

Cabinet

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**Voluntary and Community Sector
Strategy**

**Report of Corporate Management Team
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Neighbourhoods and Local Partnerships**

Purpose of the Report

1. The purpose of this report is to seek agreement to improve how we support front line voluntary and community sector (VCS) organisations in County Durham.

Summary

2. The following key points are raised within this report:
 - The County Council has a strong commitment to supporting frontline VCS organisations and recognises the valuable roles they play within County Durham.
 - The VCS in County Durham is very diverse, ranging from small community organisations to very large organisations with many employees.
 - Recent national and regional evidence illustrates the difficulties presently facing the VCS, following the Comprehensive Spending Review and Government's policy changes. This evidence also shows that infrastructure organisations are facing increasing demands from front line organisations.
 - The Government is seeking to reduce the public sector by transferring public services to private companies and employee-owned co-operatives, charities and social enterprises. This is promoted as a radical shift in the balance of power to local communities and an opportunity for VCS organisations to take a stronger role, however the Government's policy sees very little distinction between the VCS and small businesses.

- The VCS in County Durham needs to be well organised and well prepared in order to respond to this shift in policy and to take advantage of new opportunities.
- To support frontline VCS organisations the County needs resilient and sustainable infrastructure, that will help address the key issues facing the County, has a strong strategic relationship with partners and targets its resources on frontline delivery to local communities.
- The Council initiated work with VCS infrastructure organisations two years ago in anticipation of significant grant reductions and the need to strengthen the sector in County Durham. Key elements of this work include: revising the Compact, which includes an agreement to three months notice of funding changes wherever possible; carrying out a major review of infrastructure support, developing new social clauses as part of the procurement policy and keeping the MTFP budget reduction to infrastructure providers to below the 25% average.
- The Council and partners have tried to facilitate a more efficient joined up approach through the development of a single Grant Funding Deed with a clear work programme. However, it is widely accepted that, given the current funding environment, further work is needed if infrastructure support to front line groups is to be fit for purpose and fit for the future.
- Infrastructure organisations in the County have the knowledge, skills and capacity to meet the needs of frontline VCS organisations but the present fragmented approach significantly hinders their ability to carry out this role.
- Three separate reviews of infrastructure support in County Durham have all pointed to the need for a single, streamlined approach by infrastructure organisations to provide the best support for frontline VCS organisations in County Durham.
- A single infrastructure organisation would ensure a consistency of service across the County whilst allowing resources to be effectively channelled to those areas of greatest need. It would also remove duplication and streamline governance, management and administration so that more resources are available for frontline support. This approach would help to build an organisation that is fit for purpose.
- VCS infrastructure providers in County Durham have taken advantage of a range of national and regional funding opportunities for transformation in recent years. On each occasion a new arrangement for joint working has been established. These arrangements have generally not been sustainable or transferable. Neither have they resulted in substantial efficiency improvements or resulted in significant transformation.

- The level of funding awarded to infrastructure providers in County Durham has been significant with £752,000 via ChangeUp, £352,287 from the County and District Councils from Area Based Grant (ABG) and more recently significant resources from the Government's Transition Fund. A further £400,000 is also now being sought via the Government's Transforming Local Infrastructure (TLI) Fund.
- The TLI Fund, which is described as the final funding of this nature, is clearly aimed at fundamental transformation. This fund could provide the much needed financial support for costs associated with mergers, such as due diligence costs or costs linked to rationalisation and voluntary redundancies.
- It is recognised that a new approach is needed to ensure the VCS continues to receive the support of the public sector in the County. It is proposed that this is developed through a Working Group, including partners, which will be established immediately to help manage support to the sector over the next two years or until the outcome of the TLI work is known. It is proposed that the group is made up of representatives from the Council, VCS, NHS County Durham and Durham Constabulary.

Background

3. The County Council has a strong and on-going commitment to supporting frontline VCS organisations and recognises the valuable roles they play within County Durham, particularly in directly meeting the needs of local people, building capacity and confidence and making a positive impact on the County Durham economy.
4. The VCS in County Durham is very diverse, ranging from small community organisations which serve their members to very large organisations with many employees and volunteers which provide services on behalf of local or national government.
5. All service groupings within the Council work with the VCS to deliver local services, much of this work focuses on providing services for the most vulnerable groups or those that are often isolated from mainstream service provision and support.
6. Since April 2009 the Council has sought to establish a new working relationship with the VCS through infrastructure organisations as previous structures had developed around District Council boundaries and no longer provided value for money
7. As agreed by Cabinet in June 2010 this work has involved developing revised grant funding arrangements for VCS infrastructure organisations and commissioning an independent review of infrastructure provision to ascertain how best to configure future support for the sector.

