

Appendix 2

Midlothian Council Review of Grants Process – Summary of Co-Production Panel Recommendations

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1. Introduction

This document summarises the report 'Midlothian Council Review of Grants Process: Co-Production Panel Recommendations). The full report is available at www.midlothian.gov.uk/funding and in the Members' Library.

Section 2 of this summary provides extracts of key information in the review. Section 3 details the research that was analysed by the Panel and the Engagement Programme that was undertaken. Also described are the impact and risks analysed in developing the Panel's proposals. Section 4 provides the Panel's detailed recommendations. The final section of this document presents a comment from the voluntary sector about their involvement in the Review.

The Panel's full report provides more detail in relation to the above, as well as describing the background and rationale to the project and the approach of a Co-Production Panel.

2. Key Information

Key information comprises the list of current grants; the proposed replacement grant streams; and examples of impact of the new grant streams.

List of current grants

Table 1: List of current grant streams

Grant stream	How funding is currently used
Regeneration: Former Fairer Scotland Fund	Historically a ring-fenced anti-poverty/social exclusion fund from Scottish Government up to a 3-year period. Highest allocation ever received was approx £860,000. Current focus to mitigate impact of Welfare Reform, child poverty and positive destinations. Community capacity building was removed from the criteria. Current budget of £500,000 is committed to 2015/16.
Regeneration: Payments to Outside Bodies	Revenue grants to 6-8 community organisations. Only those with current allocations are invited to apply.
Regeneration: Small Projects Fund	Small fund with a maximum allocation of £1500 to fund anti-poverty, social inclusion and community capacity building projects.
Community Learning & Development	Grants are provided to organisations focused on youth & children's work, adult learning, and building community capacity.
Community Sport & Art Groups	Currently 10 pavilions leased to community groups, who receive a 95% grant towards the leasing cost. These groups include local football clubs and community arts groups. Grants are also provided to a wide range of groups active in enhancing community life in Midlothian, such as local bands, festivals and gala days, community groups, senior citizen groups and sports groups.
Community Councils	Community councils are required to receive an administrative grant to run the Community Council, as stated in the existing (and proposed) Scheme of Community Councils for Midlothian. Current formula (based on population) no longer appropriate.

Grant stream	How funding is currently used
Education – Section 10 Grants and playgroup grants	Section 10 grants to Children's Services are recurring grants to four organisations which promote social welfare to families, target support vulnerable/social excluded members of society and promote community development / capacity building. Section 10 grants to playgroups are recurring grants to playgroups to deliver an early years service.
Early years and Childcare	Grants awarded to organisations with which the Council works in strategic partnership to support our Early Years & Childcare and GIRFEMC priorities.
Community Safety	Community safety partners from the Community Safety Delivery Group, and other partners, are invited to apply to this fund annually. The funding is to take forward community safety projects, campaigns or diversionary projects. Projects include Cooldown Crew (Fire & Rescue leadership programme for young people), couple counselling, PlusOne mentoring project. The fund has been reduced to £41,100 for 2014/15 onwards, of which £15,000 is committed in 2015/16.
Economic Development – Supported Org's	Grants are provided to organisations with which the Council works in strategic partnership to support economic growth.
Adult health and social care	There are a variety of small grants provided to organisations which promote social welfare e.g. lunch clubs.

Proposed replacement grant streams

The following table gives a very rough estimate of how the grants budget is currently allocated, compared to the allocation proposed by the Co-Production Panel. It is difficult to make this comparison as the current grant streams are significantly different to those proposed. A current grant recipient may apply to one or more of the replacement grant streams. With this in mind, there is similarity between the current and proposed proportion of funding to each grant stream. There is an increased emphasis on funding work that is focused on developing communities.

Table 2: Proposed grant streams

Proposed grant stream	Current allocation of budget		Proposed allocation of budget	
	Projected spend 2014/15	Proportion of budget	Suggested spend	Proportion of budget
1. Poverty	£587,613	39%	£530,092	35%
2. Developing communities	£208,492	14%	£272,438	18%
3. Employability, learning & training	£331,729	22%	£374,919	25%
4. Health & physical activity	£283,059	19%	£233,445	16%
5. Council building rent	£88,782	6%	£88,782	6%
Total	£1,499,676	100%	£1,499,676	100%

Each of the proposed grant streams is detailed overleaf.

