

<b>Committee/Meeting:</b> Cabinet	<b>Date:</b> 6 October 2010	<b>Classification:</b> Unrestricted	<b>Report No:</b>
<b>Report of:</b> Corporate Director Resources  <b>Originating officer(s)</b> Maura Farrelly & Everett Haughton		<b>Title:</b> Mainstream Grants Advice Service & Corporate Match Funding Programmes – Arrangements for 2011 and Beyond  <b>Wards Affected:</b> All	

<b>Lead Member</b>	Author to insert portfolio title(s) of relevant Lead Member(s) Helal Abbas – Leader
<b>Community Plan Theme</b>	Author to identify Community Plan Theme(s) supported by the proposal A Prosperous Community A Safe and Supportive Community
<b>Strategic Priority</b>	Author to insert Strategic Priority(ies) supported by the proposal Strengthening and Connecting Communities

## 1. **SUMMARY**

- 1.1 The Council has two main grant streams used to support third sector organisations in delivering activities which further our Community Plan priorities: Mainstream Grants (MSG) and Corporate Matched Funding (CMF). MSG is allocated to a number of themed areas one of which is social welfare advice. The Council moved from grant funding of advice provision to a 'needs-led' commissioning approach in 2008. This involved entering into 3 year agreements with a range of advice consortiums to deliver the service. The current contracts are due to expire at the end of 2010/11. This paper analyses options in relation to this and proposes that the contracts are rolled over until 2011/12 when they should be re-commissioned.
- 1.2 The Corporate Match Funding budget has been specifically used to match-fund third sector organisations to draw in funding to deliver objectives around regeneration and worklessness. The current CMF programme runs till 31 March 2011. This report brings forward proposals and options for 2011 and beyond.

## 2. **DECISIONS REQUIRED**

Cabinet is recommended to:-

- 2.1 Note the business case for continuing to provide Advice Services as set out in paragraphs 6.1 - 6.4;
- 2.2 Agree the recommendations relating to the timetable for re-commissioning Advice Services as set out in paragraphs 6.17- 6.20:
  - I. That current arrangements are 'rolled-over' to 2011/12
  - II. That services be re-commissioned in 2012 for the period 2012/15
- 2.3 Agree the way forward for commissioning Corporate Match Funding projects as detailed in paragraphs 6.31 – 6.35;
- 2.4 Agree that Service Agreements of currently funded Corporate Match Funding projects be extended for three months to 30 June 2011 as set out in paragraph 6.35.

### **3. REASONS FOR THE DECISIONS**

- 3.1 In relation to the Mainstream Grants Advice Service, decisions are being sought because the commissioning period for which funding has been approved is coming to an end and new arrangements need to be agreed for 2011 and beyond.
- 3.2 The current Corporate Match Funding awards were approved for 2010/11 only and approval is now being sought on the proposals and arrangements for 2011 and beyond,

### **4. ALTERNATIVE OPTIONS**

- 4.1 In the case of the Mainstream Grants Advice Service Commissioning, alternative options include:
  - i. Moving immediately to a competitive commissioning process for a further 3-year period;
  - ii. Extending all current commissioning contracts for a period of 2 or more years.
- 4.2 With regards to the Corporate Match Funding programme, alternative options include redefining the proposed way forward and varying the commissioning timeframe.

### **5. BACKGROUND**

#### **Mainstream Grants Advice Service**

- 5.1 Following extensive consultation throughout the Advice Sector, The Mainstream Grants Advice Service was the first of the Council's grants programmes to move to a commissioning-based approach to the distribution of funding.

- 5.2 The first 3-year phase of commissioning come to an end in March 2011 and this report sets out proposals on the way forward.

### **Corporate Match Funding**

- 5.3 Corporate Match Funding (CMF) is one of the Council funding streams used to grant fund Third Sector organisations to support the delivery of the Community Plan. Specifically, CMF has been used to match fund Third Sector Organisations to draw in funding to deliver objectives around regeneration and worklessness.
- 5.4 In previous years CMF has been allocated on a year-by-year basis; however, this report seeks to bring this in line with one of the key objectives of the Third Sector Compact which is to move to longer-term funding.