8. The policy updates presented to Cabinet over the last year have highlighted a range of policy and funding changes. These changes have both directly and indirectly had a significant impact on the VCS, as there have been reductions in grant funding, reduced opportunities to tender for work, increased local need and most significantly an expectation that the sector is well organised and well prepared in order to play an enhanced and more effective role in the future.
9. There is consensus between council officers and organisations representing the VCS that changes are needed in County Durham. This has led to the development of the following shared vision for the future. However, there is no consensus at present on how this should be achieved. The vision is:

‘To have a resilient and sustainable infrastructure for the voluntary and community sector, that helps address the key issues facing the County, has a strong strategic relationship with partners and targets its resources on frontline delivery to local communities’.

The VCS in County Durham

10. The VCS in County Durham falls within three broad groups:
 - a) **Specialist support organisations:** medium to large organisations, operating regionally and county-wide to provide services, with specialist areas of expertise e.g. older people, advice, environment, enterprise, disability, children and young people etc.
 - b) **Infrastructure:** medium sized organisations, providing back office and generic support, advice, help and training for volunteers and front line VCS groups. (In County Durham infrastructure organisations support approximately 30% of frontline VCS organisations and proposals regarding how the Council supports infrastructure organisations is a key part of this report).
 - c) **Front line:** smaller and localised organisations and community groups, providing services which support individuals within local communities. These organisations tend to rely heavily on the contribution of volunteers.
11. There is a wide range of national and regional information available that has been commissioned by Government as well as the sector to understand the present landscape and to ascertain the views of local VCS groups.
12. In County Durham, according to the Northern Rock Foundation’s Third Sector Trend Study, there are approximately 1,104 general charities operating in the county, with a higher proportion based in Durham City (253). The majority of organisations are small to medium in size. Many of these organisations require the core support offered by infrastructure; including governance, fundraising, information about policies and procedures, human resources, training and financial and project management. Most of these organisations are heavily dependent on volunteers and recognise the importance of

providing them with a level of support that will ensure their involvement in the longer term.

13. The National Survey of Charities and Social Enterprises, commissioned by the Office of Civil Society and carried out by Ipsos MORI, gathers the views of the leaders of charities, social enterprises and voluntary organisations¹ in England. The last survey was carried out in Autumn/Winter 2010 across all upper tier local authorities (151) and repeated an equivalent survey to that carried out in 2008. The survey asked charities, social enterprises and voluntary and community sector groups a range of questions relevant to their needs and regarding factors important to their success.
14. A comparison with other local authorities using the Chartered Institute of Public Finance and Accountancy (CIPFA) nearest neighbours model reveals that County Durham has the largest number of charities, voluntary groups and social enterprises and had an above average response rate to the Ipsos MORI survey. This may reflect the rural nature of the county, since the next largest is Northumberland with 1,098 groups. The number of groups within our 15 comparator authorities then significantly drops with a range from 217 (St Helens) – 542 (Dudley).
15. The survey asked respondents whether they, at that time, received support from other third sector organisations in their local area. This question was designed to assess the level of take-up from infrastructure support services. Almost a third (30%) of respondents from County Durham said they did receive support; this is an increase of 5% from the previous survey carried out in 2008, against a national average for 2010 of 22 %, and slightly higher than the figure of 28% of our comparator authorities. 23% of those questioned were satisfied with the support provided compared with an average of 24% satisfaction for our comparator authorities. Whilst the difference between these figures is not statistically significant it should be noted that County Durham invested significantly more in supporting infrastructure than most other authorities during this period.
16. During summer 2011, VONNE in partnership with Newcastle Council for Voluntary Service, undertook the fifth survey in their continued monitoring of the impact of the economic downturn on the North East's third sector. The survey showed that, in the six months since the last survey, North East communities and the voluntary and community groups that support them, have been hit harder than ever by the continued economic downturn and the current round of public sector spending reductions.
17. One hundred and twenty organisations responded to the survey representing a broad cross section of third sector organisations in the region, from small neighbourhood groups to large national enterprising charities. Between them they supported over 600,000 individuals in the North East, and over 7,000 organisations. They employ over 4,000 people and rally 50,000 volunteers.

¹ These organisations include community groups, co-operatives or mutuals, a club or society, or a non-profit organisation, housing association, faith group or trust.

18. The survey noted that there continues to be a heavy reliance on public sector funds, with 81% of respondents sourcing some, or all, of their income from public sector grants. Other headline figures over the last six months show significant change for the sector:
 - 73% have seen a decrease in funding,
 - 40% have lost staff,
 - 59% have experienced an increase in demand for their service, and
 - 64% are using reserves.
19. These figures are concerning but must be viewed in the context of similar change in the public sector in County Durham where all public sector organisations have seen a decrease in funding, most have reduced staffing levels, all have seen an increase in demands for services and many have been forced to use reserves.
20. However, more significantly, of the organisations responding 23% said they may need to close in the next 12 months.

