

**Voluntary Sector Review**  
**(Report by the Head of Environmental and Community Health Services)**

**1. INTRODUCTION**

- 1.1 The purpose of this report is to provide Members with background information on the potential impact of reductions in the Community Development commissioning budget on the voluntary sector organisations which are currently under contract. This information is provided now to allow Members to consider the implications prior to the natural end of the existing arrangement. The present service-level agreements (SLA's) run to 31/3/2013.
- 1.2 The officer-review that generated this information arose from discussions at the Full Council meeting (3 November 2010). Members requested that officers undertake a review of those voluntary organisations that receive revenue funding from the authority via service level agreements (SLA's).
- 1.3 The preliminary proposal, in November 2010 was to reduce the present Community Development commissioning (revenue) budget to £75,000 from 1/4/2013 generating an annual saving to Huntingdonshire District Council (HDC) of £277k.
- 1.4 Officers were requested to provide members with a report to the November 2011 Full Council that outlined how the savings in this area could be achieved.
- 1.5 The final Council budget for 2013-14 is not due to be set by Council until February 2013. However, the current service level agreements for community development come to a natural end in March 2013. Each agreement includes a requirement that negotiations associated with termination/follow-on agreements should start no later than 1 October 2012, and be concluded by 31 December 2012.

**2. BACKGROUND TO REVIEW**

- 2.1 The review has involved officers meeting with representatives of the affected organisations to discuss the implications of reductions. Meetings have been held with all organisations with existing arrangements with HDC.'s. These organisations are listed below, also shown is the 2011/12 allocations from the community development budget:-

• Huntingdonshire Citizens Advice Bureaux	£162,250
• Hunts Forum for Voluntary Organisations	£ 42,200
• Huntingdonshire Volunteer Centres	£ 37,140
• Huntingdon Shopmobility	£ 26,430
• St Barnabas Learning Centre	£ 26,370
• Disability Information Service Huntingdonshire	<u>£ 7,070</u>

£301,460

2.2 Those organisations currently benefiting from funding are of differing sizes and have differing operating budgets. The impact of reductions in funding from HDC will vary between organisations. Generally, the higher the contribution HDC makes to an organisation's overall spending the greater the potential impact of a reduction. (However, there are some organisations that have such limited operating funds that even a slight reduction in revenue may render them unsustainable.) Listed below is the percentage contribution that HDC will have made to each organisation's operating costs this year (2011/12):-

• Huntingdonshire Citizens Advice Bureaux	88%
• Hunts Forum for Voluntary Organisations	25%
• Huntingdonshire Volunteer Centres	58%
• Huntingdon Shopmobility	91%
• St Barnabas Learning Centre	46%
• Disability Information Service Huntingdonshire	11%

2.3 This year HDC has provided some financial support to Bedford Pilgrims Housing Association (£37,140) and Natural High (£4,000). The arrangements with both Bedford Pilgrims Housing Association and Natural High are short-term and are due to come to a natural end in March 2012. These funds, together with some unallocated this year account for the £51k reduction to the budget anticipated in 2012-13.

### 3. THE REVIEW

3.1 During June and July (2011) meetings have been held with all the organisations involved in the review, full transcripts of these meetings can be made available to Members. All the organisations have had an opportunity to amend and add comments to ensure the records fully represent the issues covered. Appendix 'A' attached provides a tabulated summary of the meeting notes.

3.2 The meetings with the organisations covered the following:-

- What efficiency savings did organisations consider they could achieve;
- What would be the implications of a 20% budget reduction on both the organisation and the organisations service users;
- What would be the implications of a 50% budget reduction on both the organisation and the organisations service users;
- The ability of organisations to attract external funding; and
- The ability and willingness of organisations to use their financial reserves to offset any budget reductions proposed by HDC.

In addition the organisations were asked to identify how they considered the services they provide assist HDC to address its strategic priorities.

#### **4. REVIEW FINDINGS**

- 4.1 Some of the organisations outlined their own proposals to drive down costs, a number of organisations stated they had already made efficiency savings and did not believe they could make any more. Overall the savings identified by the organisations will not make any significant impact to reducing the overall budget. All organisations have indicated a desire to continue to provide services. However, in almost every case if funding was reduced the services provided would be reduced.
- 4.2 The details of the impact of a 20% reduction, applied across the board, on each organisation and their service-users is set out in Appendix 'A' of this report. A reduction of this level would threaten the sustainability of some organisations. While the survival of organisations is not universally threatened there is likely to be a significant reduction in services delivered.
- 4.3 If a 50% budget reduction were applied a number of organisations have indicated they would have to give serious consideration to their continued ability to operate and if they were to persist they would have to make major changes to how services would be provided. Reductions at this level leave most of the organisations very vulnerable.

