

Local Compact Survey results: briefing 4 – Best Value Guidance and funding

August 2013

In September 2011, the Department for Communities and Local Government (DCLG) published 'Best Value Statutory Guidance'¹, a short piece of guidance relating to the general Duty of Best Value. Under this duty, a Best Value Authority is expected to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The guidance provides information about how this can be achieved, particularly with regard to the relationship between local authorities and the voluntary and community sector. It sets out a number of expectations about the way authorities should work with voluntary and community organisations and small businesses when considering funding decisions.

These are:

- Avoiding passing on disproportionate reductions in funding compared to the levels they take on themselves.
- Giving three months' notice of any actual reduction in funding or other support.
- Meaningful and active engagement with organisations and service users before making a decision on changing or ending services.
- Consulting local voluntary and community sector organisations at all stages of the commissioning cycle, including decommissioning.
- The guidance makes it clear that authorities should be responsive to the benefits and needs of voluntary and community organisations of all sizes, honouring the commitments set out in local Compacts.

What Compact Voice says

Best Value Guidance makes it clear that authorities should be responsive to the benefits and needs of voluntary and community organisations of all sizes, honouring the commitments set out in local Compacts.

The national Compact contains a number of undertakings which expand on or complement those in the Best Value Guidance. They include:

4.2 Assess the impact on beneficiaries, service users and volunteers before deciding to reduce or end funding. Assess the need to re-allocate funds to another organisation serving the same group.

¹ Best Value Statutory Guidance: <https://www.gov.uk/government/publications/best-value-statutory-guidance--4>

4.3 Where there are restrictions or changes to future resources, discuss with civil society organisations the potential implications as early as possible, give organisations the opportunity to respond, and consider the response fully, respecting sector expertise, before making a final decision.

4.4 Give a minimum of three months' notice in writing when changing or ending a funding relationship or other support, apart from in exceptional circumstances, and provide a clear rationale for why the decision has been taken.

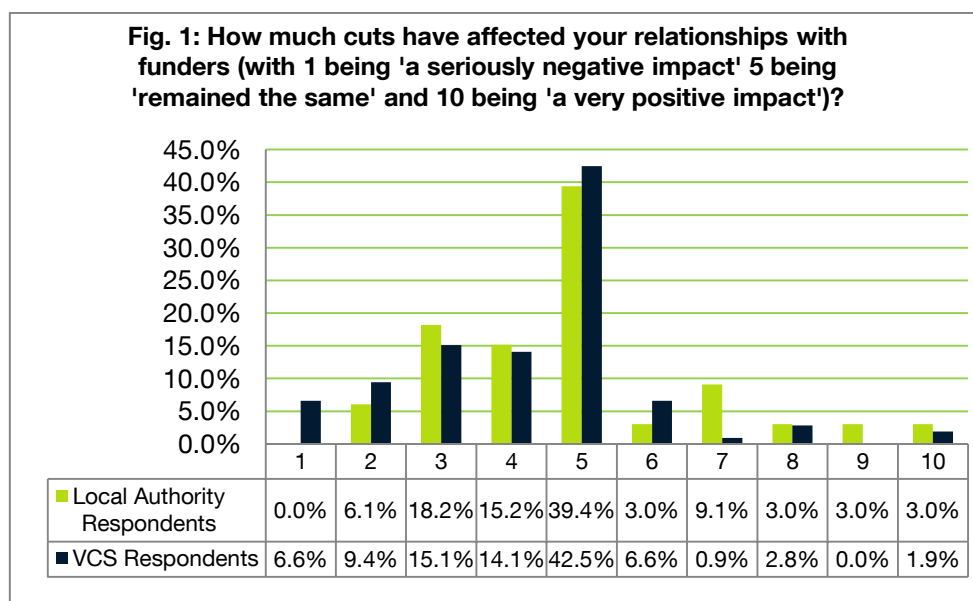
When local authorities honour the commitments established by local Compacts it can help both sectors understand and positively influence decision making processes, by recognising and working to principles which have been established and agreed to reflect local need.

Since the formation of the coalition government in 2010, local authorities have seen substantial cuts to their budgets in attempts to reduce the national deficit. This has had a significant impact on local VCS organisations. Compact Voice wanted to better understand perceptions from voluntary sector organisations and local authorities about how they have experienced cuts in funding, how these are affecting their relationships with funders and how they anticipate future revenue and funding to look.

