



Community Transport Association

# Guidance for funders of Community Transport



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## Glossary of terms

<b>ACEVO</b>	Association of Chief Executives of Voluntary Organisations
<b>ACU</b>	Active Communities Unit, Home Office
<b>CRB</b>	Criminal Records Bureau
<b>CT</b>	community transport
<b>CTA</b>	Community Transport Association
<b>DfT</b>	Department for Transport
<b>DRT</b>	demand responsive transport
<b>LIP</b>	London Borough Local Implementation Plan
<b>LSP</b>	Local Strategic Partnership
<b>LTP</b>	Local Transport Plan (England)
<b>LTSG</b>	Local Transport Services Grant (Wales)
<b>PTE</b>	Passenger Transport Executive
<b>PTS</b>	non-emergency patient transport services
<b>RCTI</b>	Rural Community Transport Initiative (Scotland)
<b>SEN</b>	special educational needs
<b>VCS</b>	voluntary and community sector
<b>VCOs</b>	voluntary and community organisations
<b>WAG</b>	Welsh Assembly Government



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Department for  
**Transport**



SCOTTISH EXECUTIVE



Llywodraeth Cynulliad Cymru  
Welsh Assembly Government

# Foreword

## Funding community transport

I am delighted to endorse this guidance for funders of community transport. After three decades of development, the community transport sector is well placed to offer modern cost-effective services to help tackle problems of poor access, mobility disadvantage and social exclusion.

Community transport now forms part of government policy on road passenger transport, and guidance on community transport has been provided to local authorities (e.g. Local Transport Plans).

This guidance is being made widely available. The timing is good, as it follows the recent publication of the updated *Funding and Procurement Compact Code of Good Practice*, produced jointly by the government and the voluntary and community sector.

The benefits to funders are significant: better value for money, lower funding administration costs, enhanced local capacity and greater reliability. In return for financial stability, funders will gain Community Transport organisations able to concentrate on service delivery and innovation. The passengers, for whom community-based transport services provide a vital lifeline, will be the main beneficiaries.

With this publication, the Community Transport Association seeks to promote a new approach to funding CT. This will be reinforced by further guidance on CT organisations' funding options.

**Karen Buck**

Parliamentary Under Secretary of State for Transport



*Karen Buck M.P.*

# Valuing community transport



*Rural transport solutions. CTs across rural Derbyshire providing links into key destinations.*



*Urban transport solutions. Wandsworth CT, London, runs Shopmobility, VCO group travel, Shopping Shuttle, and other services.*

## Funding community transport

This guide explains the value and the role of community transport. It provides examples of good practice for funders and the CT organisations they support. It is essential reading for:

- Local authority officers and elected members who are involved in transport coordination, transport planning, social services, education, health and regeneration.
- English Primary Care Trusts, Welsh Local Health Boards, and the NHS in Scotland, especially commissioning managers, active lifestyle promoters, and staff concerned with older people's health.
- Government Departments and non-departmental government bodies, particularly those officers connected with transport, rural policy, social and health care provision, and economic development.
- Charitable trusts and foundations.
- Community transport organisations.

Like all service providers, CT organisations need to be able to operate in a viable and sustainable financial environment. Even mature, larger CTs require a certain level of on-going financial support. Unfortunately, it is still the case that too many CTs remain wholly dependent on funding obtained from a series of one-off or temporary sources. The goal, then, is to replace this grant aid treadmill with funding processes that provide long-term financial stability for CT organisations.

## What is community transport?

Community transport organisations have some or all of the following characteristics:

### CT is based in the voluntary sector

Most CT groups see themselves as part of the voluntary and community sector (VCS) in their area. Their natural constituency is alongside self-help servicing bodies, such as community associations, tenants organisations, and playgroups. As CT organisations develop, they also tend to identify themselves as passenger transport providers, working alongside local authority transport planners and commercial operators.

### CT is local

Most CT groups locate themselves within the communities they serve, gaining a good understanding of local transport needs and making it practical for local residents to take part in running and managing a local resource.

### CT is user-friendly

Many CT groups incorporate users, whether individual passengers or

client organisations, into their management structure in some way, especially in relation to service quality, service design, and the continuing task of identifying unmet needs.

**CT is needs-based**

Meeting unmet need has always been a primary motivation for CT. As local authorities and other agencies become more focussed on identifying the causes of social exclusion, they are commissioning CT organisations to provide tailored transport solutions.

**CT has a strong social ethos**

Individuals are encouraged to help a community transport group, with a wide range of volunteering opportunities available in a CT organisation. The CT sector also has well developed standards and its own training programmes, such as MiDAS, the national standard applied to thousands of drivers in non-profit minibus operations.

**CT is voluntarily managed**

A CT group’s trustees or directors do not make any personal financial gain from taking responsibility for managing the organisation.

**CT is charitable in law**

Nearly all CT groups are charitable in law, and benefit from the fund-raising and tax advantages that this implies.

**CT is non-statutory**

CT groups are not directly under local authority control. They may receive funding from the council, but they are independently constituted and are not ‘local authority controlled companies’.

**CT is non-commercial**

CT groups are not private companies responsible only to their shareholders, where control is a transferable commodity, nor are they established with a view to making a distributable profit.

**CT comes in all shapes and sizes**

Community transport organisations are not homogenous, with many levels of operation, from small to large, from all volunteer to hundreds of staff. The size and scale of operation aims to be appropriate to local needs.

