

VOLUNTARY SECTOR FUNDING

Purpose

- 1 This report seeks to update members on recent research work on the level of local authority funding provided to the voluntary sector, the progress of local authorities in establishing funding codes of practice and seeks view on emerging developments such as participatory budgeting and equitable funding.

Background

- 2 The voluntary sector is a key partner of local government, both through the policy development process and critically as a partner in service delivery. The sector is increasingly becoming involved in a range of key services and joint working with local government, in particular through the community planning process.
- 3 As local authorities further explore the collaborative potential of joint-working, they will also be investing more in voluntary organisations and projects and will increasingly deliver public services in partnership with the voluntary sector.
- 4 *Making the Connections* develops the theme of improving public services, linking a far more joined up approach between public service providers with a new focus on the relationship between citizens and services.

Local authority funding of the voluntary sector

- 5 Recent Local Government Data Unit research shows that Welsh local authorities have significantly increased their support to the voluntary sector during recent years.
- 6 Overall, local authorities provided £125 million of funding through grants and commissioning services from voluntary organisations in 2003-2004, equivalent to £42 per head of population. An additional £24 million rate relief was also awarded to the voluntary sector in 2003-04.
- 7 This represents a substantial increase on the level of funding for 2001-02 (the previous researched year) which showed local authority support was worth £68 million, or approximately £23 per head of population. Whilst a proportion of the increase can be attributed to under counting in the 2001-02 research, the majority relates to real increase in support.

Funding Code of Practice

- 8 The 2003 joint WLGA/WCVA publication *A Future Together?* provided guidance to local authorities on partnership arrangements with the voluntary sector, including codes of practice for funding. The guidance sets out principles of best practice in ensuring positive and effective relationships with the voluntary sector such as: early and constructive dialogue, timely decision-making, security of funding and payment in advance.

- 9 A recent WCVA study has indicated that 9 local authorities have adopted a code of practice for funding and a further 6 intend to introduce a code during the next 12 months.

Participatory Budgeting

- 10 The Welsh Assembly Government is keen to explore the potential of participatory budgeting, following a number of discussions around the issue at the Voluntary Sector Partnership Council.
- 11 Sue Essex AM, Minister for Finance, Local Government and Public Services will be leading a delegation of officials from the Assembly Government, local government and the voluntary sector to learn from Salford City Council's experiences of participatory budgeting early in 2006.
- 12 The main premise of Participatory Budgeting is to empower communities and build capacity. It involves the establishment of new 'community committees' or 'budget forums', which include a guaranteed minimum level of community involvement.
- 13 A proportion of the local authority's budget is then delegated to these 'community committees' for local prioritisation. Participatory budgeting does not affect the whole local authority budget, which is always heavily constrained by institutional, contractual and national requirements. The participatory budgeting process can operate around geographical and thematic structures
- 14 Experiences of participatory budgeting are limited in the UK, although Salford City Council has been operating this approach since the mid-1990s (see **Annex 1**). 8 community committees have been set up across Salford, with each committee receiving £2 per head of population to spend on 'anything' from providing grants to local groups, to installing CCTV, to employing local youth workers. This equates to approximately £432k per year, 0.17% of Salford City Council's total budget of £260m.
- 15 Some local authorities in Wales undertake extensive community consultations on budget prioritisation and have implemented devolved local budgeting to councillors. For example, Torfaen County Borough Council provides grants through a 'locally determined scheme' for each local member to spend in their ward. However, the participatory budgeting model, with community control over budgets, has not been fully applied in Wales.
- 16 Whilst participatory budgeting would encourage positive developments such as community empowerment and engagement, there are a range of issues which require more detailed exploration before Welsh local authorities may wish to consider implementing participatory budgeting, notably:
- the ability of local authorities in the current financial climate to divert significant levels of funding from front-line services into local community committees
 - the challenge to ensure that a 'community committee' is fully representative of the local community, how such committees would be accountable to the wider community and how it could ensure it reflects the needs and priorities of the local community
 - ensuring strategic service provision across the local authority area

- it is unclear also how participatory budgeting would complement Assembly Government proposals to further develop the capacity of town and community councils in terms of local funding and service prioritisation and provision. These issues are currently being explored by a working group of local authority, WLGA, WAG and One Voice Wales officers following last year's Aberystwyth University study into the potential of town and community councils.
 - the role of the Assembly Government in promoting participatory budgeting, whether pilots areas should be established and supported by pump-primed funding from WAG
- 17 In order to clarify some of the above issues, it would be beneficial for representatives of those authorities interested in the potential of participatory budgeting to consider attending the WAG visit to Salford in the New Year. WAG will be distributing fuller details in the near future.

