

Cheltenham Borough Council**Cabinet - 30th October 2007****Future Procurement of Services from the Third (Voluntary) Sector in Cheltenham****Report of the A.D. Community Services****on behalf of the Officer Working Group****1. Executive Summary and recommendation****1.1 The issue**

1.1.1 On 27th March 2007 Cabinet charged an officer group with looking at the future of the Council's funding and commissioning arrangements with the third (voluntary) sector in Cheltenham.

1.1.2 March 31st 2008 marks the end of our major Conditional Offers of Grant, the current preferred vehicle for funding the 'third sector' in Cheltenham. Central government, the Audit Commission, Joseph Rowntree and many local authorities are reviewing their commissioning methods in light of requirements to gain value for money and efficiency savings and a desire to better focus and performance manage commissioning activity in this field. This report reviews current thinking and, in light of the recent reviews of current service providers, offers options for Cheltenham future commissioning in this field.

1.2 I therefore recommend that Cabinet endorse the future commissioning direction outlined in Section 3 of this report.

1.3 Summary of implications

1.3.1 Financial None as a direct result of this report.

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1.3.2 Legal New forms of agreements are being proposed to replace Conditional Offers of Grant. Any new agreements arising from this report will need to be in the appropriate format – either grant agreements or contracts.

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1.4 Implications on corporate and community plan priorities

We will work with our partners to create an improved structure for regeneration activities that will improve financial stability, governance and service delivery while providing facilities management for the four resource centres.

We will deliver a programme of investment into our cultural activities and venues.

1.5 Statement on Risk

Whilst it is held that contracting is a more businesslike, transparent and open method of procurement it is recognised that, even with support, some smaller organisations may not reach the capacity or have the expertise to compete. The tendering process is competitive and, whilst evidencing value for money, there will be losers as well as winners and this could reduce capacity and diversity within the third sector..

2. Introduction and Background

2.1 Much current work has gone into analysing funding and commissioning arrangements between local authorities and the third sector. The government's work on Compacts and the establishment of the Office of the Third Sector (OTS) with its own minister Phil Hope, the Audit Commission's report 'Hearts and Minds, commissioning from the voluntary sector' and the county's work on joint commissioning are all current examples of the new emerging strategy.

2.2 Central government have indicated their intention to invest new resources in developing third sector infrastructure through the 'Capacitybuilders' and 'Futurebuilders' agencies. They will continue to focus on the Compact as a means to build the relationship between the third sector and all levels of Government and improve funding arrangements for the third sector, and make three-year funding the norm, rather than the exception. There is also a commitment to facilitate the outsourcing of public services and public buildings into the third sector.

Listed as their commissioning principles the OTS lists:

- Ensure contracting processes are transparent and fair, facilitating the involvement of the broadest range of suppliers, including considering sub-contracting and consortia building where appropriate;
- Seek to ensure long term contracts and risk sharing wherever appropriate as a way of achieving efficiency and effectiveness;
- Seek feedback from service users, communities and providers.

2.3 The Treasury third sector review highlighted the 'benefit of maintaining a mix of grant funding open to small community organisations alongside the increasing availability of opportunities for third sector organisations to contract'.

2.4 The Audit Commission acknowledges the wide spread confusion between grants and

contracts. At its base a grant once given runs for its period and can only be withdrawn if the group collapses or shows gross financial incompetence whereas a contract can specify outcome and performance and can be monitored and managed on measured deliverables. Purchasers increasingly require highly specified services in order to monitor the return on their investment. The more you specify the closer you get to a contract – what is a well drawn service level agreement but a contract? The Commission preferred the Joseph Rowntree definition of funding styles:

- 'Giving' – small grant with no strings;
- 'Shopping' – buying services, in essence the contract;
- 'Investing' – building capacity for future benefit.