Poverty (35% of budget)¹

Applications in relation to key stakeholders such as early years, young people and older people as well as cross-cutting issues such as social inclusion and health inequality can apply to any grant stream.

Awards are for up to 3 years

Outcomes	Themes	Examples of the types of activities that would be funded
<ul style="list-style-type: none"> Vulnerable households are better able to manage their finances. Individuals experiencing financial crisis have better access to support. 	<ul style="list-style-type: none"> Financial management, including income maximisation. Advice and representation including welfare rights. 	<ul style="list-style-type: none"> Income maximisation: Ensure people can claim everything they are entitled to and make the best use of their income. This could be family income maximisation, work with young single men, or other vulnerable groups. Financial inclusion: strategic initiatives that reduce barriers to have equity of financial access. This could include work to address issues such as pay day loans, the absence of cash machines, etc. Provide guidance, support and signposting to those experiencing fuel poverty, food poverty and debt. Activities that are designed to mitigate welfare reform. Activities which address poverty in its widest sense including poverty of experience for children, young people, families and communities. Representation, advice, support for appeals. Support through implementation of universal credit. Provision of welfare rights services. Social inclusion - activities which reduce isolation.
	<ul style="list-style-type: none"> Innovation structure funds 	<ul style="list-style-type: none"> Small projects e.g. feasibility studies, pilots, business plans, option appraisals, reviews, consultation.
	<ul style="list-style-type: none"> Transitional funding pilot 	<ul style="list-style-type: none"> Ring-fenced short term funding for essential staff costs for a 3 – 6 month transitional period. Will need to be monitored for success.
Small grants fund (approximately 7% of budget, £40k, 1 bidding round every year. Same outcomes as above.)	<ul style="list-style-type: none"> Any of the above. 	<ul style="list-style-type: none"> Examples such as the above, but on a very small scale up to £3,000.

¹ Former Fairer Scotland Funding (FFSF) is committed in 2015/16 so the budget would be reduced accordingly to reflect that commitment.

Developing Communities (18% of budget)²

Applications in relation to key stakeholders such as early years, young people and older people as well as cross-cutting issues such as social inclusion and health inequality can apply to any grant stream.

Awards are for up to 3 years.

Outcomes	Themes	Examples of the types of activities that would be funded
<ul style="list-style-type: none"> Communities of interest and place are more resilient, cohesive and safer. Communities of interest and place have more capacity to act for the benefit of their community. Local communities are better enabled to thrive through community action, the development of social enterprise and community asset ownership. Anchor organisations (e.g. community councils, development trusts) have improved ability to represent their local communities. The third sector is 	<ul style="list-style-type: none"> Community third sector development. Social enterprise. Volunteering. Culture, arts and heritage. Community safety (note: there are committed funds of £15k in 2015/16) Economic growth 	<ul style="list-style-type: none"> Activity which assists local communities and communities of interest to 'thrive and survive'. Building the capacity of community members and organisations. Support to the third sector to maintain and develop quality services. Training for community groups/members, volunteers and volunteer-involving organisations. Such as leadership/influencing skills, training/seminar costs, business planning support. Supporting and developing organisations to undertake trading activities / bid for contracts Development trusts. Consultancy and staff costs. Support organisations to acquire and develop assets. Events Materials Small pieces of equipment Encouraging and supporting individual volunteers and volunteer-involving organisations within communities. Training for Developing new volunteer-involving projects. Volunteer expenses. Community safety awareness campaigns e.g. public reassurance Improving safety of homes and neighbourhoods Anti-social behaviour projects and activities to promote positive social development of children and young people Intergenerational projects and activities to support community cohesion

² Former Fairer Scotland Funding (FFSF) is committed in 2015/16 so the budget would be reduced accordingly to reflect that commitment.

