

**VOLUNTARY AND
COMMUNITY SECTOR
GRANT FUNDING
GUIDANCE AND
PROCEDURES**

Foreword

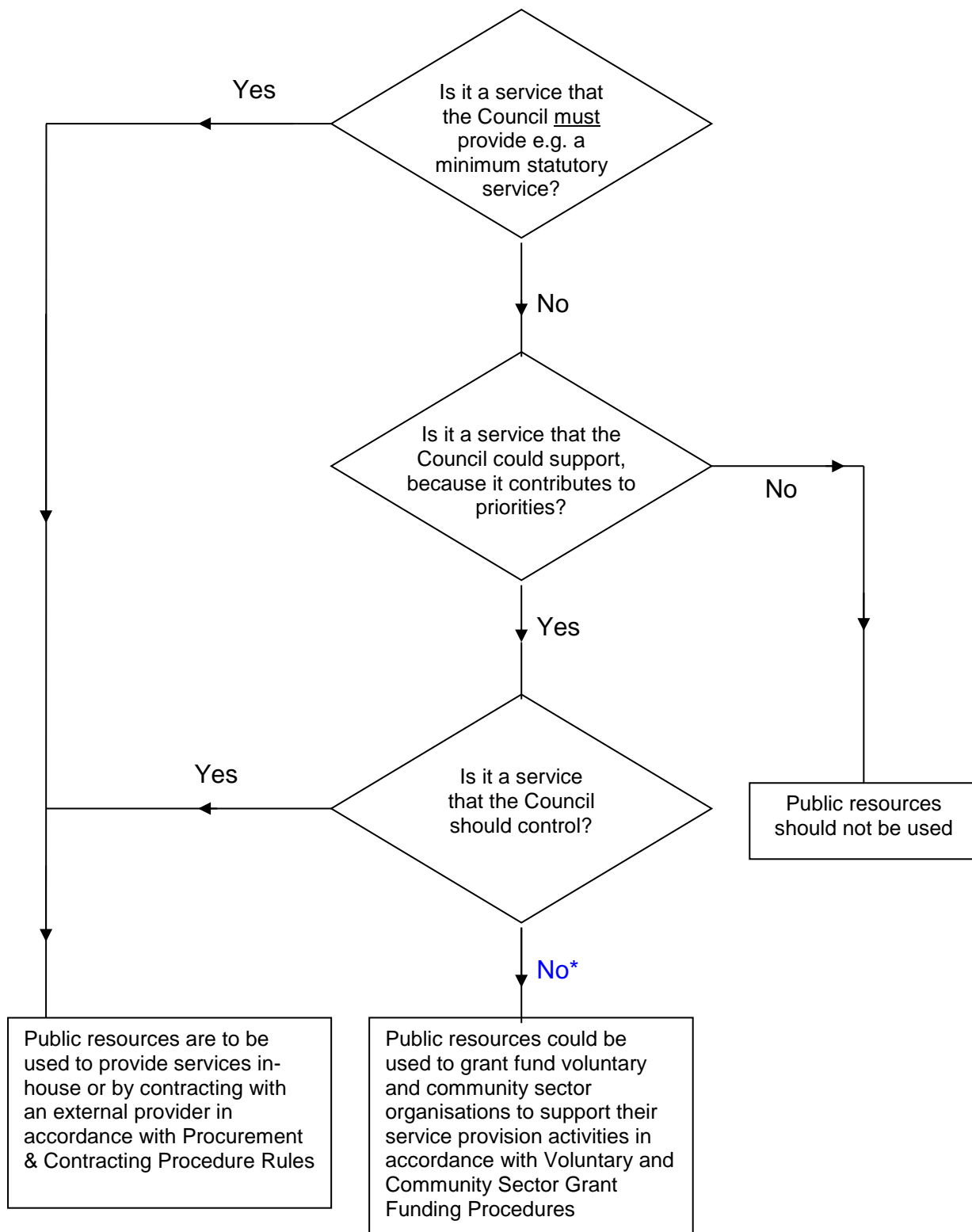
Service Design/Business Planning and the Use of Public Resources Considerations

Service design/business planning should identify the services required to meet/contribute to the Council's priorities. In doing so, service design/business planning should also determine the services that need to form part of the Council's 'own business' activity. The key to knowing whether any service needs to form part of the Council's 'own business' activity is deciding the level of control required by the Council to undertake the service. There are services that the Council must retain control of, such as minimum statutory provision, and services that service design/business planning processes determine the Council should retain control of. In both these circumstances services would be considered part of the Council's 'own business' activity and will need to be provided either in-house or by contracting with an external provider in accordance with the Council's [Procurement & Contract Procedure Rules](#).

When services are not considered as forming part of the Council's 'own business' activity they can be provided in-house, by contracting with an external provider, or by some other means; one example being grant funding voluntary and community sector organisations to support their service provision/activities.

