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Better Together

Preparing for local spending cuts to the voluntary,
community and social enterprise sector

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FOREWORD

It is necessary for the stability of every part of the society that we get public spending under control. The decisions that will have to be made by both central and local government in the upcoming months will be extremely difficult. But it is often at the local level where cuts to public spending can most affect the capacity of the voluntary and community and social enterprise sector (VCS).

The VCS cannot be immune from these cuts in public spending. The sector has to play its part in responding to the huge challenges we face.

But cutting funding to the VCS must not be seen as the easy option. Too often the VCS are disproportionately affected when reductions in public spending are made. This risks damaging the services the sector provide for some of the most vulnerable in our communities. And often these are preventative services which in the long-term can save local public bodies significant sums of money.

Some local authorities have already started planning to manage cuts to the voluntary and community service, working in partnership with them.

A strong VCS is crucial to the creation of the Big Society. The ability of the sector to mobilise and support people and their communities put them at the forefront of the Big Society. And as more power is transferred to communities there will be an even greater opportunity for the sector to be involved in the design and delivery of public services and stimulating social action.

But in order for this vision to be realised, it is imperative that the sector, and the social capital it generates, is not weakened during this difficult period.

It is not the role of central government to prescribe how local decisions should be made. But it can provide the right framework of support to help this happen.

This government is committed to the principles of decentralisation, giving local people the power to take real control of their community. Our reforms will ensure local communities and citizens, supported by a strong VCS, and are best placed to make this happen.



Nick Hurd MP
Minister for Civil Society

INTRODUCTION

This document highlights examples of local public bodies and the VCS successfully working together to manage the impact of public spending cuts. At this point in time the way in which local areas prepare and plan for forthcoming spending reductions is key.

In many areas reductions in public spending have not yet been fully implemented. But the pressures on local finances will increase. This document illustrates local areas where good preparation has been made, putting themselves in a strong position for the difficult decisions ahead.

The case studies have been provided by local councils and local infrastructure organisations. They are examples of actions which have supported a collaborative and strategic approach to current and future reductions in local government spending.

The approaches taken in the case studies do vary. But what they all illustrate are practical ways in which local government and the VCS can work together to ensure the most efficient and effective decisions are made in relation to spending cuts, while at the same time strengthening the relationships which are so important to a strong and successful VCS.

By using these case studies in conjunction with forums such as the LGA community of practice (www.communities.idea.gov.uk) we hope that they will generate discussion and debate, facilitating the sharing of practical information on how relationships and processes can be improved across the country.

Principles of good practice

In gathering the evidence for this document it became apparent that there were a number of key principles that characterised the best practice across the country. The principles identified are :

- **Communication:** timely and honest communication by both local authorities and the VCS.
- **Collaboration:** working in partnership to explore the impact of potential cuts and ways in which the VCS can contribute to ongoing and future priorities.
- **Transparency:** ensuring information on spending cuts and service redesign are made available to the VCS in an appropriate and timely manner.
- **Strong leadership:** strong and clear leadership from both public sector and VCS leaders is essential. The role of elected members and local infrastructure organisations is particularly important.

- **Robust evidence:** decisions on spending reductions and service redesign should be based on a robust evidence base.

Underpinning the actions in all the case studies was adherence to Compact principles. Following the Compact, together with the principles identified above, serves as a coherent guide for approaching spending cuts in your area.

[We should say to every single council in the country] *'When it comes to looking at and trimming your budgets, don't do the easy thing, which is to cut money to the voluntary bodies and organisations working in our communities. Look at your core costs. Look at how you can do more for less. Look at the value for money you get from working with the voluntary sector'*

David Cameron September 2010

Case study 1- Communication

Overview

This case study relates to a local authority in the North-East of England. The success of this area in managing the reductions in public spending has been based on strong mechanisms for two way communication between the local authority and the voluntary and community and social enterprise (VCS) sector. This has been complemented by a close relationship between the deputy chief executive of the local authority and the chief executive of the local infrastructure organisation.