What our survey showed

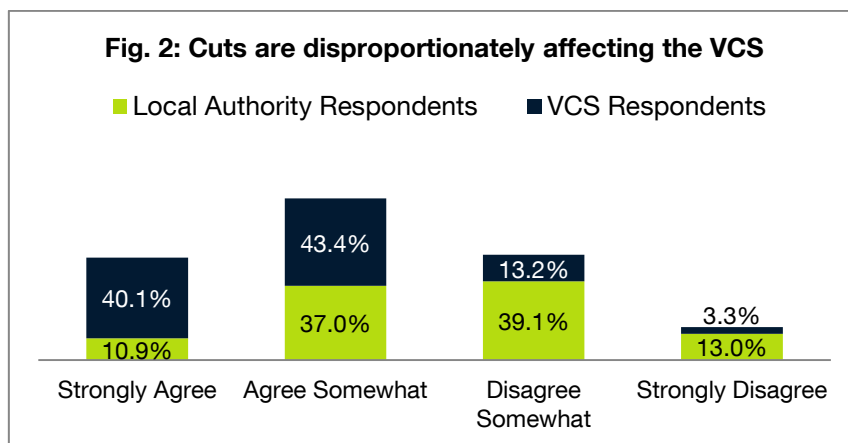
As expected, a high number of respondents have experienced cuts in funding. 84 percent of local authority respondents reported that they had experienced cuts and 71.3 percent of VCS respondents reported having experienced cuts.

21.9 percent of VCS respondents reported that they had not experienced cuts over the last 12 months, which is reassuring, as is the fact that although cuts are having an adverse effect on relationships, as figure 1 shows, the majority of relationships with funders have remained the same, indicating that strong partnerships are able to continue to work effectively despite funding cuts.



There has also been some evidence that cuts are 'disproportionately' affecting the VCS. Last year, Compact Voice [published a report](#) which suggested that half of local authorities were cutting grant funding to the VCS more than their overall budget reductions from central government. Compact Voice asked respondents to say how strongly they agreed or disagreed with the following statement: 'Cuts are disproportionately affecting the VCS'. Figure 2 highlights that while over 83 percent of VCS respondents agreed to some extent with that statement, the majority of local authority respondents were more in the middle of the scale.

Our final question about spending cuts looked to the future, as we asked respondents to tell us about how they felt the economic situation would look for their organisations over the next 12 months. Almost 90 percent of local authority respondents predicted a decrease in revenue, with 9 percent expecting it to remain the same. However, it seems that VCS respondents are slightly more positive about the next 12 months as almost a third of respondents expect their economic situation to remain the same and 11 percent predicted an increase. 56 percent of VCS respondents expected to see a decrease in funding.



The [2012 Annual Survey of Local Compacts](#) included questions about compliance with the Compact and Best Value Guidance. Therefore, the same questions were asked again in 2013 in order to provide us with a range of comparable data. We asked respondents to indicate how often four statements accurately described actions local authorities have taken when considering changing or ending funding. Overall, results were quite similar to last year's for each of the four statements. The main difference was that for each statement the number of respondents that told us the scenario presented had **never** occurred has risen and the number that told us it **always** occurred has fallen, in some instances a negative trend.