Grant funding the service provision/activities of voluntary and community sector organisations, in accordance with these procedures, could provide a greater contribution to the Council's priorities than in-house or contracted out service provision. However, this cannot be an option to avoid [Procurement & Contract Procedure Rules](#) for services that service design/business planning processes have identified as needing to form part of the Council's 'own business' activity.

Service design/business planning use of resources flow chart:



*Before determining whether voluntary and community sector grant funding is the most appropriate option, advice must be sought from the Council's Voluntary Sector Support Team.

Contents

A Introduction	5
B Part 1 – Voluntary and Community Sector Grant Funding Guidance: Grant Funding as an Option for Commissioning Officers	
Introduction	5
Definition of a grant	6
Definition of a grant funder	6
When is voluntary and community sector grant funding an appropriate option?	6
Examples of voluntary and community sector grant funded activities	8
Support for commissioning officers considering voluntary and community sector grant funding	9
C Part 2 – Voluntary and Community Sector Grant Funding Procedures	
Corporate voluntary and community sector grant funding administration documents	10
Processes prior to the awarding of voluntary and community sector grants	10
Voluntary and community sector grant funding administration	12
Finalising voluntary and community sector grant funding agreements	13

SANDWELL METROPOLITAN BOROUGH COUNCIL VOLUNTARY AND COMMUNITY SECTOR GRANT FUNDING GUIDANCE AND PROCEDURES

A. INTRODUCTION

This document is in two parts, the first part being guidance to help commissioning officers to decide whether grant or contract funding is the most appropriate route to take to achieve medium-term service design/business planning priorities. The second part of the document summarises the Council's voluntary and community sector grant funding procedures, which are to be adopted once the decision has been made that grant funding is the most appropriate expenditure option to achieve priorities. Following these Voluntary and Community Sector Grant Funding Guidance and Procedures will enable the Council to comply with current legislation and conform to [Sandwell Compact](#) requirements.

B. PART 1 – VOLUNTARY AND COMMUNITY SECTOR GRANT FUNDING GUIDANCE: GRANT FUNDING AS AN OPTION FOR COMMISSIONING OFFICERS

B1. Introduction

This guidance has been designed for commissioning officers and budget holders. It should help them to understand the circumstances when voluntary and community sector grant funding is a possibility and the best appropriate option, for the use of public resources, to achieve business and commissioning plan outcomes. Using public resources to grant fund voluntary and community sector organisations can add value to funded organisations contributing goodwill, time and financial resources and can also result in high levels of community impact. In this guidance the term 'voluntary and community sector' relates to the organisations that meet the criteria within the Council's voluntary and community sector definition, contained within the Council's [Voluntary and Community Sector Funding Strategy](#).

B2. Definition of a grant

The Council's [Voluntary and Community Sector Funding Strategy](#) includes the following definition of a grant:

- **Grants (Giving):** A grant is the payment of money or some other thing, without the expectation of goods or services in return (this could include making a financial contribution to the independent work of a voluntary or community organisation). A grant is usually provided subject to conditions that state how the grant can be used. The grant aided organisation may use or offer to use the grant to provide goods or services that meet their objectives.

B3. Definition of a Grant Funder

The HM Treasury definition of a voluntary and community sector grant funder, below, identifies the circumstances when voluntary and community sector grant funding is an option for commissioning officers:

“A grant maker is not contracting for a service that forms part of its own business. It is offering financial support in an area of work designed by the voluntary and community sector, which it wishes to sponsor. The work would add value to the funder’s overall aims and objectives.”

B4. When is voluntary and community sector grant funding an appropriate option?

Voluntary and community sector grant funding is not an option if service design/business planning and commissioning processes identify services that need to form part of the Council’s ‘own business’ activity. In these circumstances grant funding is not appropriate and must not be used to avoid [Procurement & Contract Procedure Rules](#).

However, there are many instances when services do not need to form part of the Council’s ‘own business’ activity and in these circumstances voluntary and community sector grant funding could be the best option. For the Council to retain ultimate responsibility for any service that it wants another organisation to deliver, a procurement exercise, focusing on services required by the funder, would need to be undertaken to appoint a suitable provider.

Grant funding however, focuses on supporting the funded organisation to provide its own services and so, the ultimate responsibility for providing grant funded services is with the organisation receiving the grant. It is for this reason that the Council should only agree to grant fund organisations that will use the funding for goods, services and activities that will also contribute to the Council's priorities. Using the grant funder definition above, grants may be used by funded organisations to provide services for their 'own business' objectives, providing Council priorities are still met.

