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Welsh Government

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Management Charges within Supporting People Service Provision

Research Summary

Social research

Number: 56/2015

Introduction

Due to the severe downward pressure on Welsh Government revenue budgets, Supporting People budgets now face average reductions of 7.6% in 2015/16. This makes it even more important that as much resource as possible is directed to front line service delivery, and that costs such as management charges are minimised.

The research approach deployed a mix of research methods including both qualitative and quantitative techniques and involved analysis of primary and secondary data. The range of techniques were designed to maximise engagement with the different target groups.

The issue of management charges in public sector grant programmes has been the subject of a number of reports and proposals from a wide variety of bodies which are reviewed in the full report. This body of work provides a rich but diverse framework of ideas within which to try to evaluate what management charges ought to cover, and how they should be applied and assessed. There is, therefore, no standard approach, and indeed there are different theoretical perspectives as to what the best approach should be.

However, one significant example examined as a potential role model for management charges in Supporting People projects is the Welsh Government's Communities First programme. Guidance issued by Communities First on management charges includes cap level of 10% (gross).

Dadansodiad ar gyfer Polisi



Analysis for Policy

Findings

1. The report includes case studies of both local authorities and providers. The case studies demonstrate the wide variety of practice which exists in relation to management charges in the Supporting People Programme on the part of both local authorities and providers. They also show that there is a general lack of clarity on the part of many of those involved.
2. The case studies also demonstrate that there is good practice as well. Some local authorities and some providers are thinking through the issues, and focusing on how to minimise management charges, and to ensure that they are calculated on a fair and transparent basis.
3. The problem of the definition of the management charge is one of the central themes to emerge from the analysis. There appears to be no consistent approach to identifying what kind of expenditure a 'management charge' in Supporting People should cover. Local authorities and providers utilise different definitions. Moreover, individual local authorities possess different perspectives on what they consider to be a management charge, as do individual providers.
4. A fundamental element of the definition of management charge is the type of expenditure eligible for inclusion under it. Analysis of the data and interviews shows that local authorities and providers not only differ in the types of expenditure they consider eligible under management charges, but that there are also differences in the ways in which they view different elements of project expenditure.
5. No local authority Supporting People team knowingly uses the industry standard provided by CIPFA's Service Reporting Code of Practice (SerCOP).
6. The elements of expenditure covered by a provider's management charge are almost entirely dependent upon how that organisation defines management charges.
7. The findings show the lack of consistency in the kinds of expenditure considered eligible within management charges is just as prevalent among smaller providers as larger ones.
8. The research found that very few authorities have defined policies for addressing management charges in

Supporting People, and many appear to tackle the issue in an ad hoc fashion. This is compounded by the fact that providers utilise a variety of approaches in the levying of charges.

9. There is some evidence that approaches to management charges are changing as a result of the funding cuts which the Welsh Government has had to make due to increasing financial pressures.
10. The evidence indicates that very few surpluses are generated from Supporting People grant funding, either through high management charges or otherwise. In the rare case that a surplus is generated on a project, it is used either to contribute to the funding of the project the following year, or to cross subsidise other Supporting People initiatives.
11. The diversity with which local authorities and service providers define and approach management charges has a commensurate impact on the proportion of Supporting People funding used. This research found project charges ranging from 1.4% to 37% at the extreme ends of the spectrum.
12. The average amount levied for management charges in Supporting

People projects in Wales is approximately 10%-15% of total project funding.

13. The survey responses received from participants indicate that local authorities have found management charges in Supporting People to be a problematic area. The data also indicates that a significant proportion of local authorities believe that the ways in which they pay management charges could be improved.
14. Evidence suggests that opinion among providers is more divided. Those seeing the need for improvement most often cited the lack of a consistent definition and the difficulty in achieving full cost recovery.
15. The findings of the study underline the importance of reviewing the issue of management charges in the Supporting People Programme. They remain a significant part of the overall cost of the Programme – the best estimate on the evidence collected for this research is that between £12m and £18m of expenditure is spent on management charges annually, even at the lower overall levels of Supporting people expenditure in 2015/16. Perhaps of more concern, it is impossible to be more precise not only because the

base data is incomplete, but also because definitions and nomenclature varies to such an extent that any attempt at greater precision would not be appropriate.

16. It is important to note that where management charges are high, this does not necessarily reflect poor value for money or poor behaviours by either the providers or the local authorities concerned. But it does further underline the importance of making sure that management charges are as low as possible while ensuring the proper administrative capacity and capability to manage the grant and deliver the services to the quality standards required.

17. From the perspective of good financial administration there is considerable uncertainty which accompanies this degree of variation. The research also highlights the concern from both providers and local authorities on management charges issues, related to both accountability and fairness. Our conclusion is that some further proportionate investment of effort and cost would likely reap valuable rewards in terms of savings and re-direction to front line delivery.

18. Based on the findings of this research project, we propose a series of design principles for the management charges regime in the Supporting People Programme.

19. The report also proposes a definition of what should be included in management charges we have taken into account the results of previous technical and other work on this subject, and also some the definitions in use already amongst providers and local authorities. We see this as helping to establish a definition more readily and with greater acceptance.

20. We propose that the Welsh Government set a maximum cap limit that management charges should be not greater than 10% of the net grant to a provider. We propose this cap on the basis that many providers already do better than this, and some authorities are already achieving average levels lower than this, and on the basis that it is slightly more demanding

21. This cap should operate on the principle of 'comply or explain' so that it combines transparency and clarity with a degree of flexibility.

22. We propose that the monitoring and control of management charges should

as far as possible utilise existing arrangements.

23. It is also important that providers and local authorities learn from one another as to what can and has been achieved in this area and the report makes proposals as how this may be achieved.

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19 October 2015

Views expressed in this report are those of the researcher and not necessarily those of the Welsh Government.

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ISBN 978-1-4734-4790-5

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