National Policy Direction

21. Since the change of Government in May 2010 there has been a series of changes and policy proposals directly and indirectly affecting the VCS and their relationship with both central and local government. The Government has called upon the VCS and small private sector enterprises to play an increasing role in the delivery of public services, as their objectives for 'Big Society' and plans for a reduction in state provision are advanced.
22. Abolition of regional structures and the shift towards localism is altering the way relationships are managed, both within the VCS and between the sector and public sector agencies. The loss of Government Office for the North East and the Regional Development Agency also signalled the demise of a number of regional partnerships between special interest groups within the VCS and with the agencies who supported their work.
23. The main policy changes impacting on the role and future of the VCS and affecting the Council's relationship with the sector are:
 - **Big Society** – this is the outcome the government aims to achieve by enabling local councils and neighbourhoods to take decisions about their area, by encouraging local charities, social enterprises and VCS organisations to take on public services and by encouraging local people to play a more active role in society by volunteering and philanthropic giving.
 - **Open Public Services White Paper** – this paper sets out how the government intends to reduce public sector service delivery by reforming the planning and delivery of what it defines as 'individual services', 'neighbourhood services' and large scale 'commissioned services' by encouraging local councils, local charities or social enterprises to take control.

- **Localism** – the new Localism Act provides the legislative foundations for decentralising power to the lowest possible level, including individuals, neighbourhoods, communities and other local institutions. It has far reaching implications for how services are shaped, delivered and managed. Where they are well organised and well prepared this Act provides new opportunities for the VCS. This Act includes the Community Right to Bid which provides an opportunity for community organisations to bid to take over facilities that are important to them and the Community Right to Challenge which offers communities and the bodies that represent them the opportunity to express an interest in running services on behalf of the local authority. However, these mechanisms also open up these opportunities to the private sector and provide no guarantee of a successful outcome for the VCS.
- **Best Value Guidance** - Guidance on the new Best Value Duty sets out some expectations of the way authorities should work with voluntary and community groups and small businesses when facing difficult funding decisions. It gives a new, clear prominence to requirements on dealing with the voluntary and community sector and small businesses and aims to reduce the barriers that can prevent voluntary organisations competing for local authority contracts.

24. The main implications of recent policy changes for the VCS are:

- Mechanisms for influencing government policy from grass roots perspectives have had to be re-considered and new ways to influence policy development are having to be explored and tested by the VCS;
- Although the government recognises that budget reductions are having a major impact on the VCS, they have set out an expectation that the sector will play a greater role in responding to the huge challenges facing local communities;
- There will be more opportunities for VCS to be involved in provision of services and to express an interest in running services on behalf of the local authority, through Community Right to Challenge;
- There will be more opportunities for community organisations to bid to take over facilities that are important to them, through Community Right to Bid;
- Implied within the policy proposals is a greater need for the VCS to have high level skills and expertise in procurement, contract management, collaboration and performance management;
- There is an expectation from Government that the VCS offers greater opportunities for innovation and value for money;
- There is a policy move towards measuring the impact of front line services through the introduction of 'payment by results' which will require organisations to have a critical mass in terms of resources and funds to manage this model;
- There is anecdotal evidence provided by the sector of a trend for larger, private sector companies to have greater success rates in attracting contracts within the new regime;

- There is an increased emphasis on encouraging giving to the voluntary and community sector through donations, philanthropy and corporate giving;
 - There is a need for a stronger strategic relationship between the VCS and Council with enhanced trust and increased joint working;
 - VCS organisations need to be well organised, credible and professionally managed.
25. The messages provided in recent policy documents and guidance are clear however it remains unclear as to how this will work in practice as the VCS and private sector operate in very different governance arrangements and the private sector have a much stronger history of working within commissioning frameworks. There is a strong message of support and encouragement for volunteering; however this has been set alongside significant funding reductions to national volunteer support organisations and no additional investment has been made available. As the Government makes little distinction between small businesses and the VCS, the need to support frontline VCS organisations is likely to be greater than ever if they are to survive within this new environment.