Although individual CT organisations provide a different mix of services, the community transport sector’s ‘menu’, taken as a whole, is wide-ranging:

- Voluntary car schemes, with volunteers driving their own cars in return for mileage expenses.
- Group travel services and door-to-door dial-a-ride services for individuals, using minibuses operated under “Section 19” minibus permits.
- Wheels To Work, hiring mopeds and bicycles and providing other transport services to enable people to get to work or apprenticeships, or to training that will lead to employment and long-term careers.
- Contracted “assisted travel” services, such as home-to-school, non-emergency patient or social services day care transport, operated on a not-for-profit basis, with the same minibuses then used for community benefit outside the contracted hours.

*The size and scale of operation can be appropriate to local needs.*

**Denbigh Social Car Scheme** has one volunteer coordinator and one volunteer driver, with driver expenses met by Denbighshire County Council.

**Upper Wensleydale Community Care Minibus** has one minibus, all volunteer local management, but undertakes some day care work for North Yorkshire County Council Social Services using a paid driver.

**Hackney Community Transport** has grown from humble beginnings to become a large social enterprise. Its 330 staff provide a wide range of transport services, from tendered London bus routes through to traditional group travel by minibus.



*RYECAT Wheels to Work, Malton, North Yorkshire.*



*Halton CT, Runcorn and Widnes, runs an MoT Testing Station and vehicle maintenance workshop.*



*LaSCoT, Lambeth and Southwark, London, provides services for the local Early Years Childcare Development Partnership.*

- Demand-responsive transport services, filling the gaps between traditional stage carriage bus routes.
- A few CTs operate registered bus services, such as Hackney CT and Ealing CT.

Non-profit minibus operation is also undertaken by thousands of organisations whose primary objective is not the provision of transport, such as schools, scout and guide groups, PHAB clubs, conservation agencies, and local branches of larger voluntary organisations, such as the Multiple Sclerosis Society.

### **CT meets previously unmet transport needs**

One of the features of CT is that its development has been driven by the desire to meet unmet need, identified locally, often at neighbourhood level. This has stimulated unconventional approaches and has also created strong links between the CT sector and the social inclusion agenda, in its widest sense. There are examples of community-based transport services relating specifically to disabled people, people going to work in the early morning or night-time, older people, minority ethnic and faith communities, single parents, teenagers, and people experiencing urban and rural isolation.

### **Large-scale transport response, delivered locally**

The community transport sector represents a large-scale response to transport needs, albeit delivered locally. The CT sector is large and diverse, encompassing a wide range of services, vehicles and organisations. It is estimated that there are over 100,000 minibuses on the roads in the UK. Whilst the CT sector is a minority of this fleet, it is nonetheless the case that there are over 50,000 drivers with MiDAS certificates, and over 70,000 minibus permits in circulation. One minibus can easily undertake 5,000 passenger trips per year, and many do twice that. In other words, it is clear that many millions of trips are being provided by CT operators each year. There are about 10,000,000 disabled people in the UK, many of whom depend on community-based transport initiatives for their mobility and independence.

### **Enabling funders to meet their core objectives**

Local authorities, primary healthcare providers, rural development organisations and other government agencies can meet their own core objectives by working closely with CT organisations. The examples below illustrate just a few of the ways that the CT sector is responding creatively to help other agencies to meet important goals.

CT, whether through voluntary car schemes, group travel in minibuses, or door-to-door dial-a-ride services, enables local authorities to make creative use of their powers to assist older or disabled people, as contained in Section 106 of the 1985 Transport Act.

Although these examples illustrate innovation and good practice, the question challenging CTs and funders alike is how to secure these activities and services for the long-term.

<b>Tackling Social Exclusion</b>	
Providing access to work and to training opportunities	
<b>CT sector response</b> Wheels To Work moped hire Early morning minibus for shift workers Providing placements: - for New Deal - Modern Apprenticeships	<b>Examples</b> RYECAT, Malton, North Yorkshire. Coalfields CT, Grimethorpe, South Yorkshire Halton CT, Merseyside, for vehicle maintenance and repair
Community development and local capacity-building	
<b>CT sector response</b> Residents involved directly in designing local passenger transport	<b>Examples</b> Sheffield CT, at Parson Cross, with South Yorkshire Passenger Transport Executive.
Early years and other provision for children	
<b>CT sector response</b> Home-to-school travel. CT provides transport for Sure Start and after-school clubs.	<b>Examples</b> Many CTs have school contracts. LaSCoT, Lambeth & Southwark, London.
Prison visiting	
<b>CT sector response</b> CT provides bespoke, confidential transport service for prisoners' families and other visitors.	<b>Examples</b> Consortium of five CTs in the West Midlands.
Community safety	
<b>CT sector response</b> CT provides safe transport for women at night.	<b>Examples</b> On The Safe Side, Newham, London. Halton CT.
Minority ethnic and faith communities	
<b>CT sector response</b> Women's safe transport for ethnic minority women's groups, including training women to drive.	<b>Examples</b> On The Safe Side, Newham, London. Tower Hamlets CT.
Healthy lifestyles	
<b>CT sector response</b> CT provides transport to shopping, to enable access to fresh food, and to sports and leisure facilities.	<b>Examples</b> Barnsley DAR & CT, South Yorkshire, weekly minibus for over-50s to swimming baths.

