

# Community Associations and Delegated Budgets

## Walsall Metropolitan Borough Council

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## Introduction

The council is in the process of realigning its youth and community service, in response to key national agendas such as *Transforming Youth*. This involves an enhanced focus on the 13 – 19 age range. The council's current model for delivering this service is a devolved one, with most of the funding delegated to community associations (CAs). In 2004/05 the total delegated budget amounted to £2.26m.

The council has recognised that, in the past, its arrangements for ensuring the delivery of a high quality youth and community service have not been robust. It has not clearly specified what it wants delivered, and performance management arrangements have been minimal. Consequently, the council has not been able to assure itself that an effective, high quality and value-for-money youth service was being delivered. The council is seeking to strengthen its agreements with the CAs and to improve its performance management and quality assurance arrangements.

## Scope and audit approach

As part of the council's audit and inspection plan for 2004/05 we agreed to review the council's arrangements for delegating funding to community associations and for ensuring the delivery of a high quality youth and community service.

In conducting this audit we have sought to answer the following key questions:

- Is there a clear strategic framework for the youth and community service?
- Are there robust arrangements in place for allocating funding to community associations?
- Are arrangements for performance management and quality assurance effective and robust?

The audit was carried out between November 2004 and February 2005, by:

- Reviewing documents, for example service level agreements, project appraisals and details of monitoring arrangements
- Interviewing officers and a member of the executive
- Interviewing a sample of community association officers

We would like to thank all those who assisted us in carrying out this audit.

## How this report is structured

In this summary section of the report we set out our main conclusions.

Our detailed findings can be found in the next section of the report, on pages 4 - 10, which is divided up into three parts:

- Strategic approach
- Allocation of funding
- Monitoring and control arrangements

## Main conclusions

### Strategic approach

At a strategic level the council is now clear about what it wants to achieve with its youth service: it wants to focus its resources on the 13 – 19 age range, and it wants the funding to 'follow' young people. It has underpinned this by publishing its first curriculum framework for youth work. It has yet to decide on the details of its funding formula and on the precise model for service delivery. The council is less clear about its strategic approach to community development.

### Allocation of funding

Current arrangements for allocating funding to community associations are not robust, and there is evidence that delegated funding is not always being spent in line with strategic requirements. Existing service level agreements are weak, and the council recognises this. A project appraisal process has recently been introduced, which has the potential to provide a much more robust link between strategic aims and service delivery, although further work needs to be done to ensure that costs are adequately accounted for. Outcomes and performance targets will need to be clearly specified in SLAs.

### Monitoring and control arrangements

The council has strengthened its performance management and quality assurance arrangements by publishing and implementing a quality assurance framework. Service delivery by the community associations is now being monitored by a combination of qualitative and quantitative assessment. These arrangements, which will need to be included in the SLAs, are expected to evolve further, as the council develops and embeds its project-based approach to delegated funding. In addition, the council should review its internal reporting arrangements to enable senior managers and members to review progress against strategic objectives. Audit arrangements for CAs are in place, however the council is not maintaining an up to date and complete record of key CA documents, such as statements of accounts and minutes of meetings.

## Status of our reports to the Council

*Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.*

## Strategic approach

*At a strategic level the council is now clear about what it wants to achieve with its youth service: it wants to focus its resources on the 13 – 19 age range, and it wants the funding to 'follow' young people. It has underpinned this by publishing its first curriculum framework for youth work. It has yet to decide on the details of its funding formula and on the precise model for service delivery. The council is less clear about its strategic approach to community development.*