Direction of Travel for VCS - Infrastructure Support and National Funding

26. In recent years, the previous and current Governments have introduced a number of initiatives aimed at helping to prepare the VCS, both infrastructure and frontline, for the future. As a consequence of each new initiative or funding stream the VCS within the County has come together under the necessary format stipulated by the funder in order to secure the additional funding. Although these arrangements successfully managed the funding streams listed below, they are not considered to have provided a sustainable structure for infrastructure support in the long term.
- **ChangeUp** – specifically aimed at improving the capacity of local third sector support providers (infrastructure organisations) who work behind the scenes to provide frontline third sector organisations with the help, advice and tools they need to provide better services to users. ChangeUp was not intended to provide core or continuing funding for support providers. The programme’s vision articulated that improvements to support services will be sustained through contributions by frontline organisations:

“a higher proportion of infrastructure costs should be funded by frontline organisations through membership fees and sale of services”.

In County Durham, between 2005 and 2007, ChangeUp investment of £752K was received to improve the capacity of infrastructure organisations.
 - **Transition Fund** – At the end of 2010 the Government launched the Transition Fund programme which was designed to help civil society organisations which deliver high quality public services adapt to a different funding environment during a period when they are at risk

from reductions in taxpayer funded income. A total of 1,010 organisations nationwide received Transition Fund awards totalling just under £105m with over £4.6M awarded to charities in the North East and North Yorkshire. The largest regional award went to Acumen Community Enterprise Development Trust Limited, Easington (£410,703) whilst eight organisations in County Durham received a total of £610,295 to support transition.

- **Transforming Local Infrastructure Fund** – In July 2011 the Government launched the Transforming Local Infrastructure Fund, making £30m available nationally, to provide better support for front line VCS organisations. This fund is available to partnerships of local infrastructure organisations to rationalise and transform the support services which they provide to front line organisations. The fund is aimed at supporting activities such as local collaboration and consolidation; integration of services to meet the challenging needs of groups and communities; better links with local business; more peer to peer support within the local voluntary sector, and stronger partnerships with local statutory bodies, particularly the relevant local authority. Interestingly, an example given within the TLI application process highlights streamlining of infrastructure arrangements, from six locally based services to two services offering a specialist focus, which further evidences the shift in thinking. A key factor is sustainability in the long-term without ongoing support from central government. In County Durham East Durham Trust has submitted a bid for £400,000 on behalf of the sector. The result of this bid will be known in February 2012. The overall process, if the bid is successful, is expected to take 18 months.

27. In the 55 unitary authority areas across the country 43 presently² have a single generic local support and development organisation, as do all 32 London boroughs and 33 of the 36 metropolitan areas. This form of structure is clearly seen as most efficient and effective.
28. The direction of travel for other areas is for a more strategic VCS as emphasised through the funding sources listed above. This funding has helped facilitate change in these areas e.g. in Cumbria where five CVS' merged to provide a strong infrastructure body for the County; in Buckinghamshire where Community Impact Bucks was created in 2010 as a merger of four infrastructure organisations and in Warwickshire where Warwickshire Community and Voluntary Action was formed in 2008 from a merger of three district and borough based CVS and two volunteer centres.
29. In a report for NCVO's Funding Commission it was argued that "if the rationale for the creation of these new authorities was that division into districts was impractical and unviable then one might argue the same will have applied to the district level support and development organisations in those areas". It is therefore useful to look at how other areas that went through LGR in 2009 are changing:

² November 2010

- In **Cornwall** there is a rural community council and a county-wide support and development organisation (Cornwall Voluntary Sector Forum). There is also a separate volunteer centres network for the county (Volunteer Cornwall). There is now only one 'district' level infrastructure organisation, the Penwith Community Development Trust, operating within one former district of the County.
 - In **Northumberland** there is a single infrastructure organisation (Community Action Northumberland) which performs both a Rural Community Council role and a county-wide Council of Voluntary Service role. There are two district level organisations in the former districts of Wansbeck and Blyth Valley. Following LGR, it was agreed that infrastructure services would be funded through a competitive funding agreement/grant process making the opportunity widely available in order to ensure the best proposal to achieve NCC's strategic aim. The successful VCS consortia in Northumberland was not made up of the existing primary infrastructure organisations from the County.
 - In **Shropshire** voluntary and community sector infrastructure has historically been poorly resourced and weak as a consequence. Three district level organisations (North Shropshire, Shrewsbury and South Shropshire) closed in the first half of 2009. Only one district level organisation remains in Oswestry but it focuses on running a community building rather than providing a comprehensive range of infrastructure support and services. There is also a rural community council covering the county but there is no countywide primary infrastructure organisation that supports, develops and represents the sector across the county.
 - **Wiltshire** has four organisations that cover the four historic districts but only two are co-terminus with a former district. The other two started life serving a single district but have expanded their operations by taking on service contracts in areas beyond the county and district boundaries. Following LGR the local authority looked for a single county-wide provider. The four district level providers did not come to an agreement to jointly bid for the contract and two of them bid as a separate partnership from the others and were successful in winning the contract.
30. The above illustrates the impact of LGR on VCS infrastructure providers and the complexities involved in seeking change, however it also shows that in most new unitary areas there is a move towards creating a new and more appropriate structure and County Durham is quite unusual in maintaining its existing structures following LGR.