<b>Urban Regeneration</b>	
Providing jobs, training, and renewal in deprived urban areas	
<b>CT sector response</b> Employment, training, new buildings, and old ones recycled	<b>Examples</b> Sheffield CT, South Yorkshire. Wythenshawe Mobile, Manchester, operating DRT for shift workers



*Sheffield CT, with South Yorkshire Passenger Transport Executive, successfully used Urban Bus Challenge funding in Parson Cross, with local residents closely involved in designing their new bus service.*



*The Roundabout project used community minibuses to serve people in rural Hertfordshire.*



Stephen Sears of Ealing Community Transport receiving the 'Social Entrepreneur of the Year' award from the Minister for Social Enterprise, Nigel Griffiths MP.

### Case Study: Wales

In 2002, the strategic study *Community Transport in the Welsh Transport Network* was published and then endorsed by the Welsh Assembly Government (WAG). Welsh councils subsequently received guidance on the *Local Transport Services Grant*, in which it states:

... authorities are expected to spend at least 5% of their LTSG allocations in support of community transport schemes ...

In 2005, a £1m scheme was launched by WAG's Minister for Economic Development and Transport to fund a number of demonstration projects across Wales, providing limited free travel under the WAG bus pass scheme, for severely disabled people unable to use conventional public transport.

## Developing Social Enterprise

Developing social enterprises and community businesses

### CT sector response

Four CTs won awards for social enterprise in 2003-04.

### Examples

Ealing CT, London.  
Compass CT, Sunderland.  
Hackney CT, London.  
Halton CT, Merseyside.

## Integrated Transport

Better coordination or integration of "assisted travel"

### CT sector response

Minibuses used for home-to-school transport used for community benefit outside contracted hours.

Shopmobility, dial-a-ride and CT coordinated together.

### Examples

Community Transport Manchester.  
16 Dial-a-Rides operate a schools contract before and after their daily Dial-a-Ride service, in Devon.  
Preston CT, Lancashire. Mobility Centre in convenient town centre location.

## Better Public Transport

Provision of more flexible public transport, and improved bus services

### CT sector response

Dial-a-ride, door-to-door public transport services.

Demand-responsive transport (DRT).

Tendered bus services.

Feeder services, taking people to bus services on a main route.

### Examples

London Dial-a-Ride, West Midlands Special Needs Transport.  
Harrogate & District CT, Wythenshawe Mobile.  
Ealing CT & Hackney CT, London.  
Crediton & District CT, Devon, links up with the Exeter bus service.

## Reducing Rural Isolation

Providing a range of passenger transport services in rural areas

### CT sector response

Deliver using mix of volunteers, CT's own paid staff, and private sector providers.

### Examples

RCTI, Scotland.  
Powys Association of Voluntary Organisations, Powys, Wales.  
Car schemes in Devon and many other areas.

## Better Access to Healthcare

Hospital visiting

### CT sector response

Voluntary car schemes

### Examples

Kent Volunteer Bureaux.

Trips to medical appointments

### CT sector response

Non-emergency PTS contracts

### Examples

Woking CT, Surrey.

## Strategic approach to community transport

One approach is to adopt a Community Transport Strategy for an identified geographical area. This is a sound first step towards creating a stable long-term financial environment for CT provision. At the same time, it enables all parties to specify the quality standards that are expected of CT providers, such as driver assessment and training (e.g. MiDAS), professional management (e.g. Certificate of Professional Competence), and appropriate legislation (e.g. Section 19 or 10B Minibus Permits).

Several English county councils have adopted a CT strategy (e.g. Derbyshire, Devon, Hampshire, Lancashire and North Yorkshire), whilst in urban areas development support is also being provided (e.g. Greater Manchester PTE, and Merseytravel).

The Scottish Executive has funded the Rural Community Transport Initiative (RCTI), which has been recognised by all concerned as a very cost-effective and successful method for supporting community-based transport solutions.

In England, Local Strategic Partnerships often identify the need for CT services in their area. This is to be expected, as CT provision often cuts across traditional departmental boundaries (e.g. health, social care, transport, and regeneration). The Social Exclusion Unit's report on social exclusion and transport, *Making The Connections*, served to highlight the need for robust, strategic approach to incorporating transport into measures designed to enhance social inclusion.

Equally, it is also up to CT organisations to take the initiative at a local level. This can, for example, lead to economies of scale through sharing coordination and other office-based functions. Two examples reinforce the effectiveness of this approach:

- In Powys, a group of CTs came together to form a transport consortium that made a successful bid to the Big Lottery Fund. They shared responsibility for the funding and administration work to reduce costs.
- In Glasgow, CTs got together as the Glasgow Community Transport Operators Group. They made a successful joint application to the Scottish Executive for substantial funds for new vehicles.

## Cross-sector benefits of community transport

Just imagine for a moment what would happen if there was no CT?

- Over 53,000 drivers, who hold a current MiDAS certificate, would no longer be driving CT minibuses.
- In Kent alone, over 450,000 one way trips, provided by the volunteer bureaux car schemes in 2003, would not take place.