What has happened?

In recent years prior to setting their budget the council has called a meeting of all the VCS organisations they fund to discuss the issues raised by their budgetary intentions. In 2009, the deputy chief executive of the local authority and the chief officer of the local infrastructure organisation agreed they needed to work more closely to respond to the current and future implications of the reductions in public spending.

Communication

A key element of this work was about improving communications between the local authority and the local VCS.

The council and VCS agreed that because of the need for spending reductions a series of cross-sector meetings held quarterly was now required. These meetings would provide a forum for both sectors to raise issues and further explore the role of the VCS in service delivery, whilst also contributing to a better understanding of budget scenarios in the future. This would ensure that there were no financial surprises for the VCS and also it meant that the council was well apprised of any effects their decisions would have on the VCS.

Opportunities for increased service delivery

A further meeting was recently held to look in more detail at how the council and VCS can get the best outcomes for local communities and individuals in the face of budget cuts. There is recognition that the council and the VCS both have a public service ethos and wish to ensure that the area continues to support vulnerable people and to provide high quality services across the board. The local authority sees the VCS playing a greater role in delivering services but also wants the sector to improve their existing operations through collaboration where appropriate.

The event looked at the outcomes the council and VCS could collectively deliver and, if these services were commissioned from the VCS, what kind of tenders would work better for them. The workshops then went on to see what kind of support and infrastructure would be required to support groups in applying for, winning and delivering complex contracts. As a result of the workshops the local infrastructure organisation is working alongside the local authority, together with the chief officers of key VCS organisations in the area, to consider how the best brokerage mechanism might be structured to help smaller VCS organisations to secure contracts.

Key Principles

- **Communication** – open and honest communication carried out as early as possible to give VCS organisations as much time as possible to plan for funding reductions.
- **Shared understanding** -Recognise that local authorities and the VCS have a shared commitment to the community.
- **Robust evidence**- Decisions on funding cuts should be evidence based. Local authorities should understand the effect of cutting funding to the VCS before making the decision.

Case Study 2 – Using evidence

Overview

This case study relates to a unitary authority in the East of England. The success of this area in managing the reductions in public spending to a key grants programme has been based on strong consultation with the VCS and the development of a robust evidence base about the potential impact of funding cuts on both the VCS and the delivery of the areas key priorities and services.

What has happened?

Consultation and engagement

Earlier this year, the local infrastructure organisation CVS worked with the Council to undertake a wide ranging consultation with local organisations on the potential effects of funding cuts. The local CVS spoke with more than 100 local VCS organizations and presented the concerns the local VCS had about reduced council funding. This prompted the council to carry out a further consultation with the VCS, which was aided by the local infrastructure organisation.

This process provided robust information about the likely impact of cuts and allowed the council to conclude that investment in the VCS was the best way to ensure key services were effectively delivered. Engagement with the sector allowed the council to get evidence of the impact that their funding was having and were able to see that sudden changes to funding levels would threaten local services. This has resulted in the council deciding not to reduce funding to the VCS grants budget within the current financial year.

The council and VCS have agreed to work together to manage cuts for 2011-12 right across public service budgets. This will help to improve dialogue between organizations, and will aim to support joint impact assessments for VCS funding. A new strategic board has been established to help facilitate better dialogue between the sectors. Initially this will include stakeholders from the Council (Portfolio holder and Director included) and VCS colleagues. Wider membership will be confirmed following a review into the LSP.

Support of elected members

Support for the VCS from elected members has been crucial to this successful partnership working. The council leader is on record as stating that local VCS organisations and community groups have a unique ability to deliver tailored services for the community.

“[the] council enjoys a healthy relationship with local groups, and recognises their unique ability to deliver tailored services for the community. The decision not to make cuts at this time demonstrates that we are serious about investing in the local voluntary sector”

Leader of the Council.

