

## Procedural guidance

### Disinvestment from Youth Music for funded organisations

#### 1) Introduction

Reasons for disinvestment can vary but the most likely situations where it would be employed are a review of a Youth Music programme portfolio; poor performance resulting in low or no targets being met; or ineffective management. This guide describes the formal stages for disinvestment for organisations holding a grant from Youth Music.

The process for disinvestment comprises a number of stages:

- identifying the possible need to disinvest
- substantiating the case for disinvestment
- formally notifying the organisation that we are considering disinvestment
- reviewing the case in the light of any response from the organisation or any action they plan to take
- making the decision to disinvest
- formally notifying the organisation of the decision to disinvest and the date that funding will end.

These stages provide a clear process to ensure that the decision to disinvest is correct and that we can defend such a decision against any challenge. All stages need to be clearly documented and the documents held on the files for the funded organisation by Youth Music.

At any point it may become apparent that the evidence does not support a case for disinvestment and as such we would not take the process any further. However, any real concerns that led to the initial consideration of disinvestment must be fed back to the organisation and recorded on our files. If these concerns worsen or are not dealt with over an agreed period it is likely that we will re-consider the organisation for disinvestment.

The likely exception to this is when disinvestment is the result of a financial strategy adopted in response to the level of funding Youth Music is allocated by its own funders.

Although much of the following guidance makes a distinction between effective management and programme review as reasons for disinvestment, they are not mutually exclusive.

## 2) Identifying the possible need for disinvestment

The possible need for disinvestment would normally be identified by the lead contact through on-going monitoring and relationship management.

### 2.1 Effective management

Through on-going monitoring certain weaknesses in organisations may come to light that undermine the effectiveness of the funding we provide. These weaknesses may pertain to any aspect of the organisation but where significant will lead to the organisation being considered for disinvestment. Weaknesses would be considered significant where:

- they have a material effect on the delivery of the programme<sup>2</sup>, or
- the financial management of the organisation becomes such that we are not sure what the funds are being spent on or is at risk of going into unplanned deficit.

Our first recourse is likely to be alerting the organisation to our concerns and agreeing a period of time in which the organisation can address these problems so that disinvestment can be avoided. If, however, the problems that have been identified are not sufficiently addressed so that they no longer are of concern, it is likely that disinvestment will be implemented. There are some circumstances where the concerns we have are so serious that we will have to move immediately to the formal process for disinvestment prior to having an opportunity to discuss this with the organisation.

This covers a range of possible scenarios from poor organisational structure to lack of quality assurance. Anything that brings the ability for the organisation to deliver the programme to the required standards into doubt should be considered here.

### 2.2 Programme review

Any review of the programme and the resulting removal of organisations will be driven by Youth Music's development strategies, regional strategies and/or financial strategies.

Removing organisations from the programme would normally be in response to the need to make it more effective in meeting the aims of Youth Music and fit within the resources available. The policies and priorities of Youth Music will change from time to time and its programme might be expected to change to meet these priorities. Changes to the programme can arise from:

- the programme as a whole not meeting the current priorities of Youth Music
- individual organisations not contributing effectively to meeting the current priorities of Youth Music in their delivery of the programme
- existing programme not meeting the current or future needs of the region or sector
- restriction or reduction in the overall funding available.

A programme review would identify which organisations contribute most effectively to meeting our strategic objectives within the resources available through our funding. As

funding is limited we need to consider how funding is distributed and may be required to reduce the number of organisations receiving funding in order to maintain the value of grants for those who remain in the programme

Where changing circumstances require it, Youth Music will have to be able to make changes to its programme over short periods of time. This may be in response to a changing financial environment or to urgent needs that have been identified.

### **3) Substantiating the case for disinvestment**

Where we are considering disinvestment we need to be sure that the reasons for disinvestment are sound and are backed up by credible evidence. It is important to concentrate on the material issues, as it is easier to substantiate one or two significant issues than a number of smaller issues. Where a possible case for disinvestment has been identified, the lead contact should gather evidence supporting the perceived need for disinvestment.

Evidence can include:

- information we generate: notes of the current and previous interim and final reports; current and previous risk assessments; current and previous correspondence (via email, post or telephone); minutes of meetings with the organisation
- information generated by the organisation itself: management accounts; financial statements; board papers; participant figures; programme information; business plans
- information generated by a third party: auditor's reports; independent assessments;
- event reports; reviews
- any other relevant information.

Except where the organisation has breached a condition of funding the organisation should be reviewed in a regional context and/or in relation to other similar organisations we fund. A useful tool can be to compile comparable and relevant information on these organisations.

As part of building a case for disinvestment the lead contact should consult with relevant colleagues and, where appropriate, external partners regarding the implications of disinvesting from the organisation. This is especially important if the organisation has a presence in other regions or has a national role.

It should be noted that any information gathered for the purposes of supporting a disinvestment decision can be shared with the organisation we are disinvesting from, except in the case where the position or confidentiality of a third party could be compromised by the sharing of this information. Also note that organisations may make requests for information under the provisions of the General Data Protection Act 2018. If you receive any requests for information, or if you are concerned about any confidentiality issues, please contact the lead contact to discuss.

#### **3.1 Effective management**

Before we reach the stage of considering disinvestment we would normally have discussed

the organisational weaknesses with the organisation concerned previously. The starting point for any case would be the notes of meetings and/or correspondence that relate to these discussions.

