

Policy and Finance Committee

2 July 2015

Corporate Grants Programme - Moving to a Commissioning Approach

Report by Executive Head of Organisational Development & Strategic Business

Purpose

To propose changes to the management of the Council's Corporate Grants Programme and move from an application process towards a commissioning approach, while retaining some level of small grants. These changes are proposed to take effect from 1 April 2016.

Recommendations of the Lead Member for Health and Social Care

To **RESOLVE** that -

the policy set out in the report which changes the management and administration of the current corporate grants programme to a commissioning approach from April 2016 be approved and as a consequence:

- £1,052,650 of current grants allocation be transferred to commissioning budgets in 2016/17
- £100,000 be retained for transition funding in 2016/17
- £120,000 be retained for discretionary grants up to £3k each (emerging needs)
- £50,000 be retained for small grants up to £750 each
- Existing grant commitments for 16/17 and 17/18 continue to be honoured.

Key Points

- A. The financial context within which the Council is operating means that over the next four years there is a need to save £37.4 million, equivalent to 28% of the 2014/15 net budget of £131 million. The Council has committed to achieve the best possible outcomes for Kingston residents and service users through effective Commissioning of goods and services. This is not just outsourcing, but is a planned way in which the Council works together with partner agencies and communities in shaping and designing services, and deciding who is best placed to deliver those services. The Council is ambitious in its plans despite the budget pressures, and is not merely accepting a reductionist agenda. It sees a future whereby relationships are redefined between communities, service providers and individuals. It is clear that the Voluntary and Community Sector (VCS) will play an essential, and core role in this future.
- B. The Council currently administers a Corporate Grants process. Grants are generally allocated on a three-year cycle, with some applications on an annual basis. Organisations come forward to request funding against specific criteria and is allocated by Committee. Grants are used by organisations in different ways which include direct delivery and support to the core funding of that organisation. The current annual grants budget for 2015/16 is £1,583,800.
- C. Destination Kingston 2016-2018 set out that the Council is operating in an agenda where 'services are publicly organised, not always publicly delivered'. This aligns closely with the Commissioning approach. The Council sees the VCS as playing a key role in Commissioning, not just by being potential providers of services, but helping to shape and design them. Through a Commissioning approach, the

Council spends around £13m per year with VCS organisations. The Council is clear that there is more potential for VCS to be part of the future through Commissioning.

- D. It is proposed that the current administration of the Corporate Grants programme ceases from April 2016. The majority of the budget would then move into Commissioning budgets, aligned to appropriate outcomes. This will be supported by transition funding to help organisations through the first two years of the change.
- E. The proposed change has been signalled at workshops, the Policy and Finance Committee in February and the Voluntary Sector Board. Further consultation took place during May/June through an online survey and focus groups.

Context

1. Kingston adopted a Compact in 2000 which sets out a shared vision and recognises the vital part that VCS plays in shaping services, ensuring that communities have a voice through advocacy, and developing a strong network of information and advice. This vision was refreshed in 2013, and set out principles in which statutory authorities and the VCS would work together.
2. The Compact sets out that the Council will 'Aim to choose the approach to achieve the required outcomes (e.g. grants, procurement//competitive tendering, support in kind) which will attract the organisations best placed to deliver the outcomes'.
3. The Council launched its Voluntary and Community Sector Strategy in 2014. This strategy was developed with the sector focusing on outcomes relating to the role and contribution of the VCS as partners in shaping services delivery and community engagement with four themes:
 - Community development/engagement: including community leadership, building social capital, co-production, and community 'voice'.
 - Commissioning: VCS engagement with shaping services as well as delivering them
 - Communications: making sure everyone is aware of progress and opportunities
 - Capacity building: for all partners to support better collaborative working and to develop required skills
4. There are a range of forums in which the VCS, the Council and other partners engage. These include:
 - Kingston Strategic Partnership
 - Voluntary Sector Forum (VCS led)
 - Voluntary Sector New Futures group (VCS led)
 - Voluntary Sector Board (co-chaired by Cabinet Member for Health and Adult Social Care and CEO of Kingston Voluntary Action – and a sub-group of the Kingston Strategic Partnership)
 - Range of VCS networks, including Children & Young People, Mental Health, Carers, BMER organisations, and Community Development
 - VCS Strategic Partners, a network of key leads for different sub-sectors who have a role in promoting two-way communication between themselves, smaller groups and statutory organisations.
 - Neighbourhood Committees, Community Panels, Community Budgeting, various themed workshops and forums