Below is a table to help commissioning officers to decide whether funding should be by grant or contract:

	Grant / Support	Contract / Control
Service	Is part of/Meets voluntary and community sector organisation's business objectives	Is part of/Meets Council's own business activity
Ultimate responsibility for ensuring that the service is provided	The voluntary and community sector organisation	The Council
Whose business is it?	The voluntary and community sector organisation's	The Council's
Meets Council objectives and scorecard priorities	Yes	Yes
Conforms to Sandwell Compact requirements	Yes	Yes (where appropriate)

B5. Examples of voluntary and community sector grant funded activities

Below are examples of voluntary and community sector grant funded activities that could achieve the Council's business and commissioning plan outcomes:

- Grants as start-up capital – Grants can be a vital first step in developing a voluntary and community sector organisation.
- Grants as stimulators of innovation – Grants allow voluntary and community sector organisations to take risks and try something new that benefits the communities in which they are based.
- Grants as a fosterer of partnership – Grants enable locality knowledge to be developed and be an alternative method of fostering partnership relations. Grants additionally have the potential to strengthen a more trusting funding relationship between voluntary and community sector organisations and the Council and could be used to support the Council to develop policy.
- Grants as sustainers of voluntary and community sector organisational ethos – Grant funding allows voluntary and community sector organisations to remain close to their values and remit, not adapt them to fit the demands and agenda of contract funders, thus preserving the independence of the voluntary and community sector.
- Grants as enablers of economic viability – Grants can help voluntary and community sector organisations when they are in trouble, providing short term funding for short term problems, or they can be used strategically over a number of years to achieve long term outcomes.
- Grants as stimulators of local employment and volunteering – Given the neighbourhood focus of many voluntary and community sector organisations, grant funding can enable people to work or volunteer in the neighbourhood in which they live.
- Grants as fosterers of entrepreneurship – Grants can provide the stimulus for voluntary and community sector development and the translation of ideas into tangible activities.

- Grants as value adders to mainstream delivery – Voluntary and community sector organisations can inherently understand the needs and wants of the communities in the neighbourhoods in which they are based and are thus well placed to fill gaps in provision. Grant funding should be the mechanism for enabling this neighbourhood level activity and therefore add value to mainstream provision. In addition, grant funding can create a foundation of funding which can be built using additional funding from other sources.
- Grants as tacklers of worklessness and deprivation – Grant funding can directly lead to localised employment and volunteering and the many benefits this can bring. Indirectly, engagement in bespoke and focused activities can become a route out of deprivation for some individuals and communities.
- Grants as providers of needed and bespoke support services – These activities cannot always be delivered through mainstream provision and contracting and will often be more neighbourhood based in their focus. Grants are a mechanism through which this very neighbourhood level support can be activated. In addition, grants can be a means of piloting the provision of new and different services and activities.

B6. Support for commissioning officers considering voluntary and community sector grant funding

Officers are advised to carry out an options appraisal in order to determine whether a grant or a contract is the most appropriate funding mechanism for a particular activity or service.

The Council's [Voluntary Sector Support Team \(VSST\)](#) must be contacted to offer advice and support for commissioning officers and budget holders wanting to determine whether voluntary and community sector grant funding is the most appropriate option to achieve business and commissioning plan outcomes.

In addition, the Council's legal services section has produced [Guidance on the use of Grant Agreements](#). The guidance includes sections labeled:

- What is a grant agreement? – Which includes examples of typical grant uses and the fall backs and benefits of grant funding.
- So what is a service contract? – Which includes the ways which contracts differs from grant funding.

- Does it really matter? – Which explores the legal requirements relating to procurement, the Transfer of Undertaking Protection of Employees (TUPE) regulations, tax and State aid; see also the Council's [Guidance on State Aid and the Voluntary and Community Sector](#), the purpose of which is to dispel some of the myths around State aid and to demonstrate how grants can be awarded within the State aid rules.
- Equality issues – Particularly when a reduction or withdrawal of funding is likely to have an adverse impact on certain groups (based on, for example, gender, race or disability) and the requirement to undertake appropriate impact assessments.

C. PART 2 – VOLUNTARY AND COMMUNITY SECTOR GRANT FUNDING PROCEDURES

Voluntary and community sector grant funding procedures must be adopted when the service design/business planning processes determines that voluntary and community sector grant funding provides a greater contribution to the Council's priorities than in-house or contracted out service provision. A service design/business planning process could include following the use of resources flowchart on page 3 of this document.

C1. Corporate voluntary and community sector grant funding administration documents

The Council has corporate grant administration documents which are able to change and adapt to accommodate new/different circumstances. All current corporate grant administration documents, which are in accordance with the Council's [Voluntary and Community Sector Funding Strategy](#) and [Sandwell Compact](#), are available from the [VSST](#).