VCS Infrastructure Support in County Durham

31. Durham County Council, NHS County Durham and Durham Constabulary presently provide financial support to seven infrastructure organisations³ in County Durham.
32. For the financial years 2009/10 and 2010/11 funding from the public sector for core infrastructure support has totalled £448,580 per annum (£258,580 from Durham County Council, £175,000 from NHS County Durham, £10,000 from Durham Constabulary, £5,000 from Durham Fire Service).
33. In addition to this, these infrastructure organisations were also allocated transitional funding of £352,287 per annum from Area Based Grant in 2009/10 and 2010/11. This funding was allocated specifically to enable them to develop closer joint working.
34. Two studies looking at VCS infrastructure support in County Durham were carried out under the former two tier arrangement. These challenged the shape and delivery of infrastructure support. The first recommended that a single countywide public and third sector infrastructure investment plan and associated delivery model should be developed. The second aimed at 'setting out options for structure and service delivery of VCS infrastructure in County Durham', was commissioned by the sector itself. This report stated that infrastructure appeared to be 'somewhat fragile with questions over sustainability' and it 'lacked a proactive approach'. It concluded that there was a case for changing the organisation of County Durham's infrastructure, involving much deeper collaboration and coordination from a countywide perspective. It was noted that the Local Authority has a role to play in supporting this transition but could only do so with a willing and receptive VCS.
35. To try to address these recommendations, in March 2009, the Council, through the County Durham Partnership, agreed that public sector investment in the core activities of the VCS infrastructure organisations should take the form of a single investment package (Grant Funding Deed) between the public sector and those infrastructure organisations. This marked a significant change in the Council's relationship with the sector. It created a single conduit (rather than seven) for the Council to support the VCS. It provided clear outcomes that must be achieved, it gave infrastructure organisations more freedom to work together and support each other across the whole of the County rather than only working in certain areas, it ensured that high quality outcomes could be achieved across the County in a fair and equitable way and it helped to raise standards across the board. In previous years, Service Level Agreements had been developed with each organisation, focused solely on a smaller range of core functions and had limited links to strategic documents such as the Sustainable Community Strategy.

³ 2D, CAVOS, Chester-le-Street CVS and Volunteer Bureau, Derwentside CVS, Durham & District CVS, Durham Rural Community Council and East Durham Trust

36. The work programmes offered by the seven infrastructure organisations, since 2009 has been made up of the following six key delivery areas with costs allocated accordingly:
- **Volunteering** - customised support to new and existing volunteers and groups managing volunteers;
 - **Capacity Building and Training** - customised support to community and voluntary groups based upon their relevant needs;
 - Developing and demonstrating understanding of the impact of the front line VCS including engaging with **commissioning processes**;
 - **Consultation Mechanisms** - bridging divides, reaching and understanding the needs of communities;
 - **Community buildings** - customised support to Community Building's management groups based upon their relevant needs;
 - **Area Action Partnerships** - promoting engagement with the primary mechanism for listening to and working with local communities
37. The work programme was reviewed for 2011/12 to reflect reductions in funding and now focuses on three areas; Capacity Building and Training; Volunteering and Support to Community Buildings. Good progress had been made across the county in terms of joint working and achieving positive outcomes against the work programme. However, the problems of sustainability, proactive leadership preparing the front line for the future and achieving best value for money for local communities still need to be addressed to ensure that infrastructure support is, and continues to be, fit for purpose.
38. Since 2009 a positive working relationship has also been established between Area Action Partnerships (AAPs) and the infrastructure organisations. In particular infrastructure organisations have administered Area Budget funded small grant schemes for individual AAPs. In addition funding for a number of other AAP projects has been provided through the infrastructure organisations (e.g. Community Buildings website development, a communications and marketing officer; local directory development and publicity and promotional activity). A total of £741,000 has been awarded to the sector through infrastructure organisations between 2009 and the current financial year to date.
39. Concerns about the future of support to the VCS were raised by the Council in 2009. It was clear at this stage that ABG funding was unlikely to continue and it was becoming likely that there would be significant pressures on future budgets. In preparation the Council began early discussions with infrastructure organisations to discuss more effective ways of working and worked with the sector to help them to strengthen their position in relation to commissioning. Work also commenced on the development of a new Compact, to strengthen the working relationship between the Council and the VCS. This revised Compact was signed in June 2011.
40. In 2010 Cabinet also agreed to initiate an independent review of infrastructure support in the County to consider the financial support it gives through the

Grant Funding Deed, assess the strengths and weaknesses of this arrangement and put forward recommendations on how it should configure its support to the sector with reduced resources whilst achieving improved value for money.

