

MEETING: 30/10/2019

Ref: 15384

ASSESSMENT CATEGORY: Bridging Divides - Connecting the Capital

Merton Voluntary Service Council

Adv: Tania Bronstein

Amount requested: £115,421

Base: Merton

(Revised request: £122,000)

Benefit: Merton

Amount recommended: £122,000

The Applicant:

Merton Voluntary Service Council (MVSC) has been supporting voluntary and community organisations (VCOs) in its borough for nearly 35 years. Current activities include building the capacity of emerging and established VCOs and social enterprises; brokering volunteering opportunities; developing networks and strategic partnerships; and facilitating representation and influence for the voluntary and community sector. MVSC also runs Healthwatch Merton and the local Social Prescribing project in partnership with Merton CCG.

Today's meeting will consider another application from MVSC to host Merton Giving. Your policies recognise that hosting place-giving schemes should not preclude host organisations -in this case MCVS- from applying for a grant from the Trust for its own work.

The Application:

This application seeks a final two-year grant to continue work to develop the capacity of VCOs to more effectively address needs in their communities. You have funded this work for the past three years with monitoring returns showing good outcomes for VCOs supported. The next phase will target small/emerging VCOs, those working with young people, and with Black and minority ethnic (BME) groups and VCOs in East Merton. Interventions will include 1-2-1 support, training, provision of information and supporting VCOs to secure funds and to work more collaboratively.

The Recommendation:

MVSC is a well-respected CVS with a track record of supporting community groups and their engagement with public bodies. Learning from recent work indicates that the organisational development approach used by MVSC and the emphasis it gives to quality assurance and impact measurement are critical factors behind successful outcomes for the VCOs supported. From the information provided in the 'Financial Information' section overleaf, you will see that MVSC has been through a tricky period financially. However, there is now a financial recovery plan underway, critical to which is retaining the services of a consultant to explore and negotiate new business ideas, and for this reason the recommendation includes an additional sum towards those fees in year one. As these ideas and their potential will need both testing out and some time to develop, release of the second year's grant is conditional on satisfactory progress of the financial recovery plan. Your officers will monitor the situation and, if necessary, come back to you to report on progress. A grant is advised:

£122,000 over two further and final years (£64,000; £58,000) towards the salaries of the Head of Development (0.8FTE) and CEO (0.2FTE); project costs and overheads; and fees for an income-generation consultant of £8,000 in year one. Release of the second year's grant is conditional upon year-end accounts evidencing financial recovery, including increased level of free reserves.

Funding History

Meeting Date	Decision
18/03/2016	£160,000 over three years (£51,400; £53,400; £55,200) towards 0.8 of the Head of Development's salary, and 0.2 of the CEO' salary, evaluation workshops costs and associated overheads.
15/06/2017	Application to Stepping Stones to set up enterprise hub declined
06/07/2017	Application to Stepping Stones for employability service declined

Background and detail of proposal

The Development project has been offering up to 6 months of intensive bespoke support to small/emerging VCOs; and delivering training and other support to more established VCOs. Local needs assessments identify poorer outcomes for East Merton residents, where over 45% of its population belong to BME groups. Also, young people have been identified as being at risk of anti-social activities and crime, hence the project's decision to target this geographical area and these community groups. A further priority for the next stage as identified in MVSC's last State of the Sector report (2016), is to nurture collaboration, partnerships and consortia to extend reach, scope and contract readiness to ensure that the work of VCOs is sustained in the increasingly harsh financial climate they face.

Financial Information

MVSC ended the financial year 2017-18 with negative free reserves, largely the result of a pension scheme liability and a reliance on restricted funds. A financial recovery plan (including re-structuring the team and staff redundancies) during 2018-19 brought free reserves back in the black at the year end. However, as a result of a previous large contract now being treated as a restricted fund by LB Merton, a small deficit is projected for 2019-20.

The Trustees of MVSC have continued to implement their recovery plan and have identified further efficiency savings. The CEO left the organisation in May 2019 and the Chair stepped down from her role to take the interim CEO post until recruitment for a permanent CEO takes place later this year. Additionally, the Trustee Board has been enlarged with new business and financial expertise. The Trustees' key priorities are to generate operational surpluses to reduce the pension liability over time, and to build an appropriate level of reserves. The pension liability has been reducing (2018: -£106K; 2019: -£85K) and is expected to be eliminated by 2023.

An experienced consultant with vast local connections has been engaged to identify and negotiate new income generation opportunities. Options on the table include: new charged-for services; discrete pieces of work for the Council; leading on contracts with public sector agencies in key strategic areas (e.g. technology in care, and community rehabilitation); contracts with developers to deliver community development work in regeneration areas; and more contract work with the CCG. The

latter has just awarded MVSC a further £265K to roll out social prescribing in Merton. Both the Council and the CCG are very supportive of MVSC and its role in supporting the voluntary sector locally.

Having the CEO in post (interviews are due on 24.10.19) and retaining the consultant to explore and help negotiate new business opportunities will be crucial to increase unrestricted income funds and therefore to restore financial health. As the rescue plan will take time to develop, it is recommended that funding in year two is conditional on satisfactory progress having been made with its financial recovery

Year end as at 31st March	2018 Signed Accounts £	2019 Draft Accounts £	2020 Forecast £
Income & expenditure:			
Income	779,175	813,091	656,635
- % of Income confirmed as at 05.09.2019	N/A	N/A	90%
Expenditure	(873,297)	(637,129)	(653,560)
Total surplus/(deficit)	(94,122)	175,962	3,075
Split between:			
- Restricted surplus/(deficit)	(28,750)	85,190	6,044
- Unrestricted surplus/(deficit)	(65,372)	90,772	(2,969)
	(94,122)	175,962	3,075
Cost of Raising Funds	-	-	15,667
- % of income	0.0%	0.0%	2.4%
Operating expenditure	292,402	168,617	102,000
Free unrestricted reserves:			
Free unrestricted reserves held at year end	(83,301)	4,525	1,556
No of months of operating expenditure	-3.4	0.3	0.2
Reserves policy target	146,201	84,309	51,000
No of months of operating expenditure	6.0	6.0	6.0
Free reserves over/(under) target	(229,502)	(79,784)	(49,444)