Outcomes	Themes	Examples of the types of activities that would be funded
<p>supported to grow and is able to influence the community planning process.</p> <ul style="list-style-type: none"> Key economic sectors are supported to grow. 		<ul style="list-style-type: none"> Improvements from neighbourhood plans Local culture Celebrating history Arts, drama and music Gala days Social inclusion - activities which reduce isolation. Business support and economic recovery activities e.g. business support, business development, tourism promotion, key economic sector development
	<ul style="list-style-type: none"> Innovation structure funds 	<ul style="list-style-type: none"> Small projects e.g. feasibility studies, pilots, business plans, option appraisals, reviews, consultation.
	<ul style="list-style-type: none"> Transitional funding pilot 	<ul style="list-style-type: none"> Ring-fenced short term funding for essential staff costs for a 3 – 6 month transitional period. Will need to be monitored for success.
Community council fund (1 bidding round every year)	<ul style="list-style-type: none"> Community council running costs (minimum £300). Ring fenced £10k) 	<ul style="list-style-type: none"> Associated admin, running costs (core costs) e.g. stationary, postage, photocopying. Website costs Licence fees
Small grants fund (approximately 14% of budget, £40k). 1 bidding round every year. Same outcomes as above.	<ul style="list-style-type: none"> Any of the above. 	<ul style="list-style-type: none"> Examples such as the above, but on a very small scale up to £3,000.

Employability, Learning and Training (25% of budget)³

Applications in relation to key stakeholders such as early years, young people and older people as well as cross-cutting issues such as social inclusion and health inequality can apply to any grant stream.

Awards are for up to 3 years

Outcomes	Themes	Examples of the types of activities that would be funded
<ul style="list-style-type: none"> Individuals are better equipped to access the labour market. The quality of life of Midlothian residents is improved through lifelong learning. Midlothian residents are better able to be successful learners and are more likely to go on to positive destinations when they leave learning. 	<ul style="list-style-type: none"> Positive destinations for all. Life skill development. (Informal) youth work. 	<ul style="list-style-type: none"> Activities which support people of all ages to access learning, training, employment, volunteering and self-improvement opportunities. Personal/social development (social skills), communication, managing finance, cooking, parenting etc Volunteering in order to increase employability prospects. Skills development Employability skills. Citizenship/relationships. Social inclusion - activities which reduce isolation.
	<ul style="list-style-type: none"> Innovation structure funds 	<ul style="list-style-type: none"> Small projects e.g. feasibility studies, pilots, business plans, option appraisals, reviews, consultation.
	<ul style="list-style-type: none"> Transitional funding pilot 	<ul style="list-style-type: none"> Ring-fenced short term funding for essential staff costs for a 3 – 6 month transitional period. Will need to be monitored for success.
Small grants fund (approximately 5% of budget, £20k, 1 bidding round every year). Same outcomes as above.	<ul style="list-style-type: none"> Any of the above. 	<ul style="list-style-type: none"> Examples such as the above, but on a very small scale up to £3,000.

³ Former Fairer Scotland Funding (FFSF) is committed in 2015/16 so the budget would be reduced accordingly to reflect that commitment.

Health and Physical Activity (16% of budget)⁴

Applications in relation to key stakeholders such as early years, young people and older people as well as cross-cutting issues such as social inclusion and health inequality can apply to any grant stream.

Awards are for up to 3 years.

Outcomes	Themes	Examples of the types of activities that would be funded
<ul style="list-style-type: none"> Individuals in Midlothian have improved health and wellbeing through participating in physical activity. Individuals in Midlothian have an increased number of affordable and accessible opportunities to engage in more healthy lifestyles (physical and mental health and wellbeing). 	<ul style="list-style-type: none"> Sports clubs/groups. Active leisure. Active travel. Health promotion. 	<ul style="list-style-type: none"> Constituted clubs/groups that through sport provide a pathway from participation to performance. Start-up clubs – all ages. Groups of all ages. Sporting and non-sporting (e.g. dance, walking). Access to countryside (footpaths/walkways/cycle ways). Cycling, walking, running. Health promotion activities e.g. breast feeding, healthy eating, drugs/alcohol, sexual health, teenage pregnancies. Mental health and wellbeing e.g. supporting people with experience of mental ill health as well as promoting positive mental health such as resilience, quality of life, self-esteem and self-efficacy. Social inclusion - activities which reduce isolation.
	<ul style="list-style-type: none"> Innovation structure funds 	<ul style="list-style-type: none"> Small projects e.g. feasibility studies, pilots, business plans, option appraisals, reviews, consultation.
	<ul style="list-style-type: none"> Transitional funding pilot 	<ul style="list-style-type: none"> Ring-fenced short term funding for essential staff costs for a 3 – 6 month transitional period. Will need to be monitored for success.
Small grants fund (approximately 17% of budget, £40k, 1 bidding round every year). Same outcomes as above.	<ul style="list-style-type: none"> Any of the above. 	<ul style="list-style-type: none"> Examples such as the above, but on a very small scale up to £3,000.

