

# FUNDING DISTRIBUTION CONSULTATION

Date: 08 December 2011



## INTRODUCTION

### Background

The current funding distribution for Third Sector Interfaces is directly related to the funding that each area received from the previous distribution of funding to CVS, Volunteer Centres, Social Enterprise Networks and Local Social Economy Partnerships, although small adjustments were made to the figures to compensate for the lack of one or both of these organisations in some areas.

In its letter of grant to TSIs in March 2011, Scottish Government made clear that there was a requirement for TSIs to engage in a process to determine future distribution of funding.

The Board of Voluntary Action Scotland have been working hard on this difficult and contentious issue for a number of months with the intention of finding a solution that could be accepted by the network. You'll be aware that we've also canvassed the opinions of the network at various points to help us in our work.

### Principles

In coming to a proposal that we wish to put in front of the network we established a number of principles which we believe are key to the formula:

- 1) A review of the distribution can only happen in an environment where there is an increase in the total funding to support TSIs. We do not underestimate the difficulty in meeting that requirement, but do see it as a fundamental principle to allow implementation of a revised formula.
- 2) Acceptance of 1) above would allow the design of a system of redistribution that meant no area lost out in cash terms in relation to its current funding.
- 3) Any future funding formula has to be based entirely upon recognisable workload, and not upon existing or previous funding.
- 4) That population and geography were the biggest factors affecting the potential workload of TSIs, but that a further factor which recognised the economic activity of the area.
- 5) That while factoring in additional indicators was possible, having lots of indicators simply meant that there was a dilution of their impact.
- 6) That despite (4), every, area no matter how small in terms of geography or population, required a minimum distribution to enable them to meet all four functions.
- 7) That all distribution should be based upon independent, reliable, recent and publicly available data.
- 8) That the number of TSI organisations in an area should have no bearing on the funding received – although if there are multiple organisations because of population or geography then (4) will mean more resources for them.

## VARIABLES

Our consultation with the network last year suggested that population, rurality and economy were the biggest variables, but there was also a clear demand for a core allocation that guaranteed every area a minimum level of grant. Accordingly the proposed system of distribution uses a number of variables for each area to determine the total pot it receives. The Unemployment and Economy variables are combined to create a picture of the local economy.

Variable	Description	Source of Statistics
Core	an amount split equally across 32 to ensure that every area receives enough resources to provide all four functions	N/A
Population	an amount split amongst the 32 based upon the distribution of Scotland's population	Mid year population estimates for 2010
Access	an amount split across those areas which have significant rural areas, based upon the proportion of the population who live in rural areas.	Scottish Government Urban Rural Classification 2009/10
Unemployment	an amount split across the 32 areas based upon the number of people who are currently unemployed	NOMIS Labour Market Report, 2010
Economy	an amount split across those areas whose economies performed significantly below average, based upon level of performance	European NUT3 figures, 2010

### Distribution across Variables

Variable	Allocation	Rationale
Core	50.00%	Aim of ensuring that every area received enough to deliver across all four outcomes.
Population	20.00%	The largest factor in determining the number of organisations and volunteers in an area and demand for service
Access	15%	Significant additional cost to service delivery in some areas
Unemployment	7.5%	One half of our understanding of the economy of the local area
Economy	7.5%	The other half of our understanding of the economy of the local area

## ALLOCATION OF ACCESS AND ECONOMY

The Core, population and unemployment allocations are relatively simple to achieve, with figures available and the split simply made accordingly. A little more thought was required on Access and Economy due to the nature of the statistics.

### **Access**

The Scottish Government statistics break populations down into four key areas:

- ⤴ Urban (town with population over 10,000 people)
- ⤴ Accessible (within 30 minutes travel by car of an urban area)
- ⤴ Remote (within an hour's travel by car of an urban area)
- ⤴ Very Remote (out with an hour's travel by car of an urban area)

For the purpose of using this index we have assumed that the first two types require no additional resources. We also propose that "very remote" areas should have a weighting of twice that of "remote" areas.

In addition, we recognise that the statistics create three significant anomalies with regards to our purpose in using them, which is to determine if the TSI is likely to require providing outreach services or support additional offices.

- 1) There are areas with remote populations (Aberdeenshire, Angus, Dumfries & Galloway, Highland, North Ayrshire, Scottish Borders, South Ayrshire & South Lanarkshire) that have more than one town with 10,000+ people. This means that some places that are "remote" from the logical single service delivery point won't qualify as remote because they are near another town. For example in North Ayrshire the village of Skelmorlie is within 30 minutes of Largs, its nearest town, but is not within 30 minutes of Ardrossan where services are logically based. As our purpose is not about whether the area is rural, so much about distance from the service, we need to act to fix that. Accordingly these areas receive a slight increase in their weighting.
- 2) Conversely some areas (East Ayrshire, Moray, Perth & Kinross) have an obvious "main town" (Kilmarnock, Elgin, Perth) where people are accustomed to travelling to for services. Accordingly these costs will be lower and this is taken into account in the weighting.
- 3) There are some areas (Shetland, Orkney, Western Isles) that have no towns with populations above 10,000 people. This has the effect of making all of their population very remote – even the main town. In practice there is in each case a large town (Lerwick, Kirkwall, Stornoway) with nearly half the population which is the logical place to base a service. Accordingly the rural factor is reduced in these areas to compensate for all of the population being regarded as remote.