5. On 12th February, Policy and Finance Committee agreed to set out 'in principle' agreements for those voluntary organisations that in 2015/16 will be in the second and third year of previously agreed multi-year funding (Strategic Partners and Community Investment Fund). The Committee agreed the following position and principles:

- The Administration has emphasised its support for the local voluntary and community sector and has started to clarify its expectations about how this might work in the future against the wider context of:
 - i. Increasing pressure on Council finances and increasing demands for services
 - ii. On-going commitment to a thriving Voluntary and Community Sector in Kingston
 - iii. the Council's approach to Commissioning including the focus on joint/collaborative commissioning between RBK, Public Health (now part of the Local Authority), the Kingston Clinical Commissioning Group and Achieving for Children (AfC).
 - iv. changes arising from the implementation of legislation and other initiatives such as the Care Act, the Children and Families Act, the Better Care Programme and the increasing use of personal budgets.

- A wide ranging review of the way funding goes to the VCS (including grants and commissioning) has been started and proposals will be brought to the relevant Strategic Committees in 2015 in time for any agreed recommendations to be implemented from the financial year 2016/17. This review will involve a wide range of stakeholders in both statutory and VCS organisations.

- Grants that have already been awarded on a multi-year basis will be honoured for the duration of their agreements (see below).

- The total budget for grants for 2015/16 is £1,583,700. This includes agreed premises costs, part of London Boroughs Grants Scheme reduced contribution and other on-going commitments not subject to the grants process. There is no inflation allowance on the Grants Budget because of continuing financial constraints and therefore there can be no automatic uplifting of previous awards to reflect any inflation in recent years. Breakdown of this is as follows:

Budget available 15/16	
Total Grants Budget available	£1,583,700
Less on-going commitment to Strategic Partners grants	£55,000
Less on-going commitment to Community Investment Fund grants in 3rd and final year	£802,400
Less on-going commitment to Community Investment Fund grant in 3 rd year of five	£181,000
Less on-going commitment to Community Investment Fund grants in 2nd year	£130,000

Less allocation for capacity building of the voluntary and community sector from the London Boroughs Grants Scheme	£250,500
Less ongoing commitment to Kingston Community Furniture (now to Staywell) and to KCABs for Hook Centre	£65,000
Contingencies	£44,800
Amount available for Emerging Needs and Small Grants 2015/16	£55,000

(Note for info: premises costs are included in the grant allocations – relevant leases end in 2017 – Siddeley House, Neville House, Parman House)

- During the grants years 2013/14 and 2014/15 allocations to the Strategic Partners and Community Investment Fund grants strands and other allocations were such that the funding available for 2015/16 is limited to the Emerging Needs and Small grants strands. Despite cuts elsewhere in the Council, the Administration agreed to retain these grants, highlighting the importance placed on building capacity in the Voluntary Sector. The two grant strands were launched in December 2014 with a closing date of 27 February 2015, so recommendations for the Emerging Needs Grants will be brought to a later Committee. Small grants are awarded under Strategic Director's delegated authority.
6. 32 organisations receive grants under £10k, 23 of which fall under £3k, and the remainder between £3k-£10k. 36 organisations receive grants between £10-£100k, and 7 organisations receive grants over £100k.¹
 7. Of the 32 organisations that receive grants under £10k, 13 also get payments from the Council outside the corporate grants programme (assumed to be commissioned spend). Of the 36 organisations receiving grants between £10-£100k, 16 also receive payments for 'commissioned' services. The 7 organisations who receive grants over £100k, 1 receives other payments.
 8. In addition to the grants programme set out above, the Council has provided payments to VCS organisations of around £13.7m per year. This is through Commissioning budgets.²
 9. The value and administration of grants programmes vary from Council to Council, but most London Councils have moved away from major Corporate Grants programmes and focus on a commissioning approach. Neighbouring Authorities have different practices but have tended to have moved away from larger scale Corporate Grants Programmes. Sutton, for example, maintains an 'Infrastructure Support and Capacity Fund, plus a lower value Community Fund' of around £460k (over 4 years with a two year break clause). Richmond had various lower value capacity building funds but moved away from Corporate Grants some years ago. Charity organisations in the latter make use of three charitable trusts who donate around £2m per annum.
 10. The Council's annual grant programme is over-subscribed. The nature of the existing grants programme means that they are only awarded on a maximum of a three year basis, and there is never any guarantee that an organisation who currently receives a grant may do so in the future. This means that VCS organisations have less long-term security and need to wait until the outcome of