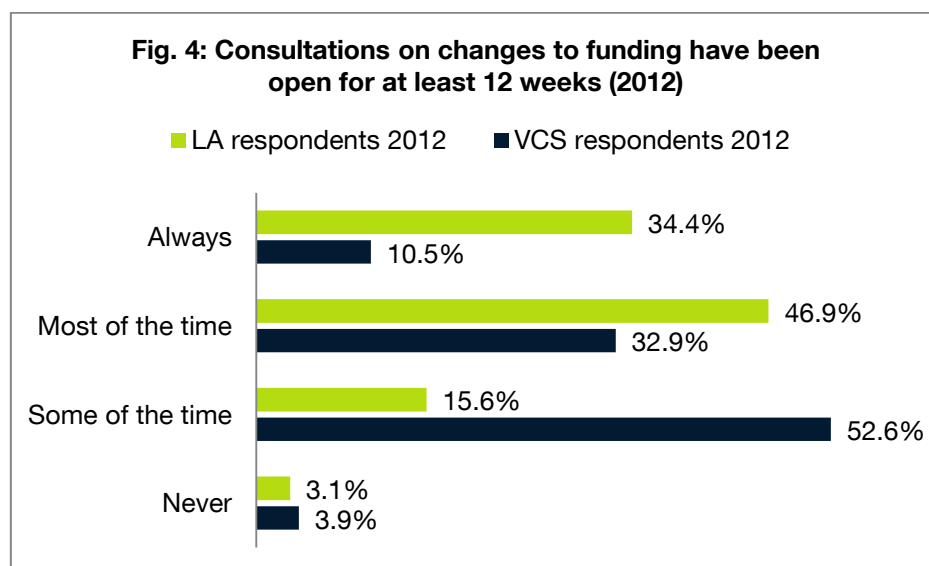
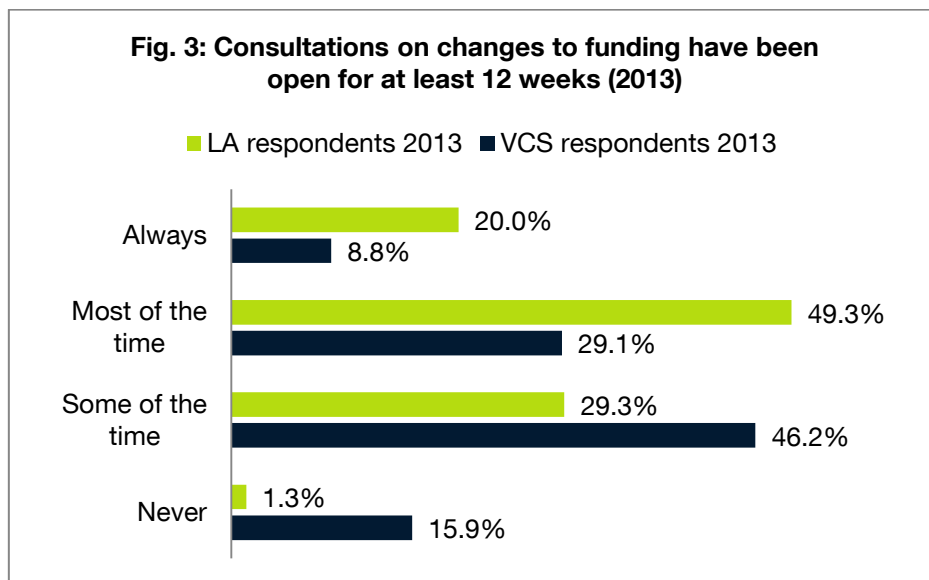
The first statement was: 'AT LEAST 3 months' notice has been given in writing BEFORE changes to funding arrangements have come into force'. This year over 10 percent of VCS respondents said 3 months' notice was **never** given - but zero local authority respondents chose this option. This wasn't entirely surprising as we expected responses to differ between the two sectors.

Our second statement was: 'Changes to funding arrangements of the VCS have been made AFTER consultation with those likely to be affected'. This year 30 percent of local authority respondents said that this was **always** the case, whereas only 11% of the VCS agreed.

However, more VCS respondents believe it is occurring '**most of the time**', compared to last year.

The third statement was: 'Consultations on changes to funding have been open for AT LEAST 12 weeks'. In 2013 15 percent of VCS respondents indicated that this **never** happens, compared to only 1 percent of LA respondents, as shown in figure 3 below. Interestingly there has been an almost 15 percent drop in LA respondents who believed consultations on changes to funding have **always** been open for AT LEAST 12 weeks, between 2012 and 2013, illustrated in figures 3 and 4.

The final statement concerned pre-tendering events: 'Pre-tendering events are held to ensure potential bidders are well informed about the procurement process'. It would have been encouraging to see an increase in the number of respondents that indicated these events were being held more often. Unfortunately however, across all respondents there has only been a 1.8 percent increase in those that say pre-tendering events are held **most of the time** or **always**.



Next steps

Compact Voice have produced a guidance note which provides information for local Compact groups on understanding the implications of Best Value Guidance, and how best to engage with the Duty of Best Value. This can be downloaded from our website's [resources section](#).

Compact Voice also recently published '[Understanding Commissioning and Procurement: A Guide for Local Compacts](#)', which includes up to date information on Best Value.

This is one of a series of documents looking at the results of Compact Voice's third annual survey of local Compacts. The full report with all the results will be published in August 2013 and will be available on the Compact Voice website: www.compactvoice.org.uk.