41. The contract for this review, which was developed in partnership with the sector, was won by the National Association for Voluntary and Community Action (NAVCA), in association with a local VCS consultant, Anne Burleigh. They completed their report at the beginning of December 2010 and presented their findings to the Cabinet Portfolio Holder and Officers on 16 December 2010. A copy of the full review report is available in the Members' library.
42. This review resulted in five recommendations:
 - Reorganising infrastructure support to be delivered through a single agent.
 - Restructuring should be VCS led with support and resources from the County Council.
 - Interim arrangements should be put in place for 2011/12 with a view to having a new arrangement in place from 1 April 2012.
 - Alternative arrangements should be developed to tender for a single infrastructure support provider from Autumn 2011, should sector led reorganisation not be progressed sufficiently.
 - Continue Grant Funding Deed mechanism with other organisations (GADD and CDCF).
43. A single infrastructure organisation would ensure a consistency of service across the County whilst allowing resources to be effectively channelled to those areas of greatest need. It would also remove duplication and streamline governance, management and administration so that more resources are available for frontline support. This approach would help to build an organisation that is fit for purpose and provide a stronger strategic voice for the sector.
44. Initially four infrastructure organisations in County Durham (DRCC, Chester-le-Street & District CVS & Volunteer Bureau, 2D and Durham City District CVS) stated that they were willing to join in a full exploration to develop a county-wide model for the provision of infrastructure support services. Unfortunately 2D and Durham City District CVS decided that they did not want to go forward with this plan. Work with DRCC and Chester-le-Street & District CVS & Volunteer Bureau has progressed positively and is helping the Council to gather intelligence and expertise in supporting a VCS merger process.
45. Despite a continued strong commitment to merger by DRCC and Chester-le-Street CVS which has included undertaking a process of financial due diligence it has become clear that a sector led approach to creating a single agent to provide infrastructure support across the whole County is unlikely to be found at present and there remain concerns regarding how a countywide

approach could be implemented whilst large CVS organisations continue to operate in the County and worries regarding capacity to deliver services countywide. It is therefore now evident that the Council along with other public sector partners will need to take a stronger role in facilitating change.

46. Over the last year the Council has learnt more about each infrastructure organisation, their financial viability, their long term aims and what is most important to each as individual organisations. Through this process officers have met with individual infrastructure organisations and the majority have highlighted that they do not consider the proposed level funding from the Council for infrastructure support to be critical in terms of their future plans. The majority said they are currently viable organisations and wish to provide the level and type of services that they want to provide, guided by their management committees, without direction from the Council.
47. Three separate reviews of infrastructure support in County Durham have highlighted the frailty and fragmentation of the present support structure and the need for a single, streamlined approach by infrastructure organisations to provide the best support for frontline VCS organisations in County Durham.
48. The Council and partners have tried to facilitate a more efficient joined up approach through the development of a single Grant Funding Deed with a clear work programme and a revised local Compact. However, the problems of sustainability, proactive leadership preparing the front line for the future and achieving good value for money for local communities is still to be addressed by local infrastructure organisations if they are to be fit for purpose and fit for the future.

Need for Change

49. It is clear from the information set out above that the provision of core infrastructure support by seven organisations is no longer appropriate for County Durham.
50. The current arrangements create duplication and show a lack of consistency of support available to the wider sector across the County. As a result of this, efficiencies are more difficult to achieve, either in terms of the financial resource made available to the sector or through staffing, which, in turn, limits the scope for significant improvements in value for money. Historically the public sector has supported the VCS significantly, both through funding in order to exist and deliver specific projects as well as, more recently, funding and support in order to change to meet the needs and aspirations of the sector now. County Durham is recognised as being at the higher end of public sector investment but no real evidence exists to show an equivalent level of outcomes for local communities, as outlined in paragraph 14.
51. Although the sector has received this high level of support it continues to lack a strong strategic voice. The infrastructure support arrangements that were established following unitisation in 2009 have not evolved from a purely administrative arrangement to offer this strategic voice and the One Voice Network has also not managed to fulfil this role successfully. These

arrangements have also failed to offer leadership for the sector to take full advantage of opportunities available.