### **Economy**

The economy figures rank the economy of an area against an overall index, with low being a poor performing economy and high being a well performing economy. The index is rated against 100, with 100 being the average of European economy. The Scottish average is around 95%. The economy variable enhances support to those areas with poor economies. Areas with economies of 75-85% receive some support, more goes to those with 65%-75% and the most to areas with sub 65%.

## UNDERSTANDING THE IMPACT

The fundamental premise of the proposal is that no area should receive less money in 2012/13 than they did in 2011/12. Accordingly our proposal is based upon an increase in the total funding to the network. The VAS Board feel that a new funding formula can only be agreed with new money, and that reducing any area's funding would create unnecessary and unhelpful friction in the network and more importantly impact on the viability of some interfaces.

It should be noted that unlike previous formulas, there is no variable reflecting the additional costs faced by islands / areas further from the central belt in taking part in network activities. This is in line with VAS policy of continuing to reimburse travel and subsistence costs for participants

There are some areas that receive no increase under these proposals. This is because they are evaluated to have received more than their fair share of the current distribution. This is not to say that VAS believe these areas are over-funded – we continue to believe and advocate that the size of the pot should be increased substantially – but simply that they receive proportionally more than others in the network. In the application of any new formula there are likely to be “winners” and “losers” compared to a historic allocation. The proposal that we put to you for consideration is one however which we believe is more equitable and defensible than that currently applied yet has the safeguard of seeking to ensure that no TSI receives less than the level of funding support received at the moment.

## PROPOSED DISTRIBUTION

Area	Current Funding at £8m	Proposed Funding at £9m	Increase
Aberdeen	£216,800	£227,226	£10,426
Aberdeenshire	£316,800	£382,148	£65,348
Angus	£193,600	£193,600	£0
Argyll & Bute	£313,600	£408,071	£94,471
Clackmannanshire	£198,400	£198,400	£0
Dumfries & Galloway	£376,000	£376,000	£0
Dundee	£192,000	£204,045	£12,045
East Ayrshire	£185,600	£244,379	£58,779
East Dunbartonshire	£205,600	£210,506	£4,906
East Lothian	£203,200	£232,478	£29,278
East Renfrewshire	£190,400	£199,500	£9,100
Edinburgh	£326,400	£347,197	£20,797
Falkirk	£185,600	£205,449	£19,849
Fife	£300,800	£394,553	£93,753
Glasgow	£320,800	£439,227	£118,427
Highland	£683,200	£771,130	£87,930
Inverclyde	£191,200	£215,993	£24,793
Midlothian	£195,200	£195,818	£618
Moray	£201,600	£210,217	£8,617
Eilean Siar	£369,600	£369,600	£0
North Ayrshire	£248,000	£268,133	£20,133
North Lanarkshire	£253,600	£359,596	£105,996
Orkney	£199,200	£199,200	£0
Perth & Kinross	£196,000	£235,998	£39,998
Renfrewshire	£198,400	£234,526	£36,126
Scottish Borders	£308,000	£308,000	£0
Shetland	£188,000	£188,000	£0
South Ayrshire	£208,000	£233,463	£25,463
South Lanarkshire	£269,600	£344,677	£75,077
Stirling	£182,400	£183,721	£1,321
West Dunbartonshire	£194,400	£206,211	£11,811
West Lothian	£187,200	£212,936	£25,736

## CONSULTATION

The purpose of this paper is to consult with the network to determine if the thinking that the VAS Board is in line with the expectations of the network. We recognise that no funding formula will suit everyone, but we hope that the approach of no area losing out means we are able to create a formula which is perceived as fairer without there having to be areas that lose out in cash terms.

We are very keen to have your interface's views on the direction of travel proposed in the paper. This will allow us to make any necessary amendments before asking interfaces to vote on whether we put it to Government as our preferred way forward as a network.

Formal responses can be submitted by e-mail but must be in writing and we hope to receive no more than one response per interface.

Please e-mail your interface's feedback or comments to: [vicky@voluntaryactionsotland.org.uk](mailto:vicky@voluntaryactionsotland.org.uk) by **Friday 13<sup>th</sup> January 2012.**

## TRANSPARENCY

It is important to the VAS Board to be seen to be transparent. We recognise that we have had to be impartial in developing this funding system, and ensure that areas represented on the VAS Board aren't unfairly advantaged. In the interests of transparency the following information is available.

### **Board 2010/11**

The 8 areas represented by the Board at the time of its development were:

East Lothian, Edinburgh, Falkirk, Fife, Glasgow, Highland, Inverclyde, Eilean Siar.

- ✧ Of these 1 out of 8 receive no increase in this formula (12.5%). The network figure is 7 out of 32 (21%).
- ✧ The average increase for areas represented on the Board is 15.3%. The network figure is marginally lower at 12.5%.

### **Board 2011/12**

The 10 areas represented by the Board at the time of its approval are:

Angus, East Lothian, Edinburgh, Falkirk, Fife, Glasgow, Highland, Inverclyde, Eilean Siar, North Lanarkshire.

- ✧ Of these 2 out of 10 receive no increase in this formula (20%). The network figure is 7 out of 32 (21%)
- ✧ The average increase for areas represented on the Board is 16.5%. The network figure is 12.5%

These figures may initially suggest bias towards the Board. It is important to note however that the Board includes representation from Fife, North Lanarkshire and Glasgow – three areas which are recognised by most as being significantly under-funded under the previous system.