¹ 13/14 spend data

² 13/14 spend data

the latest round of grants to be able to assess the level of income they require and the shortfall that needs to be made up.

11. The Council is supporting the initiative being taken by KVA and the strategic leads to further build the capacity of Kingston's VCS and support increased sustainability of the sector through providing advice and routes to financial independence. This work is being supported through ongoing commitments as set out in paragraph 21d.
12. The Council's move to commissioning drives the approach of assessing the need for all services, how those services are delivered and who provides them. This is not about a strategic shift to outsourcing or shared services. While these may be part of the future shape of service delivery the Council is not predisposed to any model. The focus is on the best outcomes for Kingston's residents and communities.
13. The Council, in facing the challenges ahead, will need to ensure there is a holistic approach to how services are commissioned to achieve the best outcomes from residents. This will ensure there is no duplication of effort and all partners work together in the best way.
14. The Council recognises how any proposed change to the current process leads to some uncertainty about how relationships will work for the future. The VCS will play a major role in the future delivery of outcomes for Kingston residents and service users and the changes proposed are intended to help strengthen the Council's ability to engage and collaborate with voluntary and community partners. The Commissioning approach will be based on working together to develop and deliver the agreed set of outcomes.

Options

15. A project was established to consider options and to explore the opportunity to align more closely with the Commissioning approach. This would look holistically across opportunities for achieving outcomes and follows a process whereby providers can play a role in shaping and delivering services. This would also ensure that there is a picture of commissioning activity to achieve outcomes and reduced opportunity for duplication. The project considered some high-level options:
 - Retain the grants programme 'as-is'. This would mean that the budget for grants allocation would be ring-fenced when the Council is facing budget reductions of 20-30%.
 - Retain grants but with a 20-30% budget cut, in line with Council reductions. This would mean existing grant-funded organisations competing for a smaller pot of money than previously.
 - Move some or parts of the grants administration to a third sector partner. This would require the Council entering into a contractual relationship with a partner (who itself would need to be commissioned) to administer the programme. This would still require the Council to monitor fund allocation, effectively increasing administration.
 - Ending the grants programme completely and moving budgets into commissioning.
 - Moving a proportion of budgets into commissioning, and retaining some elements of a grants programme.

Proposed Policy Changes

16. A consultation was undertaken on the proposed approach to move focus away from a corporate grants programme and into the commissioning. The project team considered the responses and the Lead Member for Health and Social Care recommends the following proposed policy:

- The current Corporate Grants Programme will cease from 1st April 2016.
- Any residual funding or agreement to fund that the Council has already committed to will continue for the period that has been agreed.
- The total current value of the grants programme (£1,583,700) will not reduce, but will in the most part be transferred to Commissioning budgets from 16/17. This will initially be based on an appropriate split around Council budgets and proposed outcomes to be delivered from 16/17. Further work will be undertaken as part of budget setting process and finalised in Autumn 2015.
- Ongoing agreements or residual funding that the Council has already agreed to will continue for the period that has been agreed. For 16/17 and for 17/18, these include:

Community Investment Fund grants (Strategic Partner grants end March 2016)