The impact of the removal of this significant resource would fall in all areas of social and health service provision. CT is essential for maintaining people's ability to remain living independently, reducing the need for domiciliary care. A CT can provide carers with respite so their partners or relatives can remain living at home. CT delays the move to residential accommodation,



*Glasgow Community Transport Operators' Group made a joint application for funds.*

*"The voluntary and community transport sector plays a vital role in achieving the Government's social exclusion objectives. Currently, there are around 5,000 transport schemes in the UK running around 60,000 minibuses. They have 250,000 volunteers and 10,000 full-time professional drivers. Without the efforts of all those involved, the two million people who use these services to make around five million trips every year would face great difficulties in getting from one place to another."*

**Transport Minister at the opening of the DfT-sponsored conference on funding for CT, held in October 2003.**

"There is considerable secondary evidence, and some primary evidence, of 'transport to health-care' schemes achieving direct savings in health sector budgets or time inputs, or contributing to NHS targets."

### **Countryside Agency**

where the costs - to the individual or the state - are very high.

By funding CT, local councils, the NHS and other government agencies save money in other areas. For example, health appointment Did Not Attends, a proportion of which are caused by patients experiencing difficulties getting there, have been reduced by voluntary car schemes in rural areas (e.g. in Derbyshire and North Yorkshire).

Recent research for the Countryside Agency, *The Benefits of Providing Transport to Healthcare in Rural Areas*, states: "There is considerable secondary evidence, and some primary evidence, of 'transport to health-care' schemes achieving direct savings in health sector budgets or time inputs, or contributing to NHS targets". In one example, it refers to a CT scheme being used to free up hospital beds, as part of a hospital's discharge strategy.

Institutional barriers often prevent 'cross-sector benefits' from being converted into budgets that can be spent by the agency benefiting from a CT service on the CT provider. This guide suggests new ways of approaching this age-old problem.



# Funding community transport

## Current funding environment for CT

There has never been any statutory funding for CT. However, given the social objectives of the community transport sector, it is not surprising to find that CT organisations require a certain level of financial support. This is for two reasons:

- The cost per trip is higher than in mainstream public transport, owing to the personalised and specialist nature of CT services;
- Charging passengers for all the costs would put the services beyond the reach of the very individuals and groups CT exists to serve. CT services cannot be operated without some form of subsidy or public support.

## Sources of financial support for CT

Today, CT organisations are funded from many different sources, such as:

Source of funding	Provider of significant financial support	Provider of smaller amounts & funding for one-off projects
Local authorities	Chief executive's department Community development Regeneration Social services / social work Voluntary sector liaison Transport (grants and contracts)	Economic development Education Equality units Housing Leisure services Youth service Transport (Concessionary Fares)
Central government	Department for Regional Development, Northern Ireland – Rural Transport Fund Department for Transport – Kickstart Scottish Executive – Rural Community Transport Initiative Welsh Assembly Government – Concessionary Fares	



*Community Transport Manchester providing services in East Manchester, contributing to its regeneration.*



*London children getting out and about on board a Brent CT minibus.*



*Peninsula Community Transport, one of many rural community transport partnerships funded through Northern Ireland's Department for Regional Development Rural Transport Fund.*

Regeneration partnerships & economic development agencies	Regional Development Agencies	
NHS		Primary Care Trusts and Local Health Boards GPs & primary healthcare centres Non-emergency patient transport
Charitable trust and local fund-raising	Bridge House Trust (London) Big Lottery Fund	Lloyds TSB Record-breaking Annual Santa Run, Newtown Dial-a-Ride, Wales
New & emerging funding streams for VCOs	Futurebuilders Venture philanthropy	Social enterprise capacity-building support
European Union		LEADER II INTERREG

### Sources of funding for CT in the recent past

- Countryside Agency
- Neighbourhood Renewal Fund
- New Deal for Communities
- Rural Bus Challenge
- Single Regeneration Budget
- Urban Bus Challenge

It is customary for each one of these funding sources to have its own application process, assessment and award system, and reporting requirements (for examples, visit the CTA website). Successful CTs have had to become very adept at 'working the system', just to survive. But it is a moot point whether some of the considerable effort expended chasing grant aid could be better spent on delivering services to passengers.

### Revenue from customers

The CT sector also raises substantial amounts of revenue from the users of its transport service provision, whether this is individual passengers or clients:

- Voluntary car scheme passengers
- Group travel charges
- Dial-a-ride farebox



*Preston Community Transport has received funding from the Big Lottery Fund.*

- Contracts
- Training services
- Gift Aid transfers from wholly-owned subsidiary trading companies, usually operated as social enterprises.

The ability to generate income in this way makes CT organisations unusual amongst non-statutory service providers. Unfortunately, this can be wholly misinterpreted by potential funders as meaning that all costs can be recovered in this way. There is no reason why this should be so, especially given the strong social motivation of CT organisations, operating services for people who are disadvantaged, mobility impaired, on low incomes, or otherwise socially excluded. The CT sector's passengers tend to have the least ability to pay the full costs of their transport.

Misunderstandings with existing or potential funders can be further compounded by the relatively high level of capital investment required by CT operations, not just in vehicles, but also in information and communications technology, and premises. A well-run CT will have reserves, sometimes far higher than other non-statutory bodies in its area. Despite this, revenue support is still going to be required.

### Experience of current funding arrangements

The current experience is very mixed. At its worst, there is a complete mis-match between the expectations of the funder and the funded. At its best, there are areas where more enlightened thinking is leading to creative and productive partnerships.

Transport is a means to an end, so the impact of the transport is to enable things to happen. It is difficult for CT operators to undertake monitoring of these social benefits without spending significant amounts of time and money obtaining data, through costly survey work and market research, which can hardly be justified on a continuous basis. This can lead to funders missing the feedback from passengers about the very benefits the CTs have created.