Equitable Funding

- 18 Equitable funding is a recent concept in Wales and has been discussed a number of times at the Voluntary Sector Partnership Council and subsequently at a series of officer meetings between the WLGA, WCVA, wider voluntary sector and Welsh Assembly Government.
- 19 Equitable funding has been promoted by the WCVA and NACAB Cymru in particular as a way of ensuring that adequate funding is provided to the voluntary sector to deliver "core services" or "vital non-statutory services that should be available to people wherever they live in Wales" (extract from WCVA report).
- 20 This premise has been reached because certain services delivered by the voluntary sector, such as advisory services, receive different levels of funding from authority to authority and hence service provision varies across Wales.
- 21 The WCVA has identified only a limited number of what it regards as 'core services', such as advisory services, rights of way and refuge services.
- 22 The WCVA proposes that the Assembly Government, local government and the voluntary sector should:
- establish and agree the principles for service delivery
 - establish and agree core service need
 - establish and agree additional and discretionary service need
 - agree the resource required
 - agree the appropriate source for that funding
- 23 However, WLGA officers are concerned that the proposal is, at present, bureaucratic and prescriptive, fundamentally undermining local flexibility and discretion. It effectively proposes hypothecation for such 'core' services, whether they are delivered by the voluntary sector or by other agencies.
- 24 Similarly, the concept of 'core services' or 'vital non-statutory services' is open to much interpretation and local prioritisation, therefore any national prescription would not be feasible and contrary to agreed positions on non-hypothecation. The concept of a 'core service' does not apply elsewhere in Welsh public policy or services models

and would need to fit within existing Welsh Assembly Government and local government defined strategic and service delivery priorities.

- 25 The WLGA's view is that *Making the Connections* has outlined a framework where services should be delivered by the most appropriate provider or sector available. This premise is supported; however, prioritisation or national prescription cannot be applied to those services delivered by the voluntary sector, no matter how valued these services are.

Recommendations

26 It is recommended that:

- 27.1 Members note and welcome the increased level of local authority support of the voluntary sector**
- 27.2 Authorities are encouraged to introduce local codes of practice for funding of the voluntary sector**
- 27.3 Members' initial views on participatory budgeting are sought**
- 27.4 Authorities interested in the potential of participatory budgeting should consider attending the WAG visit to Salford and inform WLGA officers of their interest**
- 27.5 A further Participatory Budgeting report is presented at Partnership Council following the Salford visit in the Spring**
- 27.6 Initial views on equitable funding are sought and whether a further report should be presented at a future Partnership Council meeting**

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ANNEX 1

Salford City Council Case Study

Experiences of participatory budgeting are limited in the UK, although Salford City Council has been operating this approach since the mid-1990s.

- 8 community committees have been set up across Salford. Salford has population of about 216k.
- Committees include local councillors (as committee members not chairs), representatives of voluntary bodies, residents associations, etc. It has proven difficult however to ensure a representative cross-section of the community.
- Each committee receives £2 per head of population to spend on 'anything', from providing grants to local groups, to installing CCTV, to employing local youth workers.
- This 'participatory budget' equates to approximately £432k per year, 0.17% of a total council budget of £260m
- Although a relatively small amount, some committees fail to spend their allocation completely and it is over into the next financial year
- The council provides financial controls, monitoring and provides the groups with relevant training.
- Although local government settlements in England have varied, Salford's participatory budgets have increased from 50p per head in the mid-1990s to £2 per head.
- Salford is now exploring whether it can be more sophisticated and strategic with the investment – rather than distributing it via a per capita formula, trying to take into account deprivation etc.