## **6. BODY OF REPORT**

### **Advice Service Business Case**

- 6.1 We have a long established commitment to supporting this sector based on the role these services play in tackling poverty and social exclusion and the business case for continuing to provide advice services remains strong. The sector deals with over 30,000 enquiries primarily relating to debt, welfare benefit and housing cases. The benefits of our current £915,000 a year investment can be summarised as follows:

6.1.1 Tackling poverty - In 2009/10 advice agencies assisted residents in claiming entitlements to over £6 million in benefits and tax credits. This included supporting older people and disabled people to claim £2 million in entitlements.

6.1.2 Contributing to health and wellbeing – the link between ill health and poverty has been well established as has the role of advice services in reducing stress and associated health problems.

6.1.3 Reducing demand for key services – Advice provision helps to avoid poor outcomes such as defaults on rent and council tax payments. This directly reduces demand for these services and indirectly on a wide range of other local services e.g. homelessness, social services and primary care.

6.1.4 Supporting access to employment – ‘better off’ calculations, supporting the claim of in-work benefits and tax credits and supporting residents with multiple debt problems has been shown to increase the chances of entering and staying in employment.

6.1.5 Developing community capacity and resilience - Over 60 volunteers a year are trained by Island Advice and the CAB. A third of these have gone into full time employment in the sector or related sectors in the past twelve months.

- 6.1.6 Improved procedures /processes in delivery of public services - A significant element of advice sector work relates to errors, delays or procedural challenges in relation to benefit entitlement or debt collection procedures. Ongoing liaison meeting with DWP and Council Tax /Housing Benefit has helped to highlight and tackle some of the concerns and improve service delivery.
- 6.2 There is significant ongoing demand for advice services – which providers are struggling to meet. The profile of service users is diverse - 60% of users of advice services are from BME communities and 15% are disabled. Demand for support with welfare benefits and tax credits is high due to the complexities of the various welfare benefit and tax credit processes, errors and delays in processing and the low level of literacy and numeracy of a significant proportion of residents.
- 6.3 Demand for debt advice has increased substantially in the last 3 years and the impact of public spending cuts is likely to create further demand. There is currently a two-week waiting list for debt advice cases and similar waiting times for specialist housing advice.
- 6.4 As advice provision helps deliver a wide range of strategic objectives and is in demand from residents from our diverse community due to its impact on health and well being – it is recommended that there is ongoing commitment to funding advice services.
- Performance of Current Contracts**
- 6.5 In addition to the regular quarterly monitoring of advice contracts, a detailed review of performance against contracts was undertaken in spring 2010. All of the contracts are performing well and in some cases exceeding targets by up to 10%. In the past twelve months advice agencies have dealt with over 30,000 queries 48 % relating to welfare benefits and tax credits 25% relating to debt and 18% housing.
- 6.6 The review highlighted that significant progress has been made in increasing accessibility to services particularly in the west of the borough; creating a more seamless advice provision, with longer opening hours and more effective referral processes. There has also been an increase in the use of volunteers, including pro bono evening sessions, which has increased the capacity of agencies delivering services.
- 6.7 The lead agency model for delivering services on a paired LAP basis has enabled smaller organisations to benefit from support to improve quality standards, through peer review, supervision, access to training and information resources. It has also improved coordination and linkages with locality based services. Strong links have also been made into employment training and ESOL provision as well as to children’s centres, GP’s and other support services to develop a holistic package of services particularly for vulnerable clients.