⁴ Former Fairer Scotland Funding (FFSF) is committed in 2015/16 so the budget would be reduced accordingly to reflect that commitment.

Council Building Rent (6% of budget)

Awards as per lease agreement.

Outcomes
<ul style="list-style-type: none">• Rent of a council building is provided to a qualifying grant recipient.

There will be no change to those that have a commitment of funding to pay for council building rent (in a lease agreement). There will be a change in the process for how a new applicant could apply. If the Council decides to make any further buildings available, the Council Building Rent grants stream would need to be increased appropriately; and decreased for withdrawal of buildings available via grant-aided rent. The grant stream would also increase appropriately to reflect any changes to rents e.g. market value changes. There would be no change to the mechanism for rent payment: rent would continue to be paid to the budget code currently used.

Examples of impact

Irrespective of any savings to be garnered, all current grant recipients would be affected by the proposals, ranging from simply using a different application form and monitoring process, through to receiving a different amount of funding or no funding going forward. It is not possible to extrapolate from the proposals how each current grant recipient will be affected. Should Council decide to reduce the overall grants budget, the effects would be felt at the bidding round, where fewer organisations would receive funding (or there would be less funding to all applicants).

The following are fictional examples of potential impact on individual organisations which apply for a council grant.

Table 3: Examples of impact

1. A junior football club currently applies for a grant every year and receives £2000. Under the new approach the club applies to the Health and Physical Activity small grants fund. Their application is unsuccessful as there are other clubs which more clearly demonstrate that they meet the desired outcomes of the grant stream and the scoring criteria, such as evidencing need and value for money. The club is supported to identify alternative sources of funding (although with no guarantee of success).
2. An older people's social club currently applies for a grant every year and receives £700. Under the new approach the club applies to the Poverty small grants fund and is awarded the lesser amount of £400. The club is supported to identify alternative sources of funding, if possible.
3. A community council currently applies for a grant every year and receives £500. Under the new approach the council applies to the Developing Communities grant stream and is entitled to receive £300. As part of the council's application, they present a business case for extra funding to develop a website. An extra £200 is awarded for this purpose.
4. A group which began 2 years ago applies for funding for the first time to deliver a new project to improve the experiences of children experiencing isolation as a result of poverty. Their application to the Poverty grants stream for £4,000 is successful.
5. A service which supports young people to access employment received £10,000 funding last year. The service applies to the Employability, Learning and Training grant stream for £15,000 to further develop the service. Their application is successful as they are able to competitively demonstrate that they meets the grant streams outcomes and scoring criteria such as alignment with the key priority of positive destinations.
6. A gala day committee applies to the Developing Communities small grants fund for £1100 to support gala day costs such as insurance. The committee is awarded the lesser sum of £500 with support offered to identify alternative sources of funding.

3. Work of the Co-Production Panel

Research

Research was gathered primarily between October 2013 and January 2014 and included analysing how current grants streams work; how other local authorities have improved their grants processes; external funding availability; and a case study of the impact of monitoring requirements on a voluntary sector organisations. The Panel used this information to develop their proposals.

- Grants stream processes, application forms, criteria and monitoring requirements differ across the Council, and across local authorities.
- The Internal Audit of Following the Public Pound points to improvements in the grants process e.g. annual report required for Council.
- There are substantial monitoring requirements on voluntary organisations.
- Midlothian Council funding enables the voluntary sector to lever in external funding. There is a wide variety in the amount of external funding available and most funds focus on deprivation and isolation.

