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Working together to strengthen London's voluntary and community sector

## Learning from Funders

### No. 2: HOW ARE YOU HANDLING THE CUTS?

Wednesday, 3 November 2010

Supported by Buzzacott LLP

Chair **Bharat Mehta OBE**, Chief Executive, Trust for London  
Speakers **Judy Flight**, Head of Sustainable Communities, LB Enfield  
**Robert Bowler**, Third Sector Coordinator, Chief Executive's Department, LB Merton

22 participants from local authorities, independent foundations and Lottery distributors

Noted that the meeting would be conducted under the Chatham House Rule – anyone expressing a personal opinion could be assured that this would not be identified in the report.

This meeting for funders looked at ways of coping with public expenditure cuts on the voluntary and community sector in London, and implications for other funders and some ideas for non-monetary support and other ways of protecting the sector: discussion began with a look at two boroughs but widened out considerably. Bharat Mehta set the scene, noting how both independent foundations and public sector funders are facing a tough time. He quoted some of the issues facing London, from Trust for London's recent update of London's Poverty Profile, [Reporting on the Recession](#). For example, unemployment is now rising faster in outer London and while unsecured debt in London is in line with the national average, problem debt is considerably higher. He noted that "poverty resides in homes where people are working – and it is rising", ie the poorest people in London are households where their source of income is low earnings.

He reminded participants of the cuts affecting London. From the June budget London took 30% of £1.4 billion cuts; the recent Spending Review identified a further real terms reduction of 26% by 2014 in local government expenditure.

**Enfield's** review of its relationship with the voluntary and community sector (VCS): Judy Flight, with her colleague Niki Nicolaou (Voluntary Sector Manager), described Enfield's current approach to supporting the VCS ([see her slides for detail](#)). The borough has the fifth largest population in London, with high ethnic diversity and number of working age benefit claimants. Among its strengths is a good proportion of older people living independently – partly ascribed to good VCS services. Among its priorities is the need to tackle the highest infant mortality rate in London (caused in part by lack of English as a first language impeding women's access to health services, in part by factors like poor quality housing, inadequate heating). £6 million a year goes into the VCS at present, nearly £1 million supporting infrastructure services.

The new administration in Enfield is committed to seeing more contracts with the VCS and as a start in refreshing policy the borough is:

- mapping funding going into the sector from each department and programme
- mapping the VCS – so far 650 organisations identified. Gap analysis is being updated – the match between organisations and areas of need
- supporting and enhancing the Voluntary Sector Strategy Group (a strategy and policy forum supported by the voluntary sector and chaired by the borough's Chief Executive)
- establishing consistency across borough departments in how contracts are let, grants made and premises subsidised. Where inconsistency remains, creating transparency over reasons
- developing a new programme (over £1 million identified for this) to invest in support and capacity-building for the VCS
- rethinking support for the VCS on how to compete for contracts
- A Third Sector Procurement Group meets monthly to harmonise different departments' approach (eg consistency in whether full cost recovery budgeting is used).

A new Cabinet post leads on community cohesion and capacity building in the third sector. Priorities also include plans to improve community facilities in the most disadvantaged parts of the borough. One example of practical support is the provision of three rooms in Community House where small organisations can make regular, part-time use of free "hot desks" to save costs and time in managing premises.

Judy's brief links the social and economic agendas, eg finding effective ways to use the voluntary sector's skills in getting excluded people on the pathway to work: she is using the borough's connections with Lee Valley employers to link them to useful VCS groups and seeing the outcome in jobs offered. The local college sees some employers "red-lining" job applications: Judy has brokered an arrangement where the college gets access to employers through the borough's contacts and in turn the college offers venues for VCS pre-qualification ESOL training.

Tough choices are being made about cuts. Of the £6 million to the VCS, £3 million is for adult social care and all of it is under review in the light of a move to personal budgets: a big shift needed in VCS mindsets as well as the borough's. For the remaining funding, areas deemed low priority will be excluded from support; high priority is given to marginalised groups, with close scrutiny of what funding has achieved. Judy and Niki are helping heads of Council services recognise the real costs of running third sector organisations (eg in using volunteers). Part of the review will examine the VCS' strengths over borough services (eg flexible provision of community transport) to achieve savings.

Highlighted in discussion:

- less public money in general but some improvement in collaborative working within the VCS and with the borough. The Big Society agenda could be developed to empower local communities and open up public sector contracts
- reduction in funding for information and advice services at the same time as demand is rising
- the trend to project-based funding which leaves VCS core functions vulnerable
- pressure for economies of scale is a cause of tension for specialist organisations: "morphing to survive" or going into mergers/consortia can distort not assist, especially if done hastily. For Enfield, learning from this was a factor in shaping the new capacity-building work.

**Merton** working in a "Compact way": Bharat noted that on the previous day Merton Council had been given the *Local Compact of the Year* Award, based on a nomination for the ways they had handled in-year cuts. Robert said how helpful the award would be in confirming for councillors and less involved officers the validity of working through the Compact.

Robert described some of Merton's characteristics: a borough that includes Wimbledon, one of the top five wards in wealth terms, and also five wards in the bottom 20%.