16/17

£130,000 (no relevant premises costs involved)

£181,000 to KVA (includes contribution to premises costs of £21,868)

LBGS reduced contribution allocation – currently no end date

17/18

£181,000 to KVA (includes contribution to premises costs of £21,868)

LBGS reduced contribution allocation – currently no end date

- The Council will retain £100k from the overall budget of £1,583,700 for transition funding (for 16/17 and 17/18). This will be allocated on a case by case basis through an application process. This can be used for intermediary funding while organisations prepare for commissioning, including capacity building.
- The Council will retain £120k a level of discretionary grants for emerging needs which will be a maximum of £3k per year (note that currently there are around 44 applications for this). Emerging Needs and New Initiatives grants are annual Grants for one-off projects or pump-priming/development activity which can include a contribution to overheads. Organisations would be expected to have considered how their project contributes to priorities in the Kingston Plan, to Service Area priorities or to priorities they have identified themselves. In addition they need to have thought about how the activities might be sustained or have developed an appropriate exit strategy.
- Focusing on Emerging Needs and New Initiatives is intended to encourage organisations to think about developing activities to meet new and changing circumstances. Applications for repeat funding will not be encouraged, although there could be exceptions made for events or activities that occur on a regular basis.

- The Council will also retain £50k per year from the existing corporate grants budget for small grants under £750 per grant (note that there are currently 22 applications per year).
- The administration for the small and emerging grants programme will be developed on the basis of officer delegated decisions and Member oversight. The process will be transparent and criteria published.
- Commissioning decisions will follow the approach set out in Contract Standing Orders and Scheme of Delegation, which requires officers with appropriate authority to consult with members for decisions over £100k. The Council currently allocates grants through the Committee process.
- For 2016/17 and 2017/18, including the commitments set out in (d), the total amount of budget expected to move to Commissioning will be:

2016/17: £1,052,650 (less LBGS)

2017/18: £1,233,650 (less LBGS)

The Council will allocate this to appropriate Commissioning budgets for agreement at Autumn budget.

Commissioning Approach

17. The process for Commissioning services from the VCS will follow the Council's Commissioning framework and process. Commissioning is defined as 'achieving the right outcomes by deciding what service is needed, how it should be delivered, and which public, private or third sector organisation should deliver it within effective use of resources'.³
18. While the Council has undertaken a number of events around how it commissions services, it is clear from the consultation that further work is needed to ensure a greater understanding with the VCS. The Council will commit to work with strategic partners, including KVA in supporting all organisations through the understanding of the process.
19. The process of commissioning can result in re-design, de-commissioning, transfer (to another provider), a contract (through procurement) or allocation of a grant. The decision on which route is depending on the nature and cost of the service.
20. The grant (resulting from a commissioning process) is the same legal instrument as that which has been allocated through the corporate grants process. The method of allocation is the difference. The corporate grants programme starts with a budget which organisations bid for. When the budget runs out there is no more opportunity. The commissioning approach includes the whole Council commissioning budget, but is based on the agreed outcomes and engaging with providers to come up with best solutions to address them.
21. Procurement is an important element of commissioning, and this is the process whereby the Council selects third party providers. However, the Commissioning process will include far more involvement with providers 'up-front' and the procurement process itself will be proportionate and flexible. This helps to address some further concerns around burden for smaller organisations.