Engagement Programme

The Panel decided to engage with the wider voluntary sector and other stakeholders to inform their work. The engagement programme comprised:

- An electronic stakeholder survey, distributed by email by MVA to all member organisations and by council officers and community planning partners (thematic leads) to voluntary sector organisations. Also available in paper copy. 94 responses to the questionnaire were received, giving a response rate of roughly 31%.
- A focus group with Midlothian People's Equalities Group.
- A workshop at the Voluntary Sector Forum.
- An information evening for stakeholders.
- Follow up meetings e.g. attendance at the Federation of Community Councils following a query by one of the councils.
- Updating the Council website with the latest information about the project.
- Ensuring that all current grants materials being sent to grant recipients (e.g. application and monitoring forms for the current year) include information about the grants review and methods of engaging.

Key results:

- A high percentage of respondents agreed with the proposed grant streams (81%) and proportion of funding allocated (69%). However, there were a significant number of comments regarding additions/changes to the grant sub-streams and funding allocation.
- Respondents whose organisation's work is directed at one or more equalities client group are less likely to agree with the proposed grant streams (69%).
- Respondents support the use of small grants funds and significantly support the use of co-production funding panels (86%).

- There is support for providing grants for up to 3 years, rather than annually (63%).
- Just over half of respondents (55%) feel that grants processes can be improved through clear communications, consultation and promotion of available grants.
- 49% of those respondents who receive both Midlothian Council funding and other grant funding, rely on their council grant to draw in some or all of their external grant funding.
- A high percentage of respondents made reference to clear, well timed and transparent communication in regards to funding reductions and allocation changes.

As a result of the engagement exercise, the Panel finalised their proposals for the grant streams.

Impact and Risk

Stakeholder comments

Stakeholders were asked for the positive and negative implications of the proposed grant streams and funding allocation. 22% of survey respondents made reference to the grant funding having a positive effect on the local community, including people's lifestyles, health and wellbeing. 28% of survey respondents suggested that the new proposed grant streams bring more clarity to the grants process.

Negative comments included noting some groups may struggle e.g. due to increased competition; whether groups would fit into the new grant streams; and how available funding should be distributed across the grant streams.

Financial impact

Current grants were analysed to give a crude comparison of how funding would change with the proposed grant streams. It is difficult to make this comparison as the current grant streams are significantly different to those proposed and current grants could in future apply to more than one of the new grant streams. Table 2 shows there is potentially increased emphasis on funding work focused on developing communities.

Impact on priorities

This crude analysis also suggests some changes in alignment with the Single Midlothian Plan. The scoring criteria emphasise Single Midlothian Plan priorities.

Equalities impact

Using the same simple method of analysis, the results suggest that currently the majority impact of the grants budget is on poverty. There is also significant impact in age (older or young people). The analysis suggests that the proposals would increase the impact of age and reduce for other protected characteristics. There could be a missed opportunity to address positive impact on those groups currently not benefiting from grant funding. An equality impact assessment was created at the start of the project and updated periodically. This was also informed by a workshop

with the Midlothian People's Equality Group, as part of the engagement programme. A number of actions have been taken to help mitigate negative equalities impact and address potential missed opportunities e.g. the application form and scoring criteria will include looking at how applicants are seeking to widen access to their service.

Risks

The Panel developed a table of risks that could result from their recommendations. This exercise included identifying mitigating actions which have been used to further refine the project recommendations.

Potential risks include for example:

- Reputational risk to the Council due to adverse publicity or challenges over decision-making, resulting in loss of trust of community.
- Voluntary sector redundancies, resulting in reduced economic growth and negative multiplier.
- Increased pressure on third sector staff and volunteers to fund-raise, resulted in efforts diverted from service delivery into fundraising.

Mitigating actions include for example:

- New grants application process must include a clear and transparent decision-making process.
- Integrated package support from community planning partners to the third sector (including support to access alternative funding).