Key problem areas are summarised below.

#### ***The CT organisation seeks stability, so that it can plan ahead and invest in its services.***

**Response:** The funder offers a one-off grant, or a 12-month agreement or contract.

**Consequence:** The funder finds that its funding has not helped it reach its own corporate objectives, whilst the end user gets poorer quality service; the CT organisation has to rely on securing resources (including funding, staff, volunteers, vehicles and premises) from elsewhere, an unpredictable and uncertain situation to be in.

#### ***The funder wants innovation and offers funding for 'new' services, to be run on a trial basis.***

**Response:** In desperation, the CT organisation rebadges existing services in order to obtain the funding. It has to use project money to meet all its overhead costs too.



*Hackney CT invests the income generated from its London bus routes and other contracts in its community-based transport activities.*



*Four CTs have come together to form the Edinburgh Community Transport Operators' Group, and have received vehicle replacement funds from the Scottish Executive.*



London Dial-a-Ride provides door-to-door transport across the city, using trained and dedicated staff, funded by Transport for London.

**Consequence:** The CT organisation cannot deliver what it promised when applying for the funds, due to the absence of *strategic funding* or *full cost recovery* to cover essential costs. The pilot closes when funding ceases, which is not good news for passengers.

**The CT organisation wants investment in vehicles, premises, staff and information and communications technology.**

**Response:** The funder queries why the CT's reserves are so high, not having had previous experience of the high capital costs of transport operation.

**Consequence:** The CT cannot invest to meet the predicted demand and the higher quality of service being demanded by all customers.

**The funder sees 'volunteers', 'unmet needs', 'trading company', and 'high level of capital investment' and finds CT hard to understand.**

**Response:** The CT organisation has been running for some time. The organiser thinks it is all 'obvious', and fails to explain things clearly and properly.

**Consequence:** Poor communication between funder and funded leads to lack of trust. In turn, this can mean ill-conceived funding arrangements and poor outcomes for both parties.

**The public sector funder has no statutory basis for most, if not all, of the CT provision it would like to support.**

**Response:** The CT organisation finds it is reliant on the 'grace and favour' elements of the public sector funder's budget.

**Consequence:** Any funding that is found is subject to change of political focus and can be the victim of sudden changes in budget priorities. This leads to even further *instability* at the CT.

In conclusion, this is a two-way street: both funder and funded need to work together to arrive at a common analysis of which transport services are required, to agree how they should be delivered, and to determine the role of the CT in their delivery.

## Gershon Efficiency Review

Since the Gershon Efficiency Review, local and central government bodies are seeking public spending efficiency savings. Local public transport procurement falls within the Review's scope. The Review should not inhibit public funding for CT organisations, as the services they provide often improves the effectiveness of other public sector spending.

## New policy framework

It is important to understand the wider voluntary and community sector (VCS), of which CT forms but one part, and the new policy framework that has developed in recent years.

Much time and effort has been devoted to looking at the long-term financial security of the VCS and 'third sector', the part of the economy that is neither public nor private sector. In a series of related statements



Wandsworth CT's Shopping Shuttle in action, financed by a contract with Wandsworth Council.

and actions, the key stakeholders have begun the process of completely re-thinking how VCS funding and finance should be organised.

Since 1997 the VCS has had a higher profile within policy planning and service delivery. This has resulted in significant investment in VCS and social enterprise infrastructure and capacity, as a prelude to a big expansion in the role of VCS and social enterprises in the delivery of public services.

In the Comprehensive Spending Review report, Chapter 30, on the role of the voluntary sector, opened with the statement that,

*“The Government needs a voluntary and community sector that is strong, independent and has the capacity, where it wishes, to be a partner in delivering world-class public services. To help achieve this, the Government will increase funding to build capacity in the sector and increase community participation.”*

The review therefore proposed increases in funding for the Home Office ACU from £35 million in 2002/03 to £65 million in 2005/06, and also announced:

- A new Futurebuilders capital investment fund, worth £125 million over three years, to tackle the barriers to effective service delivery and to modernize the sector,
- A commitment to implement fully the Compact and its attendant Codes, through the appointment of a senior official in each government department to ‘champion’ engagement with the sector,
- An acceptance that overhead costs should be covered within the contracts for delivery of public services,
- A commitment to maximise the added value provided by the voluntary sector by involving it in both the planning and delivery of public services,
- A commitment for all government departments to adopt a strategic approach to capacity building.

The way policy has been developed in recent years is shown in the table below, which provides a summary of the key publications and actions.

## Central government

**1998** Home Office *Compact*, and subsequent publications, governing relations between the VCS and the state, and leading to the establishment of local compacts between Councils and local VCOs. The Compact document *Funding: A Code of Good Practice* is especially relevant.

**2002** Home Office Public Service Agreement includes specific target to *“increase voluntary and community sector activity, including increasing community participation, by 5% by 2006.”*

**2002** HM Treasury As part of the Government’s Comprehensive Spending Review, there was a *Cross Cutting Review of the Role of the Voluntary and Community Sector in Service Delivery*. Five working groups looked at service delivery, social and community enterprise, capacity, funding relationships and development of the Compact.