52. It could be said that the organisations currently offering infrastructure support within the County have not shown that they are prepared for operating within the changing landscape of reduced resources set against growing frontline demand to respond to public service or address issues such as Big Society. All of the Government's policies point towards the VCS being empowered to take on more services and responsibilities that currently lie with the Public Sector. In reality, the sector within County Durham, may struggle to deal with the issues facing it as a result of this policy shift.
53. The Council has taken steps to support the sector and enhance its role. For example, the Council's new Sustainable Commissioning and Procurement Policy, has harmonised tender documents which include standard sustainable procurement questions which bidding organisations must answer. These allow the Council to assess each bidding organisation's commitment to business models which are economically, socially and environmentally sustainable. This has helped to ensure that the VCS in County Durham is well placed to respond to tender opportunities. This support to the VCS has also been enhanced through a series of workshops and training sessions offered by the Corporate Procurement Team to empower organisations and groups to be able to fully participate in the procurement process.
54. It is important that the VCS in County Durham changes to respond to new demands and the changing policy landscape. If it is unable to do this new private sector businesses and other bodies from outside the area may move in to take up this role. Whilst this could be seen as positive for frontline organisations and local communities as they could benefit from improved support, it could be to the detriment of the sector as a whole and local knowledge and experience could potentially be lost.
55. The Council continues to be fully committed to supporting the VCS, both financially and through officer time and expertise however the mechanisms for offering this support must now change in order to be fit to meet the needs of the sector as a whole. This also reflects the changing landscape nationally and the need to support the sector through this difficult time of reduced public sector resource in order to mitigate, where possible, the negative affects of this on local people.
56. The Government's Transforming Local Infrastructure Fund could support the County's vision however if a successful bid is submitted from the County the outcome of this work will not be known for two years (it is an 18 month programme starting from 1 April 2012) and it is not known if this will fulfil the council's ambitions or achieve value for money.
57. The creation of new structures such as Local Enterprise Partnerships will demand a more coordinated approach from the sector across the region if they are to have a voice at this level. To play into this effectively and to ensure that the voice of frontline VCS organisations in County Durham are heard infrastructure support needs to be better coordinated and prepared.

Proposed Way Forward

58. The need for a strong VCS in County Durham has never been more important than it is presently, if local people are to be able to access the support they need. It is clear that there is a need for change in the way that the Council presently support frontline VCS organisations through infrastructure organisations.
59. The present work being carried out in response to the TLI funding opportunity, if successful, may provide a new and much improved way forward. However, this will not be known for a number of months.
60. The path being taken by DRCC and Chester-le-Street and District CVS shows that there is a willingness to change and the knowledge and expertise required to achieve successful transformation is within the County. However, whilst VCS organisations are working together to pursue a new approach using the TLI fund it would be inappropriate to pursue this merger as the sole route for change.
61. It is therefore proposed that a new approach is developed which will support the vision for the VCS which provides consistently higher quality support across the County. This would be a time limited approach which will enable the vision to be driven forward whilst work on TLI continues.
62. It is proposed that a Working Group is established immediately to help manage the future support of the sector over the next two years. The Working Group would drive forward improvements by working towards the vision and objectives and carrying out key activities as outlined below.
63. This approach is proposed as it:
 - a) Acknowledges that there is a need for change and allows that to develop in parallel to the Government led TLI initiative, thereby maintaining the direction of travel pursued by the Council over the last two years.
 - b) Supports the work being taken forward by DRCC and Chester-le-Street and District CVS and Volunteer Bureau whilst also feeding into the TLI work.
 - c) Supports the work being led by East Durham Trust to utilise the Government's Transforming Local Infrastructure fund but does not allocate revenue resources via this route at this stage.
 - d) Allows an alternative single model of infrastructure support to develop over the next two years whilst the TLI proposal, if successful, is developed in parallel.
 - e) Facilitates immediate improvements in the County through a more strategic approach based around the needs of local communities.

- f) Accepts that the management committee of each infrastructure organisation must be allowed to make its own decisions regarding their future, even if this means that they may subsequently fail to thrive or may even face closure. In doing this the Council accepts that it is no longer appropriate to support the continuation of an organisation for its own sake. It also allows existing infrastructure organisations to take their own path, without the support of the Council and partners, based on the decisions of their management committees.
- g) Ensures that if an infrastructure organisation in any part of the County ceases to exist services will be made available from elsewhere.

