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Comprehensive Review of Expenditure 2011
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Rationalising Multiple Sources of Funding to Not-for-Profit Sector

Summary Overview: The not-for-profit sector is a major channel for delivering a diverse range of services, involving public expenditure of the order of €2bn a year, across approx. 3,000 bodies. On the basis of analysis of a major new dataset, as well as a case study of local-area funding and interviews with particular not-for-profit agencies, this Paper reaches the following conclusions:-

> The **funding model** whereby each agency receives part-funding from different State agencies, for different or overlapping objectives, serves neither efficiency nor effectiveness

> The number of State-to-agency **transactions should be reduced,** by rationalising both the number of bodies and the number of State interlocutors

> In this context, one State body should be responsible for 'core' funding of each agency, and all State supports for the agency should be **channelled through the one State body**

> This consolidated funding model will allow for greater **clarity and accountability for results**

> Expenditure consolidation, which will be a feature of the period 2012-2015, should be **coupled with reform of this nature** in order to preserve services and mitigate impacts on vulnerable groups insofar as possible.

1. Background:

The state delivers services, and supports the pursuit of objectives through many channels. These channels include Government Departments, Local Authorities, State agencies, Educational Institutions etc. The private sector is used on a contracted basis where

appropriate. A third major channel is a large set of non-statutory, non-profit organisations that are either supported by the state or engaged by the state to deliver services or pursue objectives. For ease of reference these will often be referred to as the "third sector" in this document.

Many government departments use or support "third sector" organisations. They range from the very large and well known e.g. Barnardo's to small local organisations that have a couple of members of staff. This large group of organisations is in many cases an essential partner of the state. They are involved in a wide range of activities from Disability Services, supports for the elderly, community services, rural transport, advice and information, representative organisations etc.

The number of organisations that fall into this grouping is substantial as is the estimated total sum of money involved. Funding "third sector" organisations from multiple state sources is a feature of way the state interacts with the "third sector". The implications of this multi-source funding mechanism are considered here. It raises concerns about the impact on the efficiency of the organisations receiving the funding, the administrative effort required to manage the relationship on the part of those providing the funding and the quality of information on outputs produced and how these outputs can be linked to the resources committed. The large number of organisations involved on both ends of the funding relationship means that these concerns constitute a significant cross-cutting issue that needs to be addressed. The purpose of this paper is to first describe why there is an issue and then to make some recommendations on the next steps to addressing the issue described.

The Community & Voluntary Sector

"The Wheel" represent organisations in the Community and Voluntary Sector. Its website states that there are 19,000 organisations in the not for profit sector who provide 63,000 full or part-time jobs and that the sector is worth €2.5bn annually to the economy.

Organisations in the sector that receive statutory funding are unhappy with the way they are funded. Many of those that receive funding from state sources state that they encounter difficulties in securing funds that allow for the full cost (including overheads) of the work that they do. They state that to address the security-of-income and the full-cost-recovery issues, a new framework for the statutory funding of voluntary organisations is required. The new framework, in their view, would provide multi-annual funding that covers both the direct and indirect costs of running these organisations.

Outline of Paper:

(i) This paper first outlines the scale of the issue by presenting some figures on funding, no. of organisations funded, the number of organisations providing funding and the number of funders per organisation.

(ii) To illustrate the issue, examples of multi-source funding and a description of the typical funding model is set out. Funding for "third sector" organisations in a particular geographic location is also presented.

(iii) The remaining part of the paper considers the implications of multi-source funding for administration and the achievement of results for the expenditure involved.

This paper does not make any judgement on the value or efficiency of any of the non-statutory organisations that make up this group. The purpose is to describe the significant size of the sector and the way that the state manages its relationship with the sector.

Source of Data:

Figures used here were derived from files provided by the Irish Non-Profit Knowledge Exchange who use as their source, the annual accounts submitted by non-profit organisations to the CRO. These accounts relate to 2,663 & 3,002 non-profit companies in 2008 and 2009 who reported receiving a grant from some source. Not all of these companies received a grant from a state source but most did. The organisations analysed all listed one of their grantors by name e.g. FAS. Some grants are only listed as a Government Grant and some as Unspecified Grants.