³ Kingston Council definition

22. The Council will consider potential opportunities to support smaller organisations and also accept 'consortium' bids. The Council also looks at supply chains of larger organisations and how they will themselves use VCS organisations.
23. The Council Commissions services based on an agreed set out outcomes to deliver the policy programme and ensure fair access to services for residents and service users. Outcomes are not decided 'top-down' but in partnership with communities, residents and service users, taking into account priorities (including what matters most to residents from the All-in-One Survey and Leader engagement sessions). This addresses some concerns from the consultation around how outcomes are developed.
24. The Council aims to engage with providers as part of designing appropriate services. This will be proportionate to the service being commissioned. Higher value commissioning (over £100k) is likely to require more in-depth engagement. Engagement is not just consultation, but co-production and design. A theme from the consultation is the concern around the lack of contact between commissioners and the VCS. Commissioners will use full engagement to work together to design processes where possible, and work with partners to have an understanding of the service delivery.
25. The engagement and design through commissioning will take into account the value that VCS bring to the Borough (and this will be reflected in any evaluation and monitoring).
26. Commissioning seeks to include innovation. It is not about the Council defining a rigorous specification but looks at providers (who currently provide valuable and innovative services) to bring this into the process.
27. If there is a limited market (or competition) for services, consideration may be given around the need to run a wider competitive process and in some cases may award a commissioned grant. In many cases, local, established providers are well-placed to come forward for commissioning opportunities and will be the only source of provision. The Council will always ensure it complies with principles in the Public Contracting Regulations around transparency, equality and equal access to opportunities.
28. The Council will ensure a consistent, fair and proportionate approach to how it commissions services. The consultation raises concern that Commissioning can be bureaucratic. While the Council has a legal obligation to ensure it complies with appropriate legislation (including Public Contracting Regulations 2015), there are flexibilities and the process is also proportionate to value. Where the Council undertakes procurement, providers can expect lower value requirements to be proportionate and will unlikely to be any more burdensome than the grants award process.
29. The Council will commit to longer contracts where possible to allow for more certainty of service. This provides some further certainty to organisations, which was another concern from the consultation.
30. Opportunities (including potential market engagement sessions) will be promoted through the Council's e-Tendering system (www.londontenders.org) and Contracts Finder where appropriate.. This allows access to wider opportunities as other Local Boroughs advertise opportunities on the same system. While this has raised some concerns through the consultation that larger organisations will take over, the Council will ensure flexibility in the approach and ensure social value and local provision is taken into account.

31. Organisations that have signed up to the e-tendering system for specific services, they will automatically be alerted to any potential opportunities.
32. Ongoing opportunities for dialogue with commissioners will increase. The Council will begin to publish future commissioning intentions and opportunities and work with providers as set out to develop solutions.
33. Standards required by the Council will be proportionate. Organisations have stated concern around being asked for rigorous data, including financial standing, environmental policies, health and safety, ISO etc. The commissioning process will be proportionate and only ask for evidence of standards where this is necessary. There will not be any pre-qualification questionnaires for any procurements that take place under £173k.
34. The Council is committed to including Social Value criteria where possible. Commissioning will achieve the best value for money. The Council therefore seeks to commission for value, not just price and will emphasize the importance of 'local' in setting criteria and evaluating bids and tenders.
35. The Council will undertake regular reviews of the process. The Council is already committed to working closely with Strategic Partners and specifically Kingston Voluntary Action to share commissioning opportunities and rectify issues as they arise.
36. Capacity Building may be taken into account in Commissioning services. Where appropriate the Council will consider Commissioning services on the basis that the organisation's core-costs are part or wholly covered.
37. Performance management of contracts will be proportionate and aimed at ensuring that outcomes are achieved. Performance indicators will be relevant to the outcomes. There is no intention that the Council should 'micro-manage' contracts.

Consultations

38. The Council started the process in November 2014 with a workshop, jointly-delivered with VCS key strategic partners which explored what commissioning meant, and defined the process in the context of grants. This workshop also looked at developing opportunities in Adult Social Care, Public Health, Achieving for Children and Clinical Commissioning Group. A follow up event took place in February which further refined how commissioning works, a timetable of commissioning activity, and further opportunities. The Lead Member for Adult Social Care, Health and Voluntary Services signalled the direction of travel towards a Commissioning approach at both events.
39. The VCS, through a forum of New Futures 2, also set out some key issues around Commissioning, some of which have been addressed in the Council's Commissioning approach set out in this report. The VCS Board has also considered issues with the proposed approach.
40. The Policy and Finance Committee signalled intention to review the Grants Programme on 12th February. This event was attended by a number of VCS organisations.
41. An online consultation took place over four weeks between May and June. This was promoted through the existing VCS networks and groups, including the Voluntary and Community Sector Strategy Newsletter, and through KVA. 148 responses were received, from a mix of residents and sector representatives. An analysis of this consultation is at **Annex 1**. The full set of responses is at **Annex 2**.