64. The Working Group would carry out the following activities:

- a) Develop a shared understanding of the needs, opportunities and capacity of frontline VCS organisations, including how policy and financial changes impact on local communities and the pressures this places on frontline VCS organisations.
- b) Inform the existing infrastructure providers by the end of December 2011 that quarter one of 2012/13 will be the final payment under the current arrangements.
- c) Advise the Council and partner agencies on the allocation of funding for VCS infrastructure support, propose targets and monitor the allocation of funding to infrastructure organisations for the delivery of core services from July 1 2012.
- d) Agree how support to the frontline is best provided, including what a single infrastructure provider should look like and how local provision of support should be provided.
- e) Monitor progress of the Transforming Local Infrastructure programme.
- f) Continue to facilitate and support infrastructure organisations moving towards merger, including the commitment to fund the appointed Chief Officer to carry out key tasks to facilitate this.
- g) Improve the voice of the sector locally and nationally and improve the relationship between the VCS, Council Service Groupings, Partners and CDP thematic groups whilst ensuring a strong VCS voice on the CDP.

65. The Working Group will be made up of both Members and Officers, including the following:

- Brian Stephens, Portfolio holder for Neighbourhoods and Local Partnerships (Chair)
- Lucy Hovvels, Portfolio holder for Safer and Healthier Communities
- Alan Napier, Deputy Leader and Resources
- Lorraine O'Donnell, Assistant Chief Executive, DCC

- Anna Lynch, Director of Public Health, NHS County Durham
- Chief Superintendent Andy Reddick, Durham Constabulary
- Jo Laverick, accountable body for the present Grant Funding Deed
- Brian Ebbatson, Chair of Primary Infrastructure Organisations Partnership
- Malcolm Fallow, Lead for Transforming Local Infrastructure Fund
- Julie Form, VCS representative on the CDP
- External critical friend, e.g. VONNE

66. It is proposed that the Working Group would initially meet monthly and be supported by the County Durham Partnership Team.

Review

67. It is proposed that this approach is reviewed in February 2012 following the government's announcement of which areas have been successful for TLI funding. Following this a further report will be presented to Cabinet.

Recommendations and Reasons

68. Cabinet is asked to:

- Agree the Council's vision for the future of VCS infrastructure support in the County, as set out in paragraph 8.
- Agree the establishment of a Working Group to develop a shared understanding of the needs, opportunities and capacity of frontline VCS organisations and allocate the Council's £200,000 and any funding provided by other public sector partners, agree targets and monitor the delivery of core services, as set out in paragraph 63.
- Agree the role and membership of a Working Group as set out in paragraphs 63 and 64.
- Agree to continue to support the merger of DRCC and Chester-le-Street CVS, including supporting the work of the Chief Officer of Chester-le-Street CVS to gather intelligence and expertise in this area.
- Agree that VCS infrastructure support funding for 2012/13 should be allocated and provided via the Working Group to begin on July 1 2012 and give notice that the present arrangements from the Council will end on June 30 2012 (quarter one) in order for an extended notice period to be given to the sector.

Contact: Donna Jefferson, County Durham Partnership Manager
Tel: 0191 383 3922

Background and Supporting papers

Agard, C (2007) A County Wide Approach To Investment In Third Sector Infrastructure In County Durham. Report to the LAA Board, December 2007

Macmillan, A (2008) 'A Shape of Things to Come' Reviewing County Durham's Voluntary and Community Sector Infrastructure. Report commissioned by the County Durham One Voice Network.

NAVCA - Bill Freeman & Anne Burleigh (November 2010) Review of infrastructure support to the voluntary and community sector in Durham. Report commissioned by Durham County Council.

National Survey of charities and Social Enterprises conducted by Ipsos MORI on behalf of the Office for Civil Society (2010)

County Durham Compact (June 2011)

Taking Stock, moving on: A summary report and position statement at the end of the first phase of the Northern Rock Foundation's Third Sector Trends Study. (July 2011) Tony Chapman (Teesside University) and Fred Robinson (St Chad's College, Durham University).

VONNE (August 2011) Surviving or Thriving – Tracking the impact of spending cuts on the North East's third sector.

Best Value Statutory Guidance (September 2011) Department for Communities and Local Government.

Appendix 1: Implications

Finance - The Council presently gives a grant of £258,580 per year to VCS Primary Infrastructure Organisations (PIOs) in County Durham. In 2012/13 this grant will be reduced to £200,000 as agreed by Members as part of the MTFP. During 2011/12 the Council is working with the PIOs to establish a single infrastructure organisation and £58,580 of the 2011/12 grant is being used to facilitate this transition. The report proposes to move to allocate this funding to infrastructure organisation via a Council led VCS Working Group from April 2012, to achieve better value for money and to improve the services provided to frontline VCS organisations and to ensure that more funding reaches these organisations.

Staffing – None

Risk - None

Equality and Diversity / Public Sector Equality Duty - Achieving the vision for VCS infrastructure support will help diverse groups to have a strong voice within the community.

Accommodation - none

Crime and Disorder - none

Human Rights – none

Consultation - Consultation will involve front line VCS organisations.

Procurement -

Disability Issues - none

Legal Implications - none