Grantors:
The file has 559 different grantors that provided funds to the 2,663/3,002 companies in 2008/9. 330 of these grantors gave grants totalling from €25k to over €900m. Of these 330 grantors 150-160 could be classified as being state sources. The number is large as it includes individual local authorities, some Town Councils, County VECs etc. In addition to these 150+ state grantors there are grantors whose original funding came from the State e.g. Blanchardstown Area Partnership is primarily state funded but gives very small grants to other organisations like Blakestown Community Development project.

Grantees:

The grantees cover a wide spectrum. They include Community Development Organisations, Partnership Companies, Childcare Projects, National Organisations, Disability Service Providers, Arts Centres & Groups, CE Schemes, Drugs Projects, Youth Projects etc...

While the file received from the INKE is based on accounts filed with the CRO it has its limitations. It does not contain a comprehensive picture of all of grants made by government organisations. It does nonetheless contain data, for a very substantial subset of "third sector" organisations, on how government in general funds the "third sector". The figures below are therefore expected to understate the number of organisations involved, the amount of funding and the number of funders per organisations. The data does however allow us to show in general terms the scale of the issue under consideration.

2. Demonstrating the scale of "multi-source" funding

Aggregated figures for the "subset"

Table 1 below shows the principal Government organisations involved in funding "third sector" organisations, the number of organisations they fund and the amount of funding reported.

Table 1: Main providers of funding and number of organisations supported

Grantor	Amount of Grants 2008 €m	No. Orgs reporting this as one of their sources in 2008[1]	Amount of Grants 2009 €m	No. Orgs reporting this as one of their sources in 2009 *
Gov. Departments	130.4	565	123.8	613
FAS	132.3	395	151.1	478
HSE[2]	426.4	480	480.8	533
Pobal	57.6	366	73.6	464
Other Gov.	341.0		303.0	
Gov - specific source not specified	156.4	667	130.5	732
Unspecified	438.0		417.9	
Total	**1,682**		**1,681**	

Table 2 shows the number of funding sources reported by each "third sector" organisation. Some of these funding sources are non-government. While some "third sector" organisations have a large number of funding sources they often have 2/3 principal sources. The principal sources would typically be a combination of FAS with the HSE or DCEGA/Pobal. This

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[1] These figures understate the number of organisations supported by the Grantor as it is expected that a portion of grants that are from an Unspecified source are actually from Government sources. In addition the file of recipients does not capture all in this sector but captures a very substantial subset.

[2] The reported amount for HSE is much larger as it included 4 large payments in respect of hospitals. These payments amounting to in excess of €450m for each year were taken out of the total. The HSE figure does include payments made to disability service providers and some of these are quite large.

combination of principal funding sources would provide a large percentage of the total government funding.

Pobal act on behalf of a number of Departments in the allocation and management of grants to "third sector" organisations. Where Pobal are involved in the allocation of grants, the selection criteria and processes used would be agreed with the Department providing the funding.

Table 2: No. of Sources per Organisation

	2008	2009
No. of Organisations reporting 10-18 sources	31	27
No. of Organisations reporting 6-9 sources	134	161
No. of Organisations reporting 3-5 sources	485	513
3 or more sources	650 (24%)	701 (23%)
< 3 sources	2013	2301
Total No. of Organisations in Subset	2663	3002

Most of the organisations with three or more sources get funding from government sources.

3. Drilling a bit deeper

Funding for "third sector" organisations in one local area - Blanchardstown

Given the large number of organisations funded it has to be the case that numerous organisations will be funded in the same geographical area. The Blanchardstown area or part of the Blanchardstown area was examined to see what "third sector" organisations were funded in 2008/9 and at who is providing the funding.

The table in Appendix 1 shows the details for each organisation funded and where that funding came from. The summary position is as follows:

o   15 different organisations received funding of €7.7m in 2008 and €7.45m in 2009
o   The amounts received from state sources closely matches the total income of these organisations so they are in effect 100% state funded.