4. Detailed Panel Recommendations

1. Create 5 replacement grant streams:

1) Poverty:	35% of available budget.
2) Developing communities:	18%
3) Employability, learning and training:	25%
4) Health and physical activity:	16%
5) Council building rent:	6%

Significant changes include:

- Sports and leisure: move to annual competitive bidding round instead of eligibility threshold.
- Community councils: move to minimum amount per council for running costs (£300). Can apply for more funding if required (and within budget).
- Restrictions will be lifted for groups which are currently unable to access certain grant streams e.g. community councils, equalities groups (e.g. faith groups) and uniformed groups, subject to clear criteria about the use of the relevant grant. The Council and other public sector partners (e.g. Police and Fire) could apply to grant streams.
- Small grants funds created for 4 of the grant streams (not Rent)

There is no 'Environment' grant stream, reflecting the availability of the annual Members' Environmental Fund (total £234, of which £54k is revenue and £180k is capital).

2. Clear process of grants provision for council building rents.

3. No peppercorn rents should be agreed in future. Organisations currently paying a peppercorn rent should be reviewed for alignment with council policy.

Grants which are used to pay for council building rents, and which are currently embedded within an organisation's grant, should be moved to a separate Council Building Rent grants stream. Where a grant applicant additionally requires a grant for their rent for a council building, they would make a separate application to this grant stream. This provides clarity over the amount of grant being used to pay rental costs for council buildings. If the Council decides to make any further buildings available, the Council Building Rent grants stream would need to be increased appropriately; and decreased for withdrawal of buildings available via grant-aided rent. The grant stream would also increase appropriately to reflect any changes to rents e.g. market value changes. There would be no change to the mechanism for rent payment: rent would continue to be paid to the budget code currently used.

4. Amend the methodology of disbursing grants.

- Appoint 5 Grant Stream Leads (minimum fourth-tier management), who should risk-assess their grant streams.
- Improve consistency of communication to current and potential applicants. Actively encourage equalities groups to apply and offer support to complete applications. Single webpage for grants to organisations. Can apply online and by paper. Easy read version available.
- Revise application, service level agreement and monitoring forms and processes.
- Use Co-production Panels for grant streams, including ensuring that vested interest, confidentiality and training/induction are addressed appropriately.
- Sign off process by director and elected member rather than Council. This will help to keep the decision-making timetable short and reduce bureaucracy. Following the Internal Audit of Following the Public Pound, Council will receive an annual report of all payments to other bodies, including grant payments.
- Develop grant amount thresholds which would trigger certain governance activities e.g. risk, service level agreement and monitoring purposes. These proposals require to be further developed as the detail of new the new processes is developed.

5. Implement the Integrated Package of Support from Community Planning Partners

When asked how the Council and community planning partners can best support organisations through changes to the grants process, 60% of survey respondents made reference to transparent and well timed communications about timings and impact of funding reductions. The Panel proposes to deliver a package of support to current and potential grant recipients:

- **Training:** Midlothian Voluntary Action (MVA) training programme with support from the Council i.e. having difficult conversations, redundancy, scenario planning, redundancy.
- **Preparing for new grant applications:** MVA and Volunteer Midlothian with support from the Council e.g. awareness-raising and training about new grants systems.
- **Partnership working:** Community Planning Partners prepare for changes and MVA promote effective partnership working.
- **Supporting change through leadership:**
 - Social Enterprise Midlothian support the Chief Officers Group.
 - Employee Assistance: Midlothian Council include access for 15 voluntary sector organisation employees to their Employee Assistance Programme for 1 year.
 - Leadership Development: Midlothian Council offer free access to their leadership development course to voluntary sector leaders, where there are available spaces.