- 6.8 Ongoing work is being undertaken on addressing some of the drivers of the need for advice and a number of partnership projects have developed work on the promotion of financial inclusion and financial capability. Some pilot work is also being undertaken with two of the advice agencies on dealing with repeat clients and in looking at supporting clients' resilience, confidence and ability to tackle and deal with similar problems in the future.
- 6.9 The annual review report also took into consideration, governance, management, business planning and financial viability. All of the advice agencies have seen a reduction in funding from charitable trusts and other sources in the past 3 years and have had to rely on using reserves in some cases to maintain the level of services.
- 6.10 The challenges facing the sector of managing increasing demand from limited resources are likely to increase in the current economic climate. Changes in the Legal Services Commission funding regime has specific implications for the Law Centre as the specialist advice agency in the borough and also implications for Island Advice and CAB who also currently hold LSC contracts.
- 6.11 In the last 12 months a number of agencies have explored ways to reduce overhead costs, with discussions on sharing back office costs and potential mergers. However, due to the uncertainty of ongoing funding in the short and longer term, it has proved difficult for agencies to pursue merger as a viable option at this time. The availability of suitable, accessible, affordable premises from which to deliver services is also an area of concern. The Rights Shop in Bethnal Green and the CAB in Whitechapel have been trying to identify suitable alternative premises for the last 12 months, but to date have been unsuccessful. Officers are working with organisations to support and assist cost reduction where possible.
- 6.12 In relation to value for money, it is difficult to do direct comparisons across organisations as there is no standard formula for identifying clear unit costs for cases as the amount of time spend on each enquiry will vary depending on the complexity of the case and the amount of support individual clients require although work is currently being undertaken with the sector to develop general agreement for funding formula.
- 6.13 Unit costs were not taken into account when the original commissioning was undertaken. This was due to the fact that individual organisations were at different stages in their development and also different models of service delivery were provided depending on the needs of the geographical area and targeted communities. In addition some of the larger organisations used a combination of advice supervisors and trained volunteers to deliver advice whilst smaller organisations generally rely on paid staff only to deliver the service

- 6.14 Ongoing work is now being undertaken to standardise the reporting of targets and outcomes by the agencies, to enable benchmarking of comparative performance of agencies delivering similar services. An analysis of the original commissioning bids highlights that the median unit cost of providing generalist advice and follow up a face to face enquiry is £35 for general help level which includes form filling and some advocacy on behalf of the client. The CAB costs were lower due to the use of telephone advice and extensive use of volunteers to deliver services, whilst some of the smaller agencies costs were higher. In relation to language specific services the Somali Consortium costs are higher than Praxis or the Chinese Association due to the partnership outreach model that has been developed with local Somali groups which includes contributions to overhead costs for those agencies and support with implementing advice quality assurance process. Officers are working with the organisation to identify potential avenues including use of volunteers to help improve value for money whilst still ensuring delivery of accurate quality advice services.
- 6.15 The experience and lessons learnt from this first commissioning round and review will provide us with useful baseline information for the re-commissioning process. The experience of other local authorities who have undertaken a similar commissioning process will also be taken into account.
- 6.16 Feedback from providers and other stakeholders on the Tower Hamlets model which combines localised services, targeted provision for specific communities, as well as borough-wide specialisms, has been very positive and has been used as a model in other boroughs.

#### **Advice Services Commissioning Timetable**

- 6.17 As detailed above, the current contracts finish at the end of 2010/11. Options are to re-commission the contracts this year or continue the current arrangements into 2011/12 and then review the specifications and re-commission for 2012/13.
- 6.18 It is recommended that the current arrangements are rolled over to 2011/12 and re-commissioned for the following year for the period 2012/15. There are 2 key reasons for this:
- Structural changes in the sector and in funding regimes - Advice agencies currently receive a total of £2.3m from a range of funding streams but a number of these streams expire in 2010 /11.
- The Council and the Legal Services Commission (LSC) are the main funders of advice provision in the borough with both organisations contributing approximately £0.9m each to social welfare advice provision.
  - There have been major changes to LSC procurement and funding regime including ending of the previous funding arrangements for not for profit agencies. The final outcome of the LSC current bidding round,

which was an open competitive tendering process, will be announced over the next few months.