The comparators that might be useful when considering the effective management of an organisation can range from financial position and performance to organisation structure and board experience. A range of comparative information should be used and should include information specific to the areas that might support our view of ineffective management and general information from which the size, funding and structure of the organisation can be gauged.

### **3.2 Programme review**

Our reporting processes allow us to collect consistent information on organisations across our programme and how they contribute to our strategic aims.

To inform the review, comparative information across the programme would normally be prepared to give a context to the decisions. Looking at the programme as a whole the Senior Leadership Team would propose the most effective modules to meet our aims and agreed strategies through funding.

When considering disinvestment as a result of a programme review the question should be asked: why does the organisation not contribute to our strategies and goals while other organisations do? The lead contact must provide evidence to support the assessment for any organisation for which disinvestment is being considered. This might not be as a result of poor performance or management but could be due to other reasons such as socioeconomic or geographical location.

After the evidence has been compiled, the Senior Leadership Team will agree which organisations are to continue to be considered for disinvestment and notified.

## **4) Formally notifying the organisation that we are considering disinvestment**

### **4.1 Where the proposal is to disinvest without offering an opportunity to address concerns**

Once the case for disinvestment has been established, Youth Music must notify the organisation, confirming the reasons this is being considered and allow the organisation an opportunity to comment and feed into the final decision. In most cases this can take place through discussions with the organisation either face to face or on the telephone. Where the organisation is informed verbally, a note of the discussion must be made and any comments recorded. These notes must be placed on the organisation's file.

In all circumstances we should write to confirm our proposal to disinvest providing full details of the case that will be considered. We should attach the full documentation that will be submitted to inform the decision including any covering note or report. Within the letter we should offer the organisation an opportunity to respond within four weeks if they have comments that might affect the final decision. This letter marks the point at which the formal timetable for disinvestment starts.

All letters should include:

- details of the reasons for considering disinvestment
- the basis on which any response should be made: accuracy; any mitigating circumstances; any relevant information that the organisation under investigation feels has not been taken into consideration.

In some circumstances, especially where the proposal is driven by a financial strategy to address restricted or reduced resources, it should be acknowledged that there may be little time to discuss the matter with the organisations affected and it is unlikely that any comments would influence the final decision. However, we should inform the organisation that disinvestment is being considered at the earliest opportunity, especially if they had not been aware of the possibility of disinvestment up until this point.

#### **4.2 Where an opportunity is being offered for the organisations to address organisational weaknesses which have not been previously raised or addressed**

We should write to the organisation to confirm our concerns and offer the organisation an opportunity to respond to these concerns. The letter should also ask the organisation to submit a detailed plan for addressing the concerns we have identified and when this should be submitted. We would normally expect a plan to be submitted no later than one month of our notifying the organisation. The time allowed to develop and deliver a plan will vary depending on the issues to be addressed and the duration of the funding that the organisation receives.

For a plan to be considered effective it must:

- be realistic
- occur within a reasonable time
- effect change at the organisation if relevant
- address the problems/failings that have been identified

We may offer additional time to ensure a plan is in place if reasonable steps are seen to have been taken already, but if we have not reached an agreed way forward within a decided period we would continue with the disinvestment process.

The agreed plan must include clear milestones and we would monitor the organisation against these milestones. If over an agreed period sufficient progress has not been achieved we would continue with the disinvestment process.

We will not be able to offer the organisation any additional period to address the reasons for disinvestment beyond what was originally agreed upon. In these circumstances we would notify them of the date on which the final decision will be made and when funding would cease should that decision be to disinvest.

#### **5) Reviewing the case in the light of any response from the organisation or any action they plan to take.**

The response may highlight inaccuracies in the reasons we have given for disinvestment, bring to our attention factors we had not taken into consideration, and address any

perceived misconceptions. We must review the proposal to disinvest in the context of any response. If no response is made or the response does not materially change the case we should continue with the recommendation to disinvest.

## **6) Making the decision to disinvest**

Once a case has been made and the organisation has been offered an opportunity to respond, a recommendation must be made to Youth Music's Senior Leadership Team (SLT). This recommendation must provide details of:

- the original case
- the response of the organisation,
- any actions they have already taken to address these concerns,
- any plans the organisation has developed to continue to address concerns
- lead officer assessment
- responses of consultation with networking groups and external partners

There should be nothing contained within the case for disinvestment made to Youth Music's SLT that the organisation has not been made aware of or allowed to comment on.

On the basis of this information Youth Music's SLT will make a decision on whether to disinvest.

For organisations we have offered the opportunity to actively address the problems the lead contact should review formally and report on progress at regular intervals. On the basis of these reports Youth Music's SLT would be asked to agree:

- to disinvest
- to continue monitoring progress (in rare cases)
- to formally remove the organisation from notice of potential disinvestment

## **7) Formally notifying the organisation of the decision to disinvest and the date that funding will end.**

After the decision to disinvest has been made we will formally notify the organisation in writing. The letter will confirm when we are ceasing on-going funding. An assessment will be made, based on the period leading up to the disinvestment decision, as to what amount of notice time is appropriate in the circumstances to give before funding ceases.

*(This policy was last reviewed in February 2017)*