Compact in action

The Compact has also been important. It creates the environment and sets the framework for working together. The area now has over 50 Compact champions within both the public and VCS sectors who feel more confident about promoting the Compact and using it to consider the impact of decisions on local communities. The area believes that building on the Compact has helped to build trust and confidence between the sectors.

Key principles

- **Collaboration** -Local authorities should work closely with their local infrastructure organisation who can help them communicate with their local VCS.
- **Strong leadership** – The support and involvement of elected members in the process was important in reinforcing the council’s commitment to the VCS and therefore reinforcing this within council officers.
- **Evidence**- Decisions on funding cuts should be evidence based. Local authorities should understand the affect cutting funding of the voluntary and community sector will have before making the decision.
- **Invest time in dialogue** – people need to feel they can engage in honest dialogue to improve a mutual understanding of different needs. This requires both sides to invest time, and to listen to each others concerns and comments.

Case study 3 – Equal partnership

Overview

This case study relates to a Metropolitan Borough authority in the North-West of England. The success of this area in managing reductions in public spending has been based on strong and open leadership from the chief executive of the local authority. This is based on an approach which treats the VCS as an equal partner in meeting the challenges of reductions in public spending.

What has happened?

Although there have been no cuts to the VCS to date, the local VCS and council know that there is likely to be spending cuts next year and so the local infrastructure organisation and the local authority are working closely to see how the effects can be minimised. The local infrastructure organisation have organised meetings between the local authority and the VCS organisations the local authority funds. The first meeting was in January 2010 and this led to a second in June 2010.

Strong leadership

The chief executive of the local authority has attended both these meetings. The chief executive has also been prepared to spend time talking to the VCS, demonstrating to all local authority employees that working with the VCS is important.

The chief executive of the council has also challenged local VCS organisations to show their leanness and their effectiveness. The sector have been asked to examine the amount of money they spend on back office functions compared to the cost of delivering services just as is happening in the local authority.

Partnership not patronage

As part of this drive for improved efficiencies the chief executive has also challenged VCS organisations to consider collaboration and mergers if necessary. This is the same challenge that has issued to internal service managers at the local authority. The local infrastructure organisation is supporting this work by helping groups develop business plans and supporting their work to plan for the cuts.

The local authority believes that public sector and VCS organisations should be viewed equally as service delivery organisations. The area has a shared vision and the council believes that all sectors have a part to play in delivering the best possible services to local communities. This 'equal partnership' approach means the council are keen for the VCS to demonstrate that it is fit for purpose in order for them to contribute to the opportunities for delivering services in the long-term.

Key principles

- **Strong leadership** -Partnership working has to begin at the top. Senior staff need to spend time to make partnerships effective.
- **Collaboration** -Local authorities should work with their local infrastructure organisation who can help them communicate with their local VCS
- **Evidence** - Decisions on funding cuts should be evidence based. Local authorities should understand the affect that cutting funding of the voluntary and community sector will have before making the decision.

Case study 4 – Creating efficiencies

Overview

This case study relates to a London Borough. The success of this area in managing reductions in public spending has been based on a strong commitment to Compact principles and an approach which acknowledges the need to continue to build the capacity and efficiency of the VCS at a time of public spending reductions.

What has happened?

Building trust and understanding

The Borough has a long tradition of partnership working between the VCS and local public bodies which means the natural reaction to difficulties is to work together on solutions. Mutual respect, trust and understanding of the value of each partner allows them to jointly think through problems and pool expertise to work on solutions. The local Compact is at the heart of this.

Local VCS organisations and the council began discussing responses to the recession and future spending reductions as early as 2008. As soon as the council received signals about the potential size of the cuts, the partners started working together on how to mitigate the impact on local communities. This conversation has continued ever since and has included VCS representation on senior level task groups with senior council officers and relevant cabinet members.