42. In addition to the online consultation, there were a set of six focus groups for VCS representatives. One focus group was attended specifically by strategic partners, with others recruited from a list of VCS organisations. These were well-attended. The report of these focus groups is shown at **Annex 3**.
43. The consultation responses have been considered in full in designing the proposed policy, with key themes being addressed throughout this report.
44. The Committee is presented with the summary report from the online consultation, the report from the focus groups and the full responses from the online consultation, to ensure they are fully considered and understood in making the decision.
45. Key findings from the online consultation
- 62% of respondents expressed a level of support for the proposals and 38% responded that they did not support the proposals
 - There are concerns from respondents about the competitive tender process replacing the majority of the grants application process. However respondents were largely satisfied the proposals will be open, fair and flexible.
 - The continuing focus on the social value aspect of proposals was received positively.
46. Key findings from the voluntary sector focus groups
- There remains concern about the way the new proposals will work in practice, including the implications of potentially increased competition within the sector
 - There was enthusiasm for opportunities the new arrangements would create with recognition of the support smaller organisations would require and concern about the impact on organisations of engaging in commissioning
 - Uncertainty for individual organisations as to whether they would receive funding in the future
47. Where the main responses received to the consultation have influenced the policy proposed:

Summarised responses to the consultation	How it has influenced the policy proposed
Evidence the commissioning process works	The implementation will be evaluated and reviewed based on the evidence and learning. The Council currently commissions the majority of its annual spend successfully.
Local Organisations will suffer and the loss of local knowledge and innovation.	The transition funding and emerging needs arrangements will support local organisations. Social Value will be an important part of the commissioning arrangements, including use of local provision and involvement.

	<p>Lower value grants are being retained.</p> <p>The option to award a grant as a result of the commissioning process is available where applicable.</p>
<p>Need to be flexible, ensure organisation's core costs are funded and provide better than short term arrangements for organisations</p>	<p>The proposal allows the Council to work with partners in the voluntary and community sector to achieve outcomes. Engagement and shaping together commissioning intentions.</p> <p>The commissioning approach allows organisation's core costs to be taken into account. Organisations can include these when submitting proposals or tenders.</p>
<p>Bidding process and question whether there will still be some grants available</p>	<p>The commissioning approach will engage smaller organisations as well as larger ones and will be proportionate, fair and transparent.</p> <p>The proposals set out the retention of smaller grants.</p> <p>The proposals set out the Transition grant budget and the Emerging needs grant budget.</p>
<p>Competition over collaboration</p>	<p>The commissioning process is designed to ensure both collaboration and competition are possible. The Council's engagement process will address design of services and approach with organisations. The Council will also look at consortium proposals where appropriate.</p>
<p>More information needed on the change</p>	<p>If the policy change proposed is agreed, engagement will commence on the details of designing commissioning intentions and launching commissioning activity. This will follow in July/August.</p>
<p>Individual councillors managing community grants</p>	<p>No individual councillor will be asked to manage or decide upon the allocation of grants independently.</p>
<p>More clarity on transition funding</p>	<p>The proposed size of the Transition fund is set out in the report.</p>
<p>Smaller organisations will need support</p>	<p>The Council has committed to funding KVA in 2016/17 and 17/18 to support the sector.</p> <p>The Council will engage as its sets</p>

	<p>commissioning intentions and begins commissioning activity.</p> <p>The Council is removing the requirement to apply for grants where it runs a commissioning process. It is anticipated that for organisations currently receiving less than £100K in grants the level of capacity needed to participate will be broadly comparable to the current grants arrangements. The level of capacity required by voluntary sector organisations to respond to commissioning activity rather than apply for grants will be evaluated and learning applied.</p>
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Timescale

48. The recommendations will be adopted from 1 April 2016. Further work will be carried out during summer, leading to Autumn budget, around how allocation of budgets to outcome areas will be managed.
49. Ongoing commissioning activity continues, but organisations can expect there to be further opportunities in Autumn 2015, leading to decisions and award of contracts end of December 2015, early 2016 (this equate to the grants process, so organisations will still have time to understand implications).