At the 2004 NCVO conference, the Chancellor of the Exchequer referred to the *“transformation of the third sector to rival the market and the state, with a quiet revolution in how voluntary action and charitable work serves the community.”*



*Mendip CT, Somerset, has a fleet of 14 minibuses, serving a predominantly rural area.*



*Hampshire County Council has negotiated services agreements in place with the many community transport and dial-a-ride operators in its area, with district councils as co-signatories.*



*For many smaller social car schemes, grant aid funding can be the most straightforward method of support from local councils and the NHS.*

**2003** Home Office Establishment of Civil Renewal Unit and publication of strategy *Building Civil Renewal*, leading to increased support for capacity building within communities, involving the VCS.

**2004** Home Office ACU publishes ChangeUp, the final capacity-building and infrastructure framework for the VCS to arise from the £80m it received as a result of the Treasury's *Cross-cutting Review*.

**2005** Home Office ACU with NCVO publishes the *Compact Code of Good Practice on Funding and Procurement*, replacing the previous funding code. Its *Summary of undertakings* is as follows:

The voluntary and community sector undertakes to:

- Respect confidentiality and be clear about whom they represent and how they came to their views when consulted on programme design;
- Make sure that they are eligible when applying for grants.
- Have clear lines of accountability, especially with joint bids.
- Agree terms of delivery at the outset and be aware of risks which they are responsible for.
- Have good systems in place to manage finances and funded projects, and account for them.
- Be honest and transparent in reporting.
- Plan in good time for different situations to reduce any potential negative impact on both beneficiaries and the organisation if funding ends.

Government undertakes to:

- Provide whenever possible an opportunity for the voluntary and community sector to contribute to programme design.
- Ask for information on application forms which is relevant to deciding who will receive funding or be awarded the contract.
- Discuss risks up-front and place responsibility with the public sector body or voluntary and community organisation best able to manage them;
- Respect the independence of the sector.
- Recognise it is legitimate for voluntary and community organisations to include the relevant element of overhead costs in their estimates for providing a particular service.
- With public procurement, avoid seeking information about management fees and overheads.
- Make payments in advance of expenditure (where appropriate and necessary) in order to achieve better value for money.
- Implement longer term funding arrangements where these represent good value for money.
- Be proportionate in monitoring requirements and focus on outcomes.
- Consider joining-up or standardising monitoring requirements.
- Give enough notice of the end of grants or contracts.

## Voluntary and community sector

The Association of Chief Executives of Voluntary Organisations (ACEVO) has led a series of discussions, commencing with *Replacing The State – the case for third sector public service delivery* (1998), *Funding our Future – core costs revisited* (1998 & 2004), and *Who Pays for Core Costs?* (1999).

ACEVO went on to produce a template to help VCOs to fully quantify the full costs of any piece of work they undertake, *Funding Our Future II: Understand and allocate costs* (2002).

The NCVO, with the Countryside Agency, commissioned research from the University of Birmingham into the actual experience of VCOs of public service delivery via contracts, *Formality or Flexibility? Voluntary Sector Contracting in Social Care and Health* (2004).

## Funding CT in the future

Like all service providers, CT organisations need to be able to operate in a viable and sustainable financial environment. Even mature, larger CTs require a certain level of on-going financial support. Unfortunately, many CTs remain wholly dependent on funding obtained from a series of one-off or temporary sources. The goal, then, is to replace this grant aid treadmill with funding processes that provide long-term financial stability for CT organisations.

With this publication, the CTA seeks to promote a new approach to funding CT. The benefits to funders are significant: better value for money, lower funding administration costs, enhanced local capacity and greater reliability. In return for financial stability, funders will gain CT organisations able to concentrate on service delivery and innovation. The passengers, for whom community-based transport services provide a vital lifeline, will be the main beneficiaries.

A more stable funding environment is within reach. A key starting point is for CT to be written into forward plans and counted into existing transport funding processes. For example:

- CT needs to be written into Local Transport Plans.
- CTs need access to the concessionary fares budget, as is now unfolding across Wales.



CTs will benefit from the full implementation of the Compact and the adoption of the 'full cost recovery' approach by funders.



# The community transport funding process

## Introduction

This chapter provides guidance for existing and potential funders of CT.

Additional background information, sample documents, case studies, and other supporting material has been prepared to accompany this guidance. It is downloadable from the CTA's website ([www.communitytransport.com](http://www.communitytransport.com)), and can be found in the Advice section, listed under "Guidance for Funders".

The CTA welcomes comments and suggestions about how the guidance can be improved and kept up-to-date. Updates will be posted on the CTA website.

## Funding application processes

CT organisations are familiar with a huge variety of application processes. Of itself, this is not necessarily a problem. Some CT provision is tried and tested, and can be assessed and dealt with quickly. But innovatory or large-scale CT services can require more planning and preliminary work before they can be given the go-ahead by funders. So, the funding application process can range from an informal discussion with the funder's officer, followed by an email confirming a grant, through to form-filling, interviews and contracts.

## Documentation

Research undertaken during the preparation of this guidance showed time and again that where funders had taken care over their paperwork, they got back better bids or proposals. Funders' documentation needs to be clear, concise, in Plain English, with all pages numbered and dated.

The funder can avoid misunderstandings by being aware of the correct operating regime under which a particular transport service is going to be operated (e.g. car sharing legislation, S19, S22, PSV).

## Creating a smooth funding process

Careful preparation and timely actions are the ingredients for a smooth funding process.

CTs usually have many local VCOs as members. A CT can therefore draw upon its member organisations' understanding of unmet needs. When this is added to its own knowledge of local transport provision, a CT is in a good position to contribute a voluntary sector perspective to *programme or service design*, in advance of any funding process being put in play.

