

**East Sussex should begin preparing for the development of LINKs by initiating an information gathering phase from July-September 2007 to provide a good foundation for the establishment of a LINK.**

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**Recommendation 2**

**A steering group should be formed bringing together health, social care, voluntary and community sector and patient and public involvement stakeholders with the Council lead officers.**

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**Recommendation 3**

**The development of the contract specification should be in consultation with stakeholders to ensure it meets local needs.**

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**Recommendation 4**

**The contracting work should be led centrally within the Council by Policy and Partnerships within the Chief Executive's department, with technical support from the Corporate Procurement Team.**

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**Recommendation 5**

**The LINK should take a phased approach to its development, initially based on networking existing groups and organisations, before undertaking further activity to broaden the membership.**

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**Recommendation 6**

**The Council's ability to establish a LINK is dependent on receipt of additional funding from Government. The Council should seek to maximise the proportion of any additional funding received which is transferred to the contract with the host organisation and to the LINK itself, whilst also adequately resourcing the Council's own role in managing the contracting process.**

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**Recommendation 7**

**HOSC should review the contracting process to ensure adequate stakeholder involvement in the development of the specification.**

## Scrutiny Review methodology

10. The Review Board received an initial presentation and background information setting out the role of LINKs and the expected process for establishing LINKs. The Board identified a number of key questions to focus on:

- Which department in the Council should manage the contract?
- How should stakeholders be involved in drawing up the contract for East Sussex?
- How can as many volunteers as possible from PPI Forums be retained and a smooth transition to a LINK be achieved?
- How can the LINK work effectively across a large rural county like East Sussex?
- What will the LINK's key activities need to be?

11. The Scrutiny Review Board undertook a number of activities to inform its recommendations:

- Three witness sessions – further details below
- Research into the learning from the early adopter projects – including a telephone conference with Dorset County Council
- Contacting East Sussex County Council's neighbouring authorities to understand their approach to LINKs
- Obtaining feedback from a Department of Health regional event 'Getting Ready for LINKs'

12. Witnesses interviewed by the review board were:

Session 1:

- Cllr Bob Lacey, Chairman, Health Overview and Scrutiny Committee
- Debby Matthews, Director, South Downs Council for Voluntary Service (and former manager of the contract to support PPIFs in East Sussex)
- Colin Waywell, Chairman, East Sussex Hospitals Trust PPIF
- Maurice Langham, Chairman, East Sussex Downs & Weald PCT PPIF
- Janet Colvert, PPIF member and Chair of PPIF working group on LINKs
- Amy Riley, PPIF Support Officer

Session 2:

- Jessica Britton, Head of Engagement and Communication, East Sussex Primary Care Trusts
- Judi Dettmar, Quality and Consultation Manager, Adult Social Care
- Vicky Smith, Older People's Involvement Manager, Adult Social Care

Session 3:

- Paul Rideout, Voluntary and Community Services Co-ordinator, Chief Executive's Department, ESCC
- Written evidence from Jonathan Campbell, Procurement Manager, ESCC

The Board is grateful to all the witnesses who gave their valuable input to the Scrutiny Review.