1. The council's current model for delivering its youth and community development service is a devolved one, with most of the funding delegated to community associations (CAs). There are approximately 50 community organisations that receive delegated funding from the council's youth and community service. A number of these are organised into partnerships, with budget delegated to the partnership rather than the individual CAs. There are 12 CA partnerships operating across the borough. Amounts delegated vary considerably, from £9500 for the Walsall Youth Motorcycle Club, to £254,000 for the Area 1 Partnership. The total delegated budget in 2004/05 amounted to £2.26m.
2. The CAs are, in the main, well established organisations. Many of them were originally set up by the council, which at that time also provided staff and premises. Over the last 20 years the CAs have become progressively more autonomous. There are currently five principal officers working for CAs who are funded fully by the council, but otherwise the CAs employ their own staff. Most are companies limited by guarantee and are also registered charities. In addition to the delegated youth and community budget, they receive funding from a number of other sources, including SRB, NRF, New Deal, etc. In some cases, the latter is more significant than the delegated budget; however, the delegated budget has been a significant and regular source of income for the CAs, carried forward from one year to the next (although there have been occasional cutbacks in funding).
3. Historically, the council has taken a 'hands off' approach to specifying how this delegated service should be delivered and to performance managing that delivery – the CAs were left to decide how the budget should be deployed and what activities should be undertaken, and outcomes were not being monitored by the council. The council recognises that, whilst undoubtedly there has been some good service delivery by CAs, this approach has not been at all robust. The council has not been able to assure itself that the model is delivering an effective, high quality and value-for-money youth service.
4. The council has recognised that its historic approach to the delegated service had to change. In April 2004, a report to scrutiny set out an approach to re-shaping youth and community services based on the national *Transforming Youth* agenda, and other key national drivers such as *Every Child Matters* and the Ofsted youth service inspection framework. The strategic aim is to move away from a generic youth and community service, to one that is focused on youth work, in particular the 13-19 age range, with additional support for community facilities.
5. The council has recently had an Ofsted inspection of its youth service, and the inspectors, in their pre-inspection commentary, noted that the council is in the process of changing its strategic approach and that its Youth and Community Plan for 2004-09 takes into account the national priorities on youth work. We conclude that the council is clear about its broad strategic aims for youth work.

6. In line with these changes, the council proposes that funding will 'follow' the young people, with the funding formula based primarily on geographical distribution of the 13-19 age range, but also taking account of other factors such as deprivation. The details of this funding model are currently being developed, in consultation with the CAs via the Walsall Council of Voluntary Organisations. The aim for 2005/06 is that 80 per cent of Youth and Community spending will be focused on 13-19 year olds, moving up to 85 per cent in future years. The council's Performance Plan indicates (BV33) that the authority is intending to increase its spending on the youth service target range (13 – 19 years) by approximately 10 per cent in 2005/06, with smaller increases in 2006/07 and 2007/08.
7. In the past, youth work delivered by the CAs has been largely orientated around recreation. *Transforming Youth* states that youth services should have as their primary purpose the personal and social development of young people, and that each local authority should have a clear curriculum statement for its youth work. The council published its first youth service curriculum document in September 2004, which sets out the curriculum framework and goals, as well as providing some toolkit resources.
8. The council is continuing to develop its thinking around the most appropriate model for delivering youth work. Its view is that capacity amongst the CAs to deliver the new approaches to youth work is variable. There is concern at the very low level of professional qualifications amongst CA youth workers – currently only one youth worker is JNC qualified. Consideration is being given to moving towards a mixture of delegated and direct service provision. This will obviously impact on funding arrangements, and is being considered as part of the development of the funding formula. The CAs do add value by leveraging in additional funding and, in developing its models for service delivery, the council should ensure that it takes account of this added value.
9. The changes in the council's approaches to youth work have, inevitably, had a significant impact on the CAs. The council has been proactive in engaging the CAs in dialogue, and has set up various working groups to consider issues such as consequential gaps in funding, charges for CA accommodation and quality assurance. The council has also worked to support the CAs and to build their capacity. Although the council has encountered some resistance, generally the CAs understand the need for change, although there is some concern amongst the CAs about the pace of change.

### Community development

10. The council is less clear about its strategic approach towards community development. It has not set specific outcomes or targets for this area, and bids by the CAs for funding of community development work from Youth and Community are currently only assessed against the council's 10 corporate priorities.
11. We note that the level of delegated funding for community work / community facilities has contracted – from 2004/05 only about 7% of the delegated funding is being earmarked for this purpose (on the current budget this amounts to about £200,000 in total), and the council may therefore reasonably argue that its approach for assessing bids is proportionate. However, the council also provides or administers other streams of funding to CAs, such as SRB, NRF, small one-off grants administered by the corporate policy team, etc, and there is only a limited amount of liaison between the various departments of the council regarding these different streams. At present this does not amount to a coherent strategic approach.