Care needs to be taken to create a *realistic timetable* in order to ensure the funder gets good quality proposals:

- A CT needs time to investigate a proposed service properly.

- A CT may be able to add value by linking up with partners, but it takes additional time to get a joint bid or proposal together.
- The funder's starting date for the introduction of a new service needs to be realistic. For instance, it takes at least 13 weeks for a new wheelchair accessible minibus to be delivered, and if new drivers are to be recruited, time for their training and CRB vetting needs to be allowed.

Funders are legitimately concerned to ensure their resources are going to be spent properly. To test this effectively, the funder needs to spell out to the CT what *relevant information* is needed to enable a decision to be made about the proposal in question.

The funder needs to ensure that, once proposal documentation has been issued, the *contact officer(s) are available* to answer requests for further information or to discuss possible variations in the proposal specification.

Post-submission, the funder needs to *avoid administrative delays*. The CT cannot proceed to plan a new service or to renew existing one without a formal notification of the outcome such as an official order number.

Where a funder requires a *formal interview*, planning and preparation will ensure the exercise is worthwhile. Besides the standard interview techniques, such as ensuring there are not too many people on the panel and preparing a list of questions in advance, it is vital that the panel should include someone with knowledge or understanding of CT and other passenger transport operations.

## Tender documents

The funders for whom this guide has been prepared have considerable experience of tendering for services they need, and many have contracts departments to oversee the whole process. However, contract officers may have little or no experience of commissioning from CT organisations. A possible exception could be the team responsible for commissioning home-to-school transport for children with special educational needs. So, standard procedures and paperwork may not always be wholly suitable when seeking proposals from the CT sector.

For example, a standard local authority highways department tender may require bidders to have onerous insurance cover. This is entirely appropriate when a bridge is being built or a roundabout being repaired, but it is not suited to passenger transport operation.

## Choosing the correct funding option

It is practical for CT to be funded in many different ways. This flexibility can undoubtedly be an asset to the funder, provided care is taken when choosing the funding method. The main options are:

- Grant aid
- Negotiated service agreement
- Contract
- Help in kind and development support.

Funders should also be aware that some types of service, especially ones that involve consultation with the communities they are meant to serve, and ones that involve innovatory or flexible transport services, are not well-suited to the detailed specification found in most tendering processes. They should be commissioned by other means (e.g. through a grant-making process or a negotiated service agreement). When the main objective is to reduce social exclusion, a genuine partnership approach is far more likely to generate the results funders are seeking.

The point here is that CTs are not simply transport providers. CTs will want to make sure that what they are doing is what the customers really want. This is a feature many funders would wish to support.

For the CT organisation, bidding for a contract to run a specific passenger transport service will (or will not) make sense, depending on the resources the CT has available at the time and its ability to meet the particular requirements in the specification. Funders need to be aware that all CTs will want to take into account their over-riding objective of creating 'community benefit'. The CT will therefore not simply bid for everything that comes along. For example, undertaking a particular contract could prevent the CT meeting its existing obligations.

It has been known for funders in a particular area to offer a series of contracts as the means of meeting the local CT's funding needs. In the short-term this may be beneficial if it enables the CT to become more proficient at this kind of service delivery. But it is unlikely to be successful over time, if it merely sits within traditional 'assisted travel' contracting processes. Essentially it will be hard for the CT to 'compete' with traditional service providers if it begins to include its overheads and long-term investment needs within bids of this type.

For example, a contract may be offered that is intended to be picked up by a minibuss operator on a marginal cost basis (e.g. the service is required weekdays, off-peak). A problem arises if all the contracts on offer are calculated in this manner, as no organisation, CT or otherwise, can operate all its activity on a marginal cost basis.

### **One size does not fit all**

To get the most out of CT, funders need to appreciate that there are many different sizes and types of CT scheme, and therefore there is likely to be one that fits the funder's particular requirements.

It must be noted that some CT organisations, particularly ones that are quite modest in scale and mainly, if not entirely, operated by volunteers, may not wish to expand. They may feel that their existing workload is as much as they wish to undertake. One consequence is that the funder may only be asked for relatively modest amounts of support in order for this CT to carry on delivering a valuable local service.

### **Adding value: CTs can sometimes provide match funding**

Sometimes, CTs can provide much-needed match funding, thereby making the funder's own financial position stronger. This is particularly relevant where European Union, regeneration, or certain charitable

funding is involved. The match can be financial, for instance where the CT organisation has been able to obtain funding from a charitable trust, or it can be in-kind, for example the many hundreds of hours of volunteer labour can be monetarised and included as match.

### **Grant aid**

Despite a general trend away from grant aid, it remains a very straightforward and effective means of providing funding for certain types of CT operation.

It is ideal for distributing smaller amounts of funding with a minimum of bureaucracy, where the activity is well understood by the funder and the CT. For example, a grant of, say £10,000, to underpin the operation of a voluntary car scheme, to pay for a part-time coordinator and office on-costs, and where the volunteer drivers' expenses are being met out of passenger contributions.

It is a good way to pilot a new development or activity, where the exact service provision parameters are not understood, but where both the funder and the CT have agreed it would be worthwhile trying something out. In this instance, the funder may well want closer than usual involvement in the way the service is developed. In this way, one of the outcomes of the pilot will be the ability of the funder to specify a longer-term service, for which a service agreement or contract might be awarded.