#### **5. IMPLICATIONS OF 20% REDUCTONS BY ORGANISATION**

- 5.1 Huntingdonshire Citizens' Advice Bureaux: A budget reduction at this level would save HDC £33,850 pa. but impact on both the organisation and service users; as follows: Reduction to a 3 day per week service at its Huntingdon and St Neots offices; outreach services at Yaxley, Ramsey and St Ives would cease. A 33% reduction in the number of clients seen [from 7100 to 4700 (based on 10/11 figures)]; fewer service- options available for face to face support and volunteer-recruitment curtailed.
- 5.2 Hunts Forum for Voluntary Organisations: A budget reduction at this level would save HDC £8,440 pa. but reduction at this level would impact on the organisation and service users as follows: fewer staffing- hours and longer response times; minimal service; fewer service- options available, less partnership work with statutory agencies.
- 5.3 Huntingdonshire Volunteer Centre: A budget reduction at this level would save HDC £7,428 pa. but reduction at this level would impact on the organisation and service users as follows: HVC would need to find c£14,000 to maintain services; staff cuts a reduction of 22 hours pw to 65 hours pw (- 25%); fewer volunteers placed in local organisations so that they may struggle to maintain their services. The Huntingdonshire Volunteer Centre has seen income in 2011 fall; the medium-term survival of the organisation looks less secure.
- 5.4 Huntingdon Shopmobility: A budget reduction at this level would save HDC £5236 pa. but opening hours would be reduced from 32 hrs per week to 25hrs per week with 448 fewer individuals per annum using service (22% fewer, based on 2010/11figures).

- 5.5 St Barnabas Community Learning Centre: A budget reduction at this level would save HDC £5274 pa but the 2011/12 budget already shows a potential operating deficit of £11K; the organisation plan to meet this deficit via use of reserves. The existing operating deficit c£11k plus a £5k funding reduction from HDC would represent a reduction to the Centre of £16k p.a. overall (60% annual reduction in operating funds) so services could be maintained using reserves but only for 2 years. Therefore reduction by 20% could allow this organisation to fold with the consequent loss of all services. However, the annual saving to HDC per year would then be £26, 370.
- 5.6 Disability Information Service Huntingdonshire (DISH): HDC funding together with funds from the County Council are the cornerstone that enables the organisation to attract external funding. A budget reduction at this level would save HDC £1414 pa. but reduction at this level would impact on the organisation and service users as follows: the hours the advice line operates reduced (to 15 hrs per week from 20) and fewer home visits (3 to 4 per month from 12). DISH is already drawing on reserves their reserves will no longer be available for drawing on after 31<sup>st</sup> March 2012. This organisation seems very vulnerable. Therefore reduction by 20% could allow this organisation to fold with the consequent loss of all services. However, the annual saving to HDC per year would then be £7, 070.

## 6. IMPLICATIONS OF 50% REDUCTONS BY ORGANISATION

- 6.1 Huntingdonshire Citizens' Advice Bureaux: A budget reduction at this level would save HDC £84,625 pa. but impact on both the organisation and service users; as follows: close the St Neots office and 3 days per week service at Huntingdon and no outreach services at Yaxley, Ramsey and St Ives. A reduction of this magnitude would prompt serious consideration of the organisation's viability. If Huntingdonshire Citizens Advice Bureaux ceased to operate there is a strong possibility that a significant number of the organisation's service-users (approximately 9000 p a) might present themselves to HDC for assistance. It is estimated such an increase in customers could require additional financial resource in the region of £60k. Therefore reduction by 50% could allow this organisation to fold with the consequent loss of all services. However, the net annual saving to HDC per year would then be £102,250.
- 6.2 Hunts Forum for Voluntary Organisations: A budget reduction at this level could theoretically save HDC £21,100 pa but impact on both the organisation and service users as follows: a very limited service for member organisations and statutory agencies. Serious consideration would have to be given to HFVO's ability to continue to manage the Maple Centre, on behalf of HDC; responsibility would revert to the District Council and the resulting costs to HDC have been estimated to be c£25k p a. Therefore a reduction by 50% towards the service-level agreement could actually increase costs to HDC by £3,900 pa.
- 6.3 Huntingdonshire Volunteer Centre: A budget reduction at this level would save HDC £18,570 pa but impact on both the organisation and service users; as follows: staff reductions; possible closure of two area offices. Remaining reserves represent around 8-months expenditure. Therefore reduction by 50% could allow this organisation to fold with the consequent loss of all services. However, the annual saving to HDC per year would then be £37,140.