- 16 state organisations provide the funding (see Appendix 2 for list of funders and how many organisations they fund)
- A number of the organisations receive their funding from multiple sources
    - 4 organisations have 6-8 sources
    - 6 organisations have 2-4 sources
    - 5 organisations have 1 source
- There is a small amount of recycling of funding where a recipient of funding provides funding to another e.g. Blanchardstown Area Partnership provides small amounts of funding to BAPTEC Limited and to Blakestown CDP Limited
- Nine of the fifteen supported organisations are located in a very small geographical area (see map in Appendix 3). The nine organisations are in the area defined by the blue line i.e. within a perimeter of 4.3 km. This is however a densely populated area.

Other observations on the organisations funded in this area:

- The total amount of funding identified here is not the issue. It is the way in which it is provided and distributed.
- Nearly all of the organisations supported are small in scale with an annual income of €0.5m or less.
- Some of the organisations seem to have a very similar brief in the same geographical area and are funded by the same group of state providers e.g. the Blakestown and Mountview Youth Initiative receives c. €750k per annum from [HSE, Drugs Task Force, Fingal County Council, DSFA, Dublin County VEC and Pobal] while the Blakestown and Mountview Neighbourhood Youth Project Limited receives c. €1.3m per annum from [HSE, Drugs Task Force, DSFA, Dublin County VEC and Pobal]
- When the number of sources exceeds 3/4 some sources are only providing small amounts which are probably for very defined purposes.

The question arises whether using a multiplicity of bodies is an efficient model for the delivery of services. The supported organisations employ a large number of people to administer the organisation itself and the funding provided. While the state is not employing any extra people, the state's own funding methods contribute to the level of support required.

4. The typical funding model

4.1 Description of the Typical Funding Model

This model does not apply to all organisations that receive funding, and not even to all that receive funding from multiple sources, but a typical "third sector" organisation will receive:

Core Funding which covers the staff costs of a key administration staff. In a small organisation this may be 1 full time co-ordinator and a couple of part-time administrators. The larger the organisation the larger the core funding grant. The core funding grant may also cover accommodation/rent and basic expenses. It allows the organisation to exist, to provide some minimum level of service to its target population but also to get funding from other sources. The former Department of Community, Equality and Gaeltacht Affairs, Pobal and the HSE are probably the three main providers of core funding;

FAS **Community Employment Scheme** funding. Many "third sector" organisations have CE staff. About half of the recorded FAS grants were in the range €200k to €400k. The FAS CE grant covers the payments to employees for 19.5 hours per week plus an amount for training and for materials;

Specific **Project related** funding. Government Departments or agencies will effectively contract "third sector" organisations to provide specific outputs. The state organisation providing this funding is best placed to see what it gets in return. However in many or even most cases no account is taken of the other state funding that goes into the same organisation. These projects would not stand alone in the absence of the other funding;

Other funding – "third sector" organisations with more than four sources of funding usually have sources that contribute relatively small amounts i.e. grants below €50k. It is expected that these grants which often come from sources like VECs or local authorities are for specific one-off events.

The figures in Table 3 below are for a Community Development Project that is at the upper end of the scale in terms of number of sources of funding but the sources can be categorised as above:

Table 3:   ABC Resource Centre:

Classification of Source	Source	Amount
Core Funding	Department of Community Equality and Gaeltacht Affairs	€212,000
Community Employment	FAS	€341,007
Project Related	Department of Communications, Marine and Natural Resources	€9,600
	Department of Education & Science	€26,584
	HSE	€97,819
	Pobal	€274,881
Other	Combat Poverty Agency	€5,000
	South Tipperary County Council	€3,488
	Tipperary Regional Youth Services	€2,930

4.2. Thinking behind the typical funding model

As seen from the organisations that operate in the Blanchardstown area many but not all "third sector" organisations are 100% state funded. The state provides the Core Funding which ensures their existence and provides them with a platform to get involved in other areas.

The organisations are supported because they are formed within communities, they are close to their target populations, they can come up with appropriate solutions and they can have a large volunteer input. They can often provide services at better rates than the state itself or the private sector. Support for third sector organisations is not a straightforward contract for services. The output for the state is a mixture of the organisation itself and the outputs that it specifically asks these organisation to provide.