**Recommendations**

- R1. The council should specify the level of professional qualification for community association youth workers in the new service level agreements
- R2. The council should develop a coherent, corporate and strategic approach to community development, ensuring that account is taken of the multiple sources of funding provided to community organisations

## Allocation of funding

*Current arrangements for allocating funding to community associations are not robust, and there is evidence that delegated funding is not always being spent in line with strategic requirements. Existing service level agreements are weak, and the council recognises this. A project appraisal process has recently been introduced, which has the potential to provide a much more robust link between strategic aims and service delivery, although further work needs to be done to ensure that costs are adequately accounted for. Outcomes and performance targets will need to be clearly specified in SLAs.*

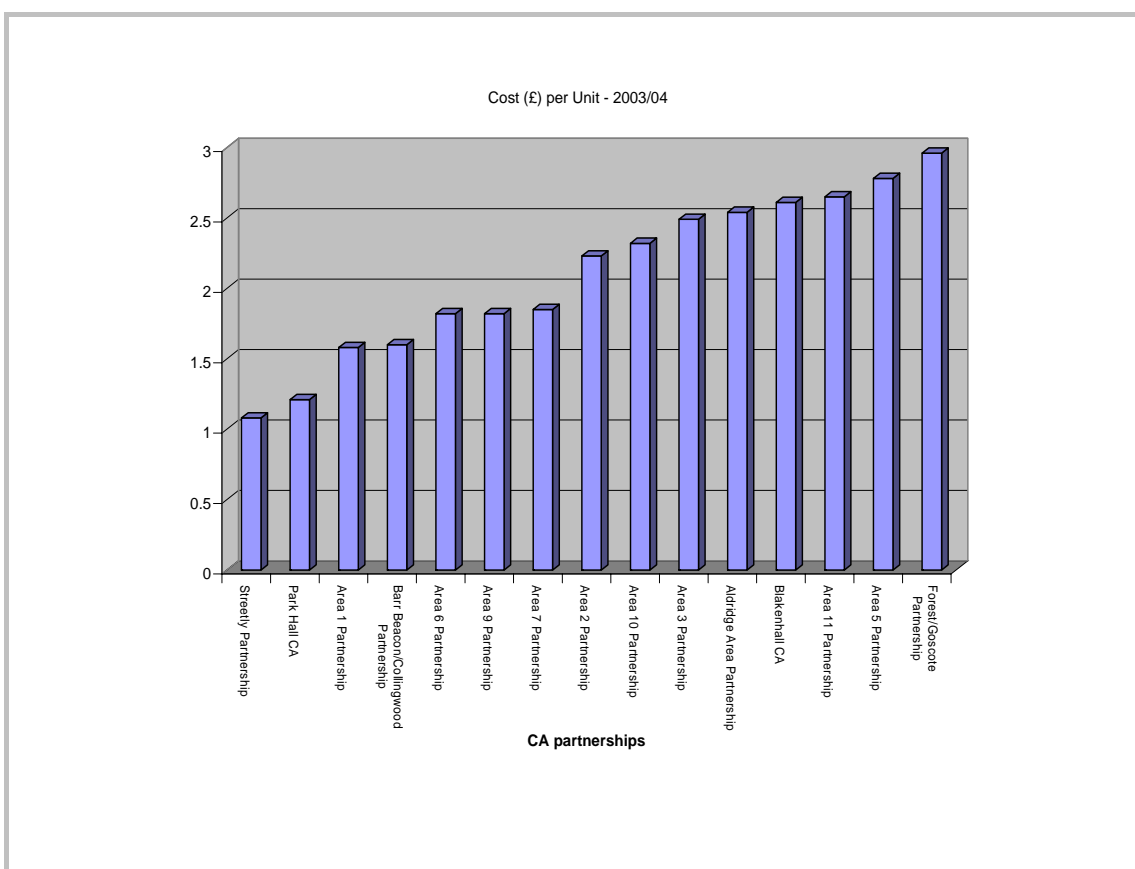
### Service level agreements

12. The council introduced service level agreements (SLAs) for its CAs in the late 1990s. The format for these has evolved, and in 2003/04 the schedule to the SLAs apportioned the delegated budget between the various categories (8 - 12s, 13 - 19s, community development, etc) and also specified the number of indicative 'Units' to be delivered in each category: one Unit was equivalent to one person attending for three hours. In addition the schedule set out, in very broad terms, the main objectives for youth work. This format provided a rudimentary specification for the CAs. The CAs were required to submit quarterly returns showing budget deployment and Units delivered, and monies were released in advance, quarterly.
13. As part of its strategic realignment of youth work, the council has recognised that this SLA format was insufficient for specifying, and ensuring the delivery of, high quality youth and community work – it did not provide any mechanism for identifying and assessing in advance the individual projects; money was being allocated on a block basis, carried forward from one year to the next, and was tied simply to the delivery of Units.