- 6.4 Huntingdon Shopmobility: A budget reduction at this level would save HDC £13,215 pa. but Shopmobility would close in 2014. Therefore reduction by 50% will cause this organisation to fold with the consequent loss of all services to 2038 users. However, the annual saving to HDC per year would then be £38,430.
- 6.5 St Barnabas Community Learning Centre: A budget reduction at this level would save HDC £13,185 pa. but the community learning centre would close within 12 months. Therefore reduction by 50% could allow this organisation to fold with the consequent loss of all services. All skills training programmes would stop (1,854 service users 2010/11). However, the annual saving to HDC per year would then be £26,370.
- 6.6 Disability Information Service Huntingdonshire (DISH): HDC funding together with funds from the County Council are the cornerstone that enables the organisation to attract external funding. A budget reduction at this level would save HDC £3,535 pa. but impact on both the organisation and service users; as follows: reduction in staff hours and redundancies; termination of advice line and reduction to home visit service. However, the annual saving to HDC per year would then be £7,070.

## **7. OPORTUNITIES FOR REDUCING COSTS**

- 7.1 Re-organisations: There is potential for savings to be driven out of the system in the longer term. Additional savings may be achieved by encouraging mergers between organisations. Mergers or amalgamations should reduce management costs. However, changes like these would require the agreement not only of the individual organisations but also the other agencies that presently provide financial support and, where appropriate, the Charity Commission. If savings were achieved any corresponding reduction in the funding provided may be possible without putting an organisation at risk.
- 7.2 Reallocations: Where an organisation folds or chooses to reduce its range of services it may be cost effective to commission other providers, in line with HDC's normal commissioning arrangements.
- 7.3 Accommodation: Accommodation costs are significant for some, but not all, organisations. For example: CABx annual office-rental in Huntingdon is £26,000 pa and Huntingdonshire Volunteer Centre have identified that they need free office accommodation for the organisation's four offices; in the four market towns in order to reduce their operating costs significantly. There are statutory organisation with vacant accommodation, particularly in Huntingdon. However, the needs and wishes of organisation in relation to accommodation and the suitability of potential locations (for issues such as disability access) have yet to be fully explored. Preliminary scoping has shown the potential savings to be in the order of £38,000 pa. in total; without allowance for investment costs.

## **8 IMPACT OF ANY CHANGES ON EQUALITY OF ACCESS**

- 8.1 In addition to generating this report the information gathered during the consultation process was used to assess any bias in impact on any sectors or groups of people within Huntingdonshire. The Equality Impact Assessment is part of the bundle of information that will be made available to Members. The conclusion from the assessment is that a pro-rata reduction across all organisations should not be attempted. It should also be noted that some organisations are very vulnerable and the amount of reduction is of less importance than the threat of any reduction; they may have already reached the tipping point. Most of the services were designed originally to meet a specific need so any loss of those services will be felt. The greatest impacts are likely to arise from:
- Economies that lead to a centralisation of services and the resultant worsening of rural exclusion, or
  - Reduction of those services that were specifically designed to assist those with disabilities- because those services rest with 3/6 of the funded organisations.

## **9. CONCLUSIONS**

- 9.1 The Council's own budgetary controls rely on reducing outgoings and at £350,000+ the funding provided to the voluntary sector for community development is a significant proportion of the total. The current budgetary predictions have assumed a reduction of £277k p.a. from 2013-14. A reduction of this magnitude is likely to have a significant impact on the six organisations who currently benefit from funding- and through them a significant number of Huntingdonshire residents.
- 9.2 Some organisations are very vulnerable; they may have already reached the tipping point. The greatest impacts are likely to arise from rural exclusion or reduction of those services that are specifically designed to assist those with disabilities.
- 9.3 There is potential for savings to be driven out of the system in the longer term; by encouraging organisational change. However, changes like these would require detailed and wide ranging negotiations.
- 9.4 The current agreements with voluntary sector organisations run for 5-years. This is considered good practice and allows organisations to plan. Should any follow-on or new agreements be successfully negotiated during 2012 they are likely to be for 5-years from 1 April 2013, which represents a significant medium-term commitment for HDC.

## **10. RECOMMENDATIONS**

Cabinet are requested to consider:

- 10.1 The impact of reducing funding on organisations within the paper.
- 10.2 Requesting officers to start negotiations with appropriate organisations and other statutory partners in an attempt to facilitate organisational change.

- 10.3 Requesting officers to start investigating savings potential of alternative accommodation arrangements.

#### **BACKGROUND INFORMATION**

Huntingdonshire District Council, Community Development's Voluntary-sector Performance report 2010/11.

Huntingdonshire District Council's Voluntary-sector (officer) review: interview summaries.

The financial accounts and business plans 2010/11 or 2011/12 (as submitted by organisations participating in the 2011 review).

Huntingdonshire District Council's Equality Impact Assessment 2 (Sep 2011): "Cuts in voluntary sector funding phased in after 2012/13"

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