### **Negotiated service agreement**

As the amount of funding to a CT increases and as the funding is provided for longer time periods, the funder needs more stringent systems for ensuring value for money and effective service delivery are being provided. One way is to move from grant aid to a negotiated service agreement.

Examples of service agreements can be found on the CTA's website. However, for a funder of CT, there are some specific items worth including in a service agreement:

- Sufficient time, especially if it is intended to cover the life of a minibus, (e.g. five to seven years).
- Proofing the agreement against changes in political priorities and budget upheavals, particularly important if the funding to the CT is not being provided under a statutory obligation.
- Specification of the appropriate legal operational framework for the service in question.
- Minimum operating requirements, such as MiDAS certificates for all drivers, and quality standards.

### **Tendered contracts**

More and more funders, especially local authorities and NHS Trusts commissioning their 'assisted travel' minibus-based passenger transport provision, are putting services out to competitive tender.

Examples of tenders can be found on the CTA website. Funders will find that there are specific CT-related issues that need to be incorporated in tender documents, similar to those outlined above for service agreements.

In addition, if the service being provided is on a significant scale, it may be utilising a high proportion of the CT's overall resources. So, for example, successful operation may require the CT to acquire larger premises, and this may have a bearing on the length of contract. This may now need to be longer, with suitable review breaks, in order that suitable premises can be secured (say, with a 10-year lease).

It is accepted good practice for tenders to indicate how they will be awarded, with the weighting to be accorded to different factors spelt out clearly (e.g. cost, quality, experience and so on). A CT may well be able to offer added value in a way that is not open to traditional providers, but this needs to be recognised in the tender award process. For example, a CT may want to operate an SEN contract in order to be able to use the same minibuses evenings, weekends and in school holidays for its VCO members' group travel requirements.

In some instances, local transport authorities will need to take into account February 2005 DfT guidance on bus service tendering. In 2004, the DfT relaxed the *de minimis* tendering limits, which will be of assistance when negotiating certain contracts.

### **Full cost recovery**

Funders need to recognise it is legitimate for voluntary and community organisations to include the relevant element of overhead and depreciation costs in their estimates for providing a particular service. Equally, a CT can be expected to spell out clearly how its costings have been arrived at, against actual current expenditure and activity levels. This is usually referred to as 'full cost recovery', a concept that is already fully supported by some funders (e.g. Big Lottery Fund). It is not to be confused with the strategic investment that a CT may require, in order to build up the capacity to provide more services.

### **Help in kind and development support**

Funders can also assist with in kind contributions, for example, where a local council may provide premises or secure minibus parking free of charge or below commercial market rates, such as happens in Basingstoke and Warrington. Warrington CT has also received a low-interest loan from the Borough Council and its dial-a-ride appears in the town's bus guide.

Some funders also take a strategic approach, by providing development support for CT in their area, to enable CT to develop and grow. For instance, Greater Manchester PTE supports the Greater Manchester Communities On The Move project. This has seen a CT forum established, supported by CTA project staff. A good practice guide was published in March 2004, *Community Transport Organisations: trading & contracts*, and the Greater Manchester CT Trust has been set up to assist with future funding.

## Funder relations with a CT provider

Once a funding proposal or bid has been accepted and is in place, the hard work begins on all sides, namely ensuring performance meets or exceeds expectations. The funder has a significant role to play in the success or otherwise of the venture, despite not being directly responsible for service delivery.

The funder can take action to achieve value for money, which will directly assist a CT in its endeavours:

- The funder can make payments in advance of expenditure, where appropriate and necessary.
- The funder can implement longer term funding arrangements, as discussed above.
- The funder can give sufficient notice of the end of grants or contracts, to enable the CT to make any necessary adjustments.

The funder will want to receive regular feedback from a CT, which in turn will want to use financial and operational data that it would collect ordinarily, in order to manage itself efficiently. The funder therefore needs to make sure the monitoring is proportionate and focuses on outcomes. The CT has been commissioned to provide a service, not to collect data. Characteristics of a good practice CT monitoring regime include:

- Performance indicators agreed before the service commences.
- Measures of success.
- Joined-up or standardised monitoring requirements, worked out in partnership with a CT's other funders.

The added value of the CT approach can be difficult to measure, and there is research underway for the DfT into this very subject. In the meantime, it may be worth the funder encouraging a CT to undertake a social audit, to assist with the assessment of the more intangible benefits of CT provision.

## Web-based resources for funders of community transport

Supporting documentation can be found on the CTA website, in the Advice section, listed under "Guidance for Funders".

This includes:

- Sample documents, such as Application Forms, Tenders and so on;
- Case studies;
- Community Transport Strategies; and
- Other supporting material.

The CTA welcomes comments and suggestions about how the guidance can be improved and kept up-to-date. Updates will be posted on the CTA website.

[www.communitytransport.com](http://www.communitytransport.com)



# *Guidance for funders of Community Transport*

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This guide explains the value and the role of community transport. It provides examples of good practice for funders and the CT organisations they support. After three decades of development, the community transport sector is well placed to offer modern cost-effective services to help tackle problems of poor access, mobility disadvantage and social exclusion. The guidance in this booklet, and the accompanying web-based resources, is concerned with securing the contribution of the CT sector and ensuring it has a viable, sustainable future. It is essential reading for funders and service commissioners in local authorities, the NHS, central government, other public sector bodies, charitable trusts, and community transport organisations.



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