### Project appraisal

14. In 2004/05 the council introduced a project appraisal process for the first time. This was introduced in two stages. In the first phase, covering April to July 2004, the CAs were required to submit a proforma identifying individual projects, the number of hours to be delivered and the proposed outcomes or indicators.
15. In the second phase, covering July 2004 to March 2005, more detailed project application forms were introduced. The CAs were required, by way of a letter from the council at the start of the year, to apportion the budget to reflect the new focus on 13 – 19s (75 per cent to be spent on this category). The letter included indicative qualitative guidelines for each of the activity areas. Completed proformas and project applications were assessed by the council's youth workers and community development officer.
16. This approach has had the benefit of developing familiarity with the project appraisal process, and it has also enhanced the council's capacity to quality assure CA activity. However, in terms of allocating funding it has not been robust. CAs were not asked to identify costs and, although some attempt was made to assess costs when appraising projects, delegated budgets have largely been carried forward, based on previous allocations.
17. The council recognises that it needs to develop a more robust approach to identifying and measuring costs, and an officer group is currently working on the development of unit costs. The CAs have been engaged in this process. The model being developed is likely to be a

mixture of standard costs for premises-based youth work (varying by size of premises), and specific bids for non-standard items such as start ups, detached work, residential work, etc. This seems to us to be a reasonable approach. Whichever model it develops, the council will need to be clear that its criteria are robust and that costs are being apportioned appropriately, taking into account proportionate effort. The council would benefit from benchmarking its approach and costings with other authorities. As an indicator of the need to be clear about costs, we have compared in the exhibit below the variation in cost per Unit across the CAs for 2003/04, based on the expenditure of delegated budget and the Units delivered. The comparison is a crude one, but it can be seen that costs varied between about £1 per Unit to almost £3 per Unit.



Source: Walsall MBC – community association partnership expenditure and census returns for 2003/04

18. Funding is not always being allocated in line with strategic priorities. In the case of at least one CA in 2004/05, the amount of project activity approved by the council for the 11 – 12 age range actually exceeded that for the 13 – 19 age range (based on target numbers and hours), even though CAs were meant to be directing 75 per cent of the funding towards the latter age group. We understand that CAs do sometimes run activities across the age ranges, however the CAs confirm that it has been a challenge to realign their budget deployment to focus on the 13 – 19 age range. This focus on a specific age range is central to the council's youth work strategy. The council will need to strengthen its mechanisms for ensuring that delegated funding is actually being deployed as intended.



19. The CAs understand why the council has moved to a project-based approach and they recognise that it has the potential to be a much more robust process, however from their perspective they are not entirely clear what the council is expecting them to deliver, in terms of the specification for the service and then translating this into specific projects. There is also concern amongst the CAs that the project appraisal process has not been transparent, with CAs not clear about the criteria used for approving projects. The council has undertaken a training session for all CAs on these new approaches, and youth and community officers have provided one-to-one support for CAs. Further training and support is planned.
20. The council intends to review the content of its SLAs for delegated youth and community work, and tighten these up in a number of areas, such as rules on conflicts of interest, etc. In October 2004 the council took part in a national return to DfES on a set of proposed national performance indicators for youth work. These cover contact, participation, recorded outcomes and accredited outcomes. It is anticipated that these will be adopted by the government as national indicators with effect from April 2005, and the council's intention at this stage would be to adopt these as PIs. The council will need to set clear outcomes and performance targets in its SLAs, to ensure that borough-wide targets link robustly to the mechanisms for service delivery. There is also scope for reviewing the language used in the SLAs which at present is quite dense and legalistic.