He talked the group through the way a basic local Compact had been developed over the years, through different administrations – Labour up to 2005, Conservative to early 2010 and now Labour again (but with no overall control). At the start Merton moved from relatively ad hoc funding decisions, open to overturning through members being lobbied, to delegated officer decisions with members only involved in appeals. In early 2009 the need for cuts in the Chief Executive's Infrastructure Fund was addressed by referring to the Compact Board who set up a sub group to consider options. Simple top slicing was rejected in favour of a reapplication process on which each applicant was considered on merit and some hard decisions taken as transparently and objectively as possible. The process was watched carefully by the local VCS and Robert saw this as a critical moment when an enhanced level of trust was built between the VCS and the borough.

Earlier this year, an urgent cut was needed in adult social care and the Compact was used through a cross-sector sub group of the Compact Board, an open meeting with the sector, and a three-month extension of funding to affected groups. The VCS designed the decision-making process, using monitoring information and asking stringent questions of groups under scrutiny. By June a recommendation was made to cut one long-term funded service. The organisation concerned lobbied publicly, arguing against the Compact process: it did not receive support from the local VCS. An open meeting discussed the needs of that service's clients and several other groups demonstrated that their current service could assist.

The same area of adult social care needs further cuts and the Council has asked the VCS to look at all its £45+ million commissioning to make recommendations. An elected group from the third sector has been given access to all costs (staff, premises, transport) and Robert has encouraged the Commissioning Manager to be as open as possible and trust the process to make good proposals. The VCS seems to take pride in the way this is working: it will be applied soon to infrastructure grants.

What builds a good relationship and gets good decisions? Robert noted there was no big strategic direction involved but a practical recognition of what works: early dialogue between Council and VCS; share problems straight away – this builds trust; recognise VCS partners' input – VCS pleased that they have redesigned the application process and that this is appreciated and publicised; remember internal PR too inside the borough, giving portfolio holders positive feedback; constantly find ways to make good practice mainstream.

How were agreement and consistency reached in the decisions – whose assessment of value is used? Robert gave some examples, eg for decisions on infrastructure “added value” was an agreed criterion, though not “leverage”. Low output organisations would not score well. One participant noted how often in adult social care good practice like user involvement could add value but also drive up costs: could this quality get lost in the commissioning process? Merton was listening to providers and trying to ensure factors in addition to the balance sheet were taken into account. Lateral thinking could be needed to elicit value (eg a suicide prevention project funded by Trust for London, rather than just counting heads involved in the project also looked at how many fewer A&E admissions there were).

Question on who was involved in the Merton Compact group from the VCS: election through the Community Empowerment Network; effort made on all sides to widen the range of people involved; and accountability to the sector in terms of reference that include expectations on reporting back.

### **Other discussion points**

In the “super council” that is forming from three boroughs (Hammersmith & Fulham, Kensington & Chelsea and Westminster), plans for joint working have not yet progressed far, but family and children’s services will be looked at first, perhaps commissioned over a bigger area.

Will “repatriated” London Councils’ money be spent on the voluntary sector? One answer was that there would be relatively little back per borough, while there are economies of scale in joint commissioning. Some of the work supported by London Councils would need to be recommissioned by individual boroughs or sub-regions. There was some sympathy for joint commissioning and that it could be more important to be involved in the decisions than to regain the funding.

Are there boroughs that see the current climate as an opportunity to crush a difficult voluntary sector? What is coming across from many boroughs is a renewed commitment to strengthening the sector to cope with change and to help level the playing field for the VCS to compete for funding. There are worries about the ending of the Working Neighbourhood Fund, despite the transitional funding offered. Two further areas of concern are the risks for funding of supplementary schools (1,000 in London) and the impact on borough services of housing benefit changes. A question on how non-statutory services, eg youth services, are faring was flagged for future discussion.

Some factors make it difficult for the VCS to win funding even in proven areas of expertise. DWP projects, for example, look likely to go to private contractors able to drive down costs and there seems a lot of evidence that borough decisions are similar (private sector and voluntary organisations operating on the biggest scale). A local authority can mitigate this by ensuring that contracts require employers to work with the VCS. The trend to payment in arrears and payment on results is tough for voluntary organisations. Some local authorities are looking at how they might help with cash flow. (But it was noted that increasingly creditors, including voluntary organisations, wait longer for all kinds of payments). NB, the Merlin Standard ([click here](#) for more information) has been developed by DWP to promote better practice and won the national Compact award 2010.

Increasingly voluntary organisations may opt for judicial review if their funding is cut. Some boroughs are treading carefully to avoid opening themselves to challenge (not least the cost involved).

There are many different approaches to phasing local authority cuts. One borough has a commitment to tapering over three years. Another is extending grants for up to 18 months and consulting widely on the best way to conduct equality impact assessments. In Enfield, the borough is reviewing all its social and economic priorities, especially non-statutory services, and bringing together commissioning managers so they understand each others’ pressures and look at all their different approaches to funding (eg full cost recovery included or not).

Question about the extent of “cross-border” working, with many ideas shared of services where it would be effective, eg health inequality (though little co-ordination is evident so far). Tower Hamlets is working on employment and child poverty with neighbouring boroughs. West London boroughs have created a forum with independent funders to exchange information and make joint bids, eg to ESF.

*London Funders will be interested to collect and share good examples of local authority practice – both in strategy development and practical examples of supporting the VCS, stretching resources, collaborating with other funders – and cutting with care. Please contact [yvonne@londonfunders.org.uk](mailto:yvonne@londonfunders.org.uk) to discuss ideas.*