Driving efficiency

From the early discussions came a realisation that everybody would need to be more efficient. In response, since the beginning of March 2009 the VCS has begun to improve their understanding of collaboration and mergers, leading to a number of efficiency gains including more groups being open to sharing back office functions. Recognising how valuable this work has been, the local authority recently agreed to fund this work with a £20,000 grant. This has led to some successful mergers and work by the local infrastructure organisation to support trustees of VCS organisations which are no longer sustainable. This has included advice on redundancies and re-focusing the aims of an organisation as well as training in understanding the full cost of the services VCS organisations deliver.

With proper evaluation of the impact of grant funded projects, it has been found that the council's grants programme has provided good value for money. Therefore the grant budget has been maintained at previous funding levels for 2010/2011. However this doesn't mean that the same organisations will simply continue to be funded in the same way; there are still ongoing changes to this as priorities shift and organisations win or lose their funding.

The budget position from March 2011 is also being discussed, and partners intend to collaborate closely when setting priorities and deciding who is best placed to deliver services.

Key principles

- **Strong communication** - Early, open discussion based on mutual trust is vital to underpin this relationship.
- **Measuring impact** – The council evaluated the impact of its grants, providing a robust evidence base to develop their grants programme.
- **Supporting efficiency** -The VCS has to be ready to adapt to tighter circumstances but must be supported to do so.

Case study 5 –Strategic planning and transitional support

Overview

This case study relates to a county council in the South-East of England. The success of this area in managing reductions in public spending has been based on strong strategic planning and a real focus on building the capacity of the VCS to respond to new opportunities to deliver public services in the county.

What has happened?

Communicating the message

The local infrastructure organisation recently ran a conference, sponsored by the local authority, aimed at supporting VCS organisations in the area through the economic downturn. There were over 160 people in attendance which provided a networking opportunity for organisations to meet with commissioners and attend workshops on a variety of different topics. The local authority's assistant chief executive was a keynote speaker and outlined the council's framework for working with the VCS in the area.

The council's procurement team also ran a successful workshop at the event. This focused on the current budgetary challenge, the need to involve VCS in redesigning and delivering more services focused on outcomes, and opportunities for them to help the council meet the challenge. The workshop also included a session on the different aspects of the commissioning cycle and the role of procurement.

A framework for action

The council have also produced a framework for working with the VCS. The framework, which has been developed in partnership with the local NHS, district councils and VCS aims to bring clarity and consistency in the way the council works with the VCS. It builds on the principles of the Compact and is based around a number of themes including improving partnership working, ensuring transparency and fairness and promoting innovation and sustainability. Key actions for the council include involving the VCS in all work which would impact on residents, service users and carers at the earliest opportunity.

The council hope that by implementing the actions set within the draft framework, the council will become more outcomes focused. It is hoped that the framework will also help remove duplication and ensure value for money whilst delivering innovative, quality services through the VCS.

Transitional support

In order to support this strategy in the short-term the council are exploring the possibility of setting up a transition group. This group would aim to support VCS organisations whose funding is more than £5000 and where this may be cut completely or significantly reduced. Once these organisations have been identified the council will offer confidential and independent help and advice. The advisor would then help them to explore alternative funding opportunities or if necessary ways in which the organisation or service could be decommissioned while minimising any direct effect on their clients.

Key principles

- **Transparency and accountability** – setting a clear framework for working with the VCS provides strong transparency and accountability.
- **Communication** – organising a cross-sectoral event provided a good opportunity to communicate with the sector and engage in productive dialogue.
- **Strategic planning** – discussions about the medium-long term role of the VCS in supporting community priorities is important in making informed decisions on spending cuts.

Help and resources

NAVCA

www.navca.org.uk

Compact

www.compact.org.uk

Compact voice

www.compactvoice.org.uk

LGA VCS community of practice

<http://www.communities.idea.gov.uk/welcome.do>

National Survey of Charities and Social Enterprises

www.nscsesurvey.com

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