5. What issues arise when "third sector" organisations are funded in this way?

Given the number of organisations involved and the range of activities, it is impossible to make any statement that applies universally. Therefore it is accepted that there are exceptions to any of the assertions made here but they do apply to a sufficient proportion to make the issues raised significant.

5.1. Issues for the Grantees

5.1.1 Administration costs

State organisations that provide funding normally require some form of reporting. The more sources of funding the more reporting required. As seen above many of the organisations involved are quite small so the relative administrative burden of accounting to numerous sources is high. The smaller the organisation the larger the portion of overall cost taken up by administration. One estimate is that for smaller organisations, administration, which includes interaction with funders, can absorb up to 40% of available funding. The multi-source model is not suited to small organisations. Interactions with FAS alone can be significant. For example, organisations availing of CE placements have regular interaction with FAS supervisors and need to comply with FAS verification requirements relating to staff attendance which may be additional to their own requirements.

5.1.2 Funding co-dependencies

The typical funding model described above illustrates the fact that many organisations are dependent on a number of key state sources. Decisions on funding are made by each funding source separately. If for example FAS withdrew its CE scheme funding then the scale of the operation would be significantly impacted.

5.2. Issues for the Grantors

5.2.1 Transparency re. Outputs

When there are multiple sources of funding it is not clear what inputs are to be matched against the outputs produced. Those that provide specific project funding probably feel that they are matching their input with the output they sought but are not taking account of the CE input or the Core funding input. While the organisation providing the service may well be providing good value it is probably not at as low a rate as the project funder thinks it is.

In addition the same outputs can be reported to more than one funder. This is particularly true of reporting to the Core funder. The Core funder is happier the more active the funded organisation is, so outputs produced for specific project funding are also outputs of the organisation, which is in existence because of Core funding.

There is no matching of aggregate funding and aggregate outputs.

5.2.2   Administration Costs

Each organisation providing funding has to administer the funding it provides. This adds to the administration costs on the state side. While the state's administration of these funding streams is expensive and complex it is likely to produce low quality information for monitoring outputs and value for money. Instances where there is little or no monitoring, particularly of Core Funding or National Funding, have been noted.

Administration costs on the state side added to the aggregated pay costs devoted to administration in the individual organisations, while difficult to quantify precisely, are nonetheless substantial. Percentage savings on this amount are worth pursuing.

5.2.3 Providers in the same space

Scanning the list of supported organisations one notes the number of supported organisations that have the same target population e.g.

> for the elderly at a national level there is at least Age Action, Age and Opportunity, Active Retirement, Irish Senior Citizens Parliament and Senior Citizens Helpline;
> for Carers at national level there is Caring for Carers Ireland Ltd, Care Alliance Ireland and The Carers Association;

at local level there is the example above of the Blakestown and Mountview Youth Initiative and the Blakestown and Mountview Neighbourhood Youth Project Limited.

5.2.4 Best use of funds?

In the Blanchardstown example above 16 state organisations provided support to 15 local organisations. The sum total of funding per annum was over €7m. Could better value be achieved if the scatter gun approach was not used? To what extent are each of the funders aware of what is going in? Would better solutions be pursued if both the funders and the funded were able to take an area based approach with this or even less funding?

6. Recommendations for Change

1. Reduce the numbers of Transactions

In simple terms there is a need to reduce the number of transactions between the state and the "third sector" organisations supported. Each transaction between a state organisation and a funded "third sector" organisation has a cost on both sides. Reducing the number of transactions means less organisations supported and less organisations providing the supports. This is a complex area. Change will be difficult and will encounter resistance. The data produced here is a little dated and some progress has already been made in rationalising the number of organisations supported.

2. Match Aggregate Funding and Aggregate Outputs

The state organisation that Core funds an organisation should take responsibility for the monitoring of all of the funding to that organisation and all of the outputs it produces. Organisations that provide non-Core funding should to the greatest extent possible channel their funds through the Core funder.