Whilst recognising the importance of retaining choice in funding mechanisms the commission, and service commissioners and providers sampled, agreed that contracts can give the councils greater control over the services that they buy and a better way of holding providers to account whilst giving suppliers greater clarity on what councils require and greater security of funding. They found that commissioners and many voluntary organisations regarded the move to more contractual arrangements as a positive move towards greater professionalism in the relationship, with organisations claiming that reporting performance against a contract specification provided a better opportunity to demonstrate their value than was possible under grant funding arrangements.

2.5 The Commission still saw a place for grant funding where:

- Developing the plurality or competitiveness of the market;
 - Building capacity;
 - Creating capacity to deliver, or
 - Meeting a specific niche service need,
- was the primary aim.

2.6 Government introduced a national Compact with the voluntary sector in 1998. CBC adopted the Compact in March 2004 and its codes of practice in November 2006. Since then its codes of practice have influenced the development of local agreements. An estimated 99% of local authority areas are now compacted. The Audit Commission study found that the benefits were:

- A greater mutual understanding particularly of the constraints on both sides;
- A perceived better understanding of full cost recovery;
- Establishing joint principles.

About half of the organisations surveyed by the Commission thought the Compact had helped local funding practices creating greater transparency, standardisation and funding sustainability. The remainder said that the Compact had little or no effect on funding practices. This area might become more focused with the creation of the Office of the Compact Commissioner.

2.7 The county wide pilots in joint commissioning in this area are still at an early developmental stage. Cheltenham will be working closely with other districts and the county council to explore more efficient ways to contract services from the third sector. We believe it is too early to realistically incorporate this option into the current review round but hope that a vehicle will be in place as an option when reviewing future commissioning in the 2011 round.

3. The 2008 - 11 Commissioning Round in Cheltenham.

- 3.1** For this round the working group recommends consideration of both 'shopping' with contracts and 'investment' in grant funding using the earlier explanations for these options. Agreements for both should be clear about what is being commissioned, the outcome expectations and closely performance managed. The review group believe that new 'Investment Grants' should replace 'Conditional Offers of Grant', that the organisational requirements should be robust and demonstrable, the outcome expectations be clearly stated and that the organisation during the course of the investment period – suggested three years in line with the Compact – should build its capacity to a position where it could confidently compete for a future contract. There should be an expectation that where possible joint working practices where duplication exists should be used to reduce overheads and on-costs, particularly in support services, to achieve economies of scale and be robust in their attempts to attract additional funding for service delivery.
- 3.2** In areas where there is demonstrable capacity, expertise and business ability we would recommend the 'shopping' or contract approach. This allows for clear specification and service monitoring and through market testing demonstrable value for money and creating possible efficiency savings. We also believe that three year agreements provide a degree of financial stability to the provider.
- 3.3** We believe that to develop capacity, enable negotiation and joint working and the dissemination of best practice the sector needs a collective voice, a trade association, in Cheltenham. In its formative year Cheltenham Voluntary and Community Action has played an increasing key developmental role in this field and is well regarded by both the sector and potential funding organisations. They will also play a pivotal role in Compact development and LAA target delivery. We would single this organisation out for continued developmental 'investment' grant funding.
- 3.4** It is important to continually evaluate the service delivery vehicle. As new structures and organisations develop there may well be a more effective way than the traditional to delivery a service.

4. Consultation

- 4.1** Through the review process:

CBC: Legal Services, Procurement Services, Audit Services, Community Services, Cheltenham VCA.

Cheltenham VCA will coordinate consultation with the providers.

Background Papers

'Partnership in Public Services', Office of the Third Sector, 2006

'The Future Role of the Third Sector in Social and Economic Regeneration' HM Treasury, 2006

'Hearts and Minds, commissioning from the voluntary sector', Audit Commission July 2007

'The Gloucestershire Compact', Gloucestershire Compact Group 2004.

'The Gloucestershire Compact Codes of Guidance', Gloucestershire Compact Group 2006.

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Accountability

Cllr Chris Ryder

Scrutiny Function

Social and Community Overview and Scrutiny