C2. Processes prior to the awarding of voluntary and community sector grants

Any voluntary and community sector grant funding process should commence following an options appraisal that indicates that grant funding would be the best way, to use public resources, to achieve desired outcomes and contribute towards priorities. Where possible the Council should involve the voluntary and community sector, as stakeholders, when undertaking needs assessments, options appraisals and service design.

Any process to determine grant funding recipients must be fair, open, and transparent and in accordance with the [Voluntary and Community Sector Funding Strategy](#) and [Sandwell Compact](#).

Methods to determine grant recipients include:

- An open, competitive grant making process where eligible voluntary and community sector organisations are invited to apply and funding decisions are in accordance with published criteria. Such grant funding opportunities must be advertised on the '[ThinkSandwell](#)' website.
- A competitive grant making process that is open only to particular voluntary and community sector organisations with the reasons for restricting certain organisations from applying recorded.
- A process of co-designing services that will ultimately be the responsibility of voluntary and community sector organisations to deliver. Co-designing participation being open to all eligible voluntary and community sector organisations, with initial participants being chosen in accordance with recorded eligibility criteria. The co-designing process should identify grant recipients, where this does not happen it may be necessary to follow a competitive grant making process.

The Council can adopt a flexible approach to any process to determine the recipients of voluntary and community sector grant funding but the process adopted must be fair, open, transparent and recorded and if funding is not available to all voluntary and community sector organisations restrictions must be explained and recorded. Whichever process is adopted it should be timetabled, with consideration to the demands the activities may place on voluntary and community sector organisations by building in adequate time to take part in a meaningful way. Should any process include the desire, or requirement, of formal written consultation it must, in accordance with the [Sandwell Compact](#), be for a minimum of 12 weeks with the voluntary and community sector receiving early notice.

There may be circumstances when only one voluntary and community sector organisation is suitable for a particular grant funding allocation, perhaps because it is known that only one organisation can undertake the activity. Another reason may be following a request for financial support from an organisation in difficulties; on such occasions the Council should require evidence that the organisation has explored other support options and that grant funding support would be beneficial to the Council, the organisation and/or its service users. When grant funding is

suitable for only one voluntary and community sector organisation the Council must record the reasons for its grant funding decision.

Depending on the duration and level of funding voluntary and community sector grant decisions must be made by officers and/or elected members in accordance with delegated powers and will usually be made by a panel of officers recommending funding to appropriate cabinet members.

Any process to determine grant funding recipients should consider the demands on the Council, and on voluntary and community sector organisations taking part in the process, and should be proportionate to the level of grant funding and risks to the Council: for relatively small levels of grant funding, with low risk to the Council, processes should be simple and short.

C3. Voluntary and community sector grant funding administration

The basis for all voluntary and community sector grant funding administration is a funding agreement, signed by the grant recipient and the Council, focussing on the outcomes that grant funding should achieve and how they are to be measured.

The grant agreement must contain all the funding requirements for the Council and voluntary and community sector grant recipient. Voluntary and community sector grant funding agreements must include:

- Funding amount (for larger grants, funded voluntary and community sector organisation will be required to submit a 3 years business plan) – ‘larger grants’ are defined in the [Voluntary and Community Sector Funding Strategy](#)
- Funding duration (usually for a 3 years period, where possible)
- A grant payment schedule; payments should normally be in advance, in accordance with the [Sandwell Compact](#)
- Grant conditions, which may relate to governance, operating procedures, quality standards, finances and insurance

- The activities, contained within the business plan where required, that the grant recipient has agreed to undertake; unlike contract funding, voluntary and community sector grant funding will be unrestricted, though it may be limited to specific activities or projects

- Monitoring requirements, including the collecting and reporting of funded activities and expenditure (that can include overheads and any costs associated with volunteering); funded voluntary and community sector organisations are required to report risks and for larger grants a 3 years impact report will be required
- The support the Council is required to provide to voluntary and community sector organisations throughout the course of the funding

When considering risk, perhaps relating to a relatively high level of funding, the complexity of the activities or the stability of an organisation, voluntary and community sector grant funding agreements could also include the following additional processes relating to:

- Reviews
- Revisions (to be negotiated and agreed by both parties)
- Underperformance
- Disputes
- Clawback
- Funding reductions (the Council is required to give a minimum of 3 calendar months' notice to reduce funding levels)
- Agreement terminations (the Council is required to give a minimum of 3 calendar months' notice to terminate an agreement)

As with processes to determine grant funding recipients, the Council should consider the demands on itself, and on grant funded voluntary and community sector organisations undertaking grant administration tasks. Grant administration tasks should be proportionate to the level of grant funding and risks to the Council: relatively small levels of grant funding, with low risk to the Council, should require simple and short grant administration tasks.

C4. Finalising voluntary and community sector grant funding agreements

In order to ensure consistency, and for data monitoring purposes, the Council's [VSST](#) must finalise all voluntary and community sector grant funding agreements.

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