3. Decision on FAS CE supports

Core funders and other funders are supporting objectives via the funded organisation. FAS CE supports are not as focussed on these objectives but rather on seeking suitable employment opportunities for their CE placements. A large number of organisations receive support via the provision of CE staff. This support should also be channelled through the Core funder.

4. Competition, Mergers and a Joined up local approach

Given the issues that are apparent with the funding of third sector organisations it is arguable that the state could spend less on a smaller number of organisations yet achieve more.

The smaller number of organisations would be larger in scale and a smaller proportion of their income would go to administration. The state would spend less on administering the supports to a smaller number of organisations yet would have a clearer picture of what they do.

To achieve this, organisations will either have to compete for the funding available or preferably they will merge to form larger organisations that have a better focus on the needs of their area or their target group. The allocation of funds will have to change with less state organisations having budgets for this type of expenditure, and therefore less decision makers. The appraisal of proposals will need a local input, probably the local authority.

5. Expenditure Consolidation linked to Reform

As part of the Comprehensive Review of Expenditure there may be spending reductions in this area. In addition to discontinuing support for activities that are not effective or efficient there is further scope for avoiding crude spending cuts if a more proactive approach to resource allocation and administration is adopted. In particular:

- streamlining the number of funders by channelling most supports through a single source;
- consolidating the number of beneficiaries which should be facilitated by beneficiaries choosing to merge;
- prioritising support for joined-up proposals that focus on an area or a target group;
- linking funds to deliverables consistent with the Programme for Government priorities on performance based funding.

6. Next Steps

A set of principles and rules need to be introduced, as soon as possible, for those involved in funding "third sector" organisations. The objective is to bring about a reduction in the number of transactions and to introduce greater transparency which will allow for better decision making. The principles/rules to include:

- o Organisations providing funding will adopt funding allocation systems which are not based on funding all organisations (at local level or national level) that fulfil the minimum criteria but rather an allocation model that seeks to fund the minimum number (preferably one) that serves a particular sector or location.

A desired outcome here will see the merger of organisations at local and national level, reducing the number of recipients and leading to larger scale organisations that are better equipped to meet the needs of their client grouping or locality.

- o Each organisation receiving funding must be clearly identified with a Core Funder. [The main providers of state funding (initially FAS, HSE, Department of Social Protection) need to identify the "third sector" organisation groupings for which they will assume prime responsibility for.]
- o Core funders will maintain a basic, publicly accessible website which will contain a list of all state grants paid. The reason for each grant will be stated and the time period to which it relates. It will include the target audience and the geographical area targeted. Organisations will be identified on the website by their organisation's name but also by their CRO number.
- o Each "third sector" organisation that is seeking funding must identify its core funding organisation.
- o All organisations considering funding applications must consult and seek the advice of the Core Funder. If a decision is made to allocate a grant then they must inform the Core Funder of this grant so that the publicly available database can be updated.

The introduction of these principles/rules are an interim measure but are expected to quickly start the process of addressing the issues raised above. A central Department needs to take the lead on drawing up a set of principles and rules and also developing the publicly accessible website.

Appendix 1:

Grants to "Third Sector" Organisations in the Blanchardstown area.

Grantee	Grantors	2008 €	2009 €	Total State 2008/9	Total Income 2008/9
1. The Blanchardstown Area Partnership Limited	Pobal	1,124,681	913,780		
	Local Employment Services	1,055,146	1,053,760		
	Drugs Task Force	244,311	313,334		
	Millenium Partnership Fund	98,340	98,340		
	Department of Community, Equality and Gaeltacht Affairs - RAPID	13,119	4,775	5,063,953	5,342,365
	Citizens Information Board	30,327	68,654		
	Fingal County Council	15,086			
	Equality for Women Measure	6,300	24,000		
2. The Mountview/Blakestown Community Drugs Team Limited	HSE	334,830	324,785		
	Pobal	94,855	52,000		
	Blanchardstown Drug Education Resource Centre	70,204			
	Dublin County VEC	14,339	13,575	938,170	1,170,928
	Blanchardstown Local Drugs Task Force	11,240	22,342		