Recommendations
R3. The council should ensure that delegated funding is allocated according to strategic priorities. Strengthen the project appraisal process accordingly.
R4. The Executive Director should ensure that project appraisal arrangements include a robust assessment of costs
R5. Officers should investigate the reasons for the wide variations in costs between CAs and use the results to help inform the development of standardised unit costs
R6. Officers should benchmark costing mechanisms, and costs, with other authorities
R7. The Executive Director should provide further guidance to community associations on the project appraisal process, to ensure that there is clarity and transparency about the process and about what they are expected to deliver
R8. The council should review the SLAs and strengthen them where necessary. In particular, ensure that outcomes and performance targets are clearly specified and ensure that SLAs take account of the new performance management and quality assurance arrangements.
R9. SLAs should be written in plain language

## Monitoring and control arrangements

*The council has strengthened its performance management and quality assurance arrangements by publishing and implementing a quality assurance framework. Service delivery by the community associations is now being monitored by a combination of qualitative and quantitative assessment. These arrangements, which will need to be included in the SLAs, are expected to evolve further, as the council develops and embeds its project-based approach to delegated funding. The council should review its internal reporting arrangements to enable senior managers and members to review progress against strategic objectives. Audit arrangements for CAs are in place, however the council is not maintaining an up to date and complete record of key CA documents, such as statements of accounts and minutes of meetings.*

### Monitoring arrangements

21. In 2003/04 the council monitored the CAs via the quarterly budget deployment and census returns (the latter provided details of the Units delivered). The council has recognised that this only provided a rudimentary, quantitative form of performance management and did not provide for any qualitative assessment of delivery. In September 2004 the council introduced curriculum and quality assurance (QA) frameworks for the CAs. The QA framework sets out how the council will assure itself regarding the provision of a quality youth service. This includes annual performance appraisal of the CAs (a sort of 'mini inspection', based on the Ofsted inspection framework), observation visits to CAs, registration and recording arrangements, etc. The QA framework document includes an appendix of the various record forms that CAs are required to use.
22. The council's district youth workers (DYWs) have already started to undertake visits and performance appraisals, and the council employs a quality assurance officer who works with the DYWs on the appraisals. The CAs receive a report and action plan following these assessments. The observation visits enable the DYWs to both support the CAs and to assess their compliance with the QA framework; they also enable the council to ensure that projects are being delivered as planned. The community development officers are planning to undertake unannounced visits from 2005/06. The CAs are also required, as part of their existing SLA, to undertake an annual survey of their users but we understand that this has lapsed in some cases. The council recognises that it needs to strengthen its monitoring of compliance with policies (for example on equalities and health and safety).
23. At present the council still requires the CAs to submit regular budget deployment and census returns, but in the longer term the intention is to move away from these and focus on monitoring the delivery of approved and costed projects. The council will need to ensure that the new SLAs include details of these new performance management arrangements.

### Control of payments

24. There are appropriate controls in place for the approval and release of payments: returns from the CAs are passed to the DYWs for assessment, and payments are then authorised by the principal youth and community officers. There have been some delays in CAs submitting their returns, and one of the practical difficulties for the council is that the monitoring systems are paper-based – the CAs are not electronically connected to the council's Youthbase system, and all returns have to be manually inputted.

25. There are no performance standards in place for the time taken to process payments, and the council should consider introducing such standards, to provide clarity for the CAs. Payments are currently still being made on a quarterly basis in advance, on receipt of the completed returns for the previous quarter. We understand that the council is aiming to move towards a system where payment will follow the delivery of completed projects.
26. The CAs are required, as part of the existing SLA, to submit their audited statements of accounts to the council, as well as certain other records such as minutes of meetings. The council was unable to assure us that it has all these documents, and CAs are not being chased for any gaps in the records. We understand that this is due to long term staff absence. The council should ensure that its records for each CA are complete and up to date.
27. CAs may be subject to audit by the council's Internal Audit, and those CAs which are limited companies are also subject to a separate external audit. There is evidence that the council is identifying and addressing concerns regarding the management of delegated funds by the CAs: one CA has had its funding withdrawn following investigations in 2004. In addition, the CAs are subject to codes issued by the Charity Commission.
28. CA performance and budget spend are monitored at a service level within the council, via payment authorisations and regular management meetings. At present the council does not routinely report strategic progress through to members, in part because the changes are so recent, although we understand that progress with the service plan is reported. The council should review its reporting arrangements, to ensure that appropriate arrangements are in place to enable senior managers and members to assess and evaluate progress against strategic objectives and targets.

**Recommendations**

R10. The Executive Director should introduce performance standards for the time taken to process payments to community associations

R11. Officers should ensure that the council's records for all CAs, including annual statements of accounts, are complete and up to date

R12. The Executive Director should review reporting arrangements to senior managers and members, to ensure that progress against strategic objectives and targets is properly reviewed and evaluated