6. **Note there is a spectrum of views across the Panel regarding the potential for savings from the grants budget, ranging from 0% to 17% savings.**
7. **Ensure commissioned services (out of scope of this review) deliver Best Value and contribute savings.**

Within the context of the current financial challenge, the size of the grants budget is influenced by the following issues:

- Starting figure: At the outset of the project, the grants budget for 2013/14 was estimated in the region of £3million.
- Remove commissioned services: Commissioned services are not within scope of the review. Through analysis, certain items previously identified as grants were re-classified as commissions. The full list of commissioned services not within scope of this review totals approximately £3.5m. The voluntary sector representatives would have preferred a broader project scope to include some of the items which have been identified as commissions.
- Budgeting and savings already identified: The budgeting cycle for 2014/15 resulted in some changes to the grants budget, including savings of £35k.
- **Final grants budget:** Taking the above into account, the budget for 2014/15 is just under £1.5m.
- Rent: The grants budget also contains £89k of grants which are used to pay rent of council buildings. There should be no saving from this element of the budget, as there would be no overall saving to the Council.
- Committed spend: There is currently committed spend in 2015/16 of £15k (community safety) and £500k (Former Fairer Scotland Fund).
- **Grants budget that could be subject to savings:** The remaining budget which could be subject to savings in 2015/16 is therefore £895,894. Thereafter the budget of £1,410,894 could be subject to annually recurring savings.

Rationale and risks of making savings:

- The Council's Financial Strategy notes that 60% of the Council budget is fixed or difficult to change. Notwithstanding other mechanisms of finding savings (e.g. Transformation Programme), to balance the budget would require the equivalent of a 17% reduction in the remaining 40% of services.
- The engagement programme found that 49% of survey respondents, who receive both Midlothian Council funding and other grant funding, rely on their council funding to draw in some or all of their other grant funding.
- The Panel notes risks associated with cutting the budget, such as redundancies and closure.

Voluntary sector panel members therefore recommend no saving applied to the grants budget.

8. Implement all replacement 3 year grant streams simultaneously.

- The engagement results show that there is support for providing grants for up to 3 years, rather than annually. This benefits all stakeholders in the security of funding to deliver outcomes over the medium term. Therefore each grant stream would open once every 3 years, providing grants for up to 3 years (bidding to the Council Rents grants stream would instead take place on a case-by-case basis, as existing commitments come to an end).
- The Panel proposes that bidding for all grant streams occurs in the same year. This would result in a clear ending of all current grant streams, excepting those that are currently committed (e.g. Former Fairer Scotland funding is committed up to and including 2015/16).

9. Agree implementation timing

The Project Definition Document requires implementation of the new grants process for 2015/16. Implementation includes:

- Process changes
- Budget changes
- Templates and website development and piloting
- Staff training
- Awareness-raising and training for voluntary organisations
- Marketing and advertising of new grant streams
- Recruitment of Co-production Panels
- All actions to support organisations

The Panel set out 4 implementation options:

- a. Full implementation for 2015/16 (*preferred by Corporate Management Team; achieves original project deadline but deemed not viable by Co-Production Panel*).
- b. Implement by October 2015/16 (6-month extension of existing funding, top-sliced);
- c. Implement by April 2016/17 (top slice during 2015/16); or
- d. Implement by April 2016/17 (no savings until 2016/17) (*preferred by voluntary sector*)

Risks and benefits of implementation timing

Essentially the question is whether to forge ahead with implementation or delay. Risks and benefits are summarised below:

Implementation by 2015/16:

- **Benefits:** An implementation without delay aligns with the original timescales of the project; maintains momentum of the project; enables improvements to be made to processes as soon as possible; and provides some early savings.

- Risks: There is a short timescale to do a large amount of work; the bulk of which needs to take place in the summer when there are fewer staff/volunteers at the Council, MVA, the Volunteers Centre and grant/applicant organisations. The timing and short timescale increases the risk that stakeholders may be unprepared to present an application during the 6-week application window starting in September. Recommendations would need to be signed off in December. If there is any delay (e.g. not approved or otherwise challenged), those organisations which are unsuccessful in their funding bid may not be able to provide 12 week notification to staff to be released, or may not have sufficient time to seek alternative funding.

Staggered or delayed implementation:

- Benefits: Greater staff/volunteer availability for implementation. Longer time frame for bidding to ensure applicants are aware of the new process and able to submit an appropriate bid. More appropriate time-frame for unsuccessful organisations to release staff and to seek alternative funding.
- Risks: Staggered implementation would involve complex transition arrangements. Continuation of current grants system, which is felt to be flawed. There would be a delay in making savings (top-slicing could be used meantime, but without strategic alignment with priorities). A less complex option would be to delay by a complete year to 2016/17, but this increases pressure on the consequences of not making financial savings as programmed.