3. Blakestown CDP Limited	Department of Community, Equality and Gaeltacht Affairs	154,000	137,574		
	Pobal	20,190			
	Dublin County VEC	5,267			
	Blanchardstown Area Partnership	1,000	2,830	323,861	343,273
	Combat Poverty Agency		3,000		
4. Greater Blanchardstown Response to Drugs Limited	HSE	159,626	225,198		
	Government Grants	25,455	23,339		
	Blanchardstown Local Drugs Task Force	9,042	2,000		
	Dublin County VEC	7,500	20,000	517,695	526,027
	Drugs Task Force		40,000		
	Pobal		5,535		
5. BAPTEC Limited	FAS	424,328	325,415		
	Pobal	150,197	130,952		
	Blanchardstown Area Partnership	10,500	10,500	1,051,892	1,526,004
6. The Hartstown/Huntstown Community Drugs Team Limited	HSE	300,000	291,000		
	Blanchardstown Local Drugs Task Force	103,384	97,594	791,978	815,807
7. Blakestown Community Employment Project Limited	FAS	348,635	331,101	679,736	686,969

8. Blanchardstown Amalgamated Sports Club Limited	FAS	380,637	356,350	736,897	736,897
9. The Blanchardstown Centre for the Unemployed Limited	FAS	437,820	424,156	861,976	920,118
10. The Greater Blanchardstown Area Money Advice and Budgeting Service	Department of Social and Family Affairs	330,731	341,703	672,434	675,954
11. Blakestown and Mountview Neighbourhood Youth Project Limited	Drugs Task Force	242,339	233,100	1,313,463	1,546,935
	Unspecified Grants	288,236	286,526		
	HSE	52,000	58,746		
	Pobal	42,945	47,501		
	Department of Social and Family Affairs	14,067	6,939		
	Government Grants	13,456	13,456		
	Dublin County VEC	8,120	1,200		
	Mountview Community Network		4,832		

12. Blakestown and Mountview Youth Initiative Limited	HSE	305,000	295,850		
	Drugs Task Force	70,776	50,029		
	Fingal County Council	9,110	2,000		
	Department of Social and Family Affairs	4,020	3,282		
	Dublin County VEC	2,500		753,703	854,256
	National Lottery	712	1,225		
	Pobal		3,600		
	Dormant Accounts		5,599		
13. Mountview Community Network Limited	FAS	328,583	344,232	672,915	677,511
14. Huntstown Family Resource Centre Limited	Pobal	247,871	251,649		
	Dublin County VEC	72,100	62,100		
	Fingal County Council	33,702	35,969	711,744	917,532
	HSE	8,353			
15. Mountview Fortlawn Community Campus Limited	Pobal		46,196		
	Fingal County Council		29,570		
	Unspecified Grants		9,324	85,090	119,492

Appendix 2:

State Sources of Funding for Blanchardstown Area

Grantor	Amount of Funding provided in 2008 €	Amount of Funding provided in 2009 €	No. of Organisations supported
Blanchardstown Area Partnership	11,500	13,330	2
Blanchardstown Drug Education Resource Centre	70,204	0	1
Blanchardstown Local Drugs Task Force	123,666	121,936	3
Citizens Information Board	30,327	68,654	1
Combat Poverty Agency	0	3,000	1
Department of Community, Equality and Gaeltacht Affairs	167,119	142,349	3
Department of Social and Family Affairs	348,818	351,924	3
Dormant Accounts	0	5,599	1
Drugs Task Force	557,426	636,463	4
Dublin County VEC	109,826	96,875	6
Equality for Women Measure	6,300	24,000	1
FAS	1,920,003	1,781,254	5
Fingal County Council	57898	67,539	4
Government Grants	38,911	36,795	
HSE	1,159,809	1,195,579	6
Local Employment Services	1,055,146	1,053,760	1
Millenium Partnership Fund	98,340	98,340	1
Mountview Community Network	0	4,832	1
National Lottery	712	1,225	1
Pobal	1680739	1,451,213	9
Unspecified Grants	288236	295,850	
Total	7,724,980	7,450,517	15

Appendix 3:

Map showing area where 9/15 funded organisations are located