Resource Implications

50. The proposed policy change will being maintained and split into commissioning, transition funding, residual and ongoing commitments, and emerging needs and small grants (as set out in 21.) The proposed policy change will contribute to the £107k savings from Strategic Business budget due to reduction in administration.

Legal Implications

51. The types of services (i.e. Education and vocational health services, Health and social services and Recreational, cultural and sporting services) that fall under these provisions were previously governed by the Public Contracts Regulations 2006 (as amended) and classified as Part B services. The Public Contracts Regulations 2006 (as amended) has been repealed and replaced with a new regime under the Public Contracts Regulations 2015 ("PCR 2015") . Under the new regime set out in the Public Contracts Regulations 2015, services of this type (that were previously classified as Part B services) with a value over the financial threshold of £625,050 would fall under the "light touch" regime.. It appears from the report that many of the services that would fall under the proposals set out in this report would be of value significantly lower than the financial threshold and would subsequently fall outside the application of the PCR 2015. However, the commissioning of the services would still be subject to the EU Treaty principles of equality, transparency etc., which are the principles which the EU regulations are derived from, especially if there is a potential for cross border interest. The Council's actions in commissioning these services must also be in accordance with the Council's Contract Standing Orders.
52. Notwithstanding, relationships have been established over the years, if the Council is to pursue commissioning rather than grant funding, it must be mindful

that during the commissioning process (e.g. any pre-engagement, in the tender documents and the evaluation criteria used, and during the procurement), that VSOs or any other organisations that have previously received funding are not given, or could be perceived to have been given, preferential treatment. The Council should also be mindful of its Best value Duty.

53. The proposed policy change is within the Council's legal powers to implement.

Risk Assessment

54. The key risks include the concerns set out in the consultation, some of which are addressed in the Commissioning approach and the proposed policy changes set out in this report.
55. The pre-existing risk with the grants programme remains in that organisations will not always be able to rely on receiving funding from the Council. This will be true from Commissioning services, and the Council is committed to increasing opportunities through the process. The Council's role in ensuring a well-developed and robust sector is essential.
56. VAT has been raised as an ongoing question through consultation. Kingston Voluntary Action has provided VCS with overall guidance but there is not a 'one size fits all' approach. VCS will need to take individual guidance from HMRC before contracting. The types of scenarios include the following:
- If an unconditional grant is given to a VCS organisation there are generally no VAT implications
 - If a grant is conditional on certain supplies being made and these supplies are VATable, the VCS will need to charge VAT if it is VAT registered.
 - If VATable services are commissioned, the VCS organisation will need to charge VAT if registered.
 - Any organisation that has VAT taxable turnover of more than £82,000.00 in a twelve month period must register for VAT. It will then be able to recover the VAT incurred in providing any taxable supply.
 - If a VCS organisation is registered for VAT but provides an exempt supply it will not be able to recover the VAT on its costs of that supply.
 - For the VCS organisation, VAT is due to HMRC when a tax point is established (i.e. when the services are provided or when an invoice is sent out). An invoice must be sent out within 14 days of the service provision unless authority has been obtained in advance from HMRC. This means the VCSO may well have to pay VAT over to HMRC before being paid by the commissioner.

Equalities Impact Assessment

57. The full Equalities Impact Assessment is attached at **Annex 4**. This relates to the proposed change in policy. Any individual commissioning decisions that follow will be subject to further EQIA. Contextual demographic data is included at **Annex 5**.

Network Implications

58. There are no direct implications on road/transport networks.

Environmental Implications

59. There are no direct implications.

Background papers - held by authors of report -

Chris Morgan, Capability Lead Commissioning Tel: 020 8547 5300

Kevin Mitchell, Capability Lead Strategy: Tel: 020 8547 5982

- VCS Strategy & Compact
- Consultation Report and Responses
- Council spend data