10. Request the Co-Production Panel to develop and put in place an implementation plan

5. Voluntary Sector Comment

Involvement in the Grants Review Panel has been a very positive experience. We now have a better understanding of how the Council allocates funding to the voluntary sector, and we welcome the opportunity we have had to be involved in shaping the new grant priorities and processes.

We are broadly in agreement with the recommendations in the report, but wish to add our own comments in three areas:

1. Level of Cuts
2. Scope of Cuts
3. Implementation

Level of Cuts

We have heard a consistent message from Midlothian Council over the past year, which is that the Council is looking to ensure its services are competitive and provide Best Value (which includes looking at outsourcing to the Third Sector if this is the best value), and the Council and partners are looking to target their resources at key priorities and support communities to increase their own capacity to influence quality of life and outcomes at a local level. We have also seen moves by the Council to develop partnerships with the Third Sector to draw down external funding, pursuing funding which is only open to voluntary organisations.

Against the background of these expectations, we find it strange that rather than investing in the sector, the Council is actually moving to cut voluntary sector grants. Council grants have been at a stand-still for a number of years, meaning that voluntary organisations have suffered a cut in real terms, at the same time as seeing rising fuel, food and utility costs.

Without stable core funding, voluntary and community groups will not be able to lever in external funding which supports the key priorities of the Single Midlothian Plan, or play a full role in assisting Midlothian Council with its business transformation priorities.

Our Recommendation: No cuts to the grants to the Third Sector.

Scope of Cuts

There was a great deal of discussion at the Panel regarding which voluntary sector funding was within the scope of the Review, and what wasn't. After considerable debate it was apparent that in some cases, the designation of funding to a Third Sector organisation as either a grant or a commissioned service was at the discretion of the budget holder. Therefore we would like to see any cuts made across the total set of payments to Third Sector bodies.

Our Recommendation: If cuts are to be made, they fall equally on 'in scope' and 'out of scope' budgets.

Implementation

We have deep concerns about the proposed timescale for the implementation of the changes, particularly as Midlothian Council is currently undertaking a restructuring of staffing, and does not yet know who would be leading on the different streams. The new timetable would require substantial amounts of work to develop the grant streams, application forms, and publicise the changes to be undertaken over the summer, when most organisations are short of staff. In addition, many of the community groups who will be affected do not meet over the summer months. We are concerned that organisations will miss out on their opportunity to apply, and therefore be excluded from funding for up to three years.

Our Recommendation: The process is delayed for one year to allow an appropriate timescale for implementation.

Council response

Midlothian Council is committed to co-producing services and has welcomed the involvement of voluntary sector and community planning partners in jointly reviewing the Council grants process.

The Council recognises the voluntary sector's concerns about the potential level of savings. The Council's [Financial Strategy](#) states:

"The financial outlook is such that it is clear that over the coming years there will be a need for retrenchment bringing the withdrawal and dilution of services."

In the current financial climate, the Council is seeking savings in all areas of funding. The Council will continue to test services for Best Value (and to make savings), including those commissioned services which are out of scope of this review. However, there are also examples across the Council and partners of increasing moves towards delivering services through the voluntary sector.

For example, within the field of community care the Change Fund, introduced to reshape older people's services, has emphasised the contribution of the third sector, with £175,000 invested in Midlothian in 2013-14. The Integration Fund to accompany the implementation of new health and social care arrangements in 2015 will continue the focus on joint working with voluntary organisations. The third sector provide a wide range of preventative services such as tool for fruit, support upon discharge from hospital (Red Cross) and small repairs round the home through the handyman service. The third sector are particularly effective in helping address social isolation, and supporting the growing number of initiatives to promote user and carer networks and peer support e.g. Cafe Connect (disability); Recovery Cafe (substance misuse); and the Pink Ladies (women with mental health issues). In addition to this grants review, future opportunities for joint working with the voluntary sector will arise through a continued focus on co-productive models for delivering and improving services.