- The changes in the LSC funding regime and the overall reduction in new matter starts is liable to have a negative impact on some of the current specialist voluntary sector provision in the borough. The proposed government changes in disability living allowance and other benefits is also liable to have major impact on the demands for services.
- Advice organisations have highlighted that they are currently reviewing and restructuring service delivery plans to accommodate the increased demand from service users and the impacts of reductions in funding. Officers are undertaking ongoing development and support work with the sector to ensure that existing services are maintained to a high standard
- The postponement of LBTH commissioning of advice provision until 2011/12 would both provide some stability to the sector and enable the authority to work with the sector on remodelling provision to meet identified needs and gaps in provision and prioritise services in line with the available resources.
- A review of Third Sector grants funding to identify options for 5% savings across the budget is being undertaken. Any savings are currently scheduled to be delivered from 2011-13 though this timing and amounts are clearly subject to the current budget setting process. Depending on the outcome of this process, it may be necessary to reduce the Mainstream Grants allocation for 2011/12 by this amount.
- Consultation on future priorities and any proposed decommissioning of services would commence in February 2011 following confirmation of the Council's three year budget allocation for advice services with final specification and commissioning process undertaken throughout the year.

6.19 Opportunities for service re-modelling of Advice and Financial Inclusion are part of the scope of the Total Place Child Poverty Strategic Commissioning project. This has identified a range of potential opportunities to improve service provision and mitigate any reductions in funding. These include:

- Increasing the ability of advice organisations to utilise community capacity including increased use of volunteers and the development of money champions to promote financial inclusion.
- Localisation. The current paired LAP provision has enabled strong links to be made with children's services, housing, employment and health providers. It is possible that advice provision could form a key part of the localisation / service integration model

- Access and branding. On going work is being undertaken to increase the visibility and accessibility of advice services, including developing a shared brand and promoting take up of telephone advice delivery channels to reduce pressure on face to face delivery.
- Links to Community Plan and Council Strategies - Future funding of advice services will also need to be linked into the emergent Financial Inclusion Strategy, the Advocacy Strategy as well as Child Poverty Strategy and Employment Strategy. Working with other funders and provider representative bodies to look at gaps in provision and possible alternative models of provision.

6.20 For these reasons it is proposed that our advice commissioning round is delayed for 12 months to provide some stability to the sector and to afford us the opportunity to work with the sector and other key stakeholders to develop a long-term sustainable model for advice service provision in the Borough.

## **CORPORATE MATCH FUNDING (CMF)**

### **The Current Programme**

- 6.21 CMF is used to grant fund organisations to support the delivery of Community Plan objectives and specifically, to match-fund Third Sector Organisations to lever in funding from external sources to deliver objectives around regeneration and employment. A proportion of the funding has also, in recent years, been used to support the development of Third Sector organisations through the allocation of small capacity building grants. These grants have been targeted at developing a range of skills and benefits which are designed to contribute significantly to the development of a thriving Third Sector in the borough.
- 6.22 In recent years, the CMF programme has supported a range of projects on a one-year basis. We have however, continued to support those projects in subsequent years providing that the organisation had an appropriate on-going project delivery plan and primary funding in place.
- 6.23 In the context of the CMF Programme's contribution to the Council's overall funding of regeneration and employability skills development activities, it should be noted that the major funding in this area has traditionally been through the Council's Neighbourhood Renewal Fund and more recently, the Working Neighbourhood Fund (both of which had disposable resources in excess of £10m per year). WNF funding ends in 2010/11 and there is no indication that there will be any allocation of a similar size to replace it.
- 6.24 To achieve savings over the last 5 years, the Corporate Match Funding budget has been reduced from its original allocation of £1m. The budget for 2010/11 is £555,000 (taking account of in-year and recurring savings). This is made up of a Main Programme allocation of £498,000, a commitment of



£21,423 to cover over-programming, and a small grants/capacity building allocation of £35,577.

6.25 Our Quarter 1 monitoring (April-June 2010) confirms that the projects are progressing well in relation to their targeted outputs. The targeted outputs are clearly defined in terms of what needs to be achieved/delivered, for example the following criteria relates to Individuals Capacity Built:

- Minimum of 12 hours of support to an individual (*either on a one-to-one basis or through group work*). Non-accredited training that supports local people towards employment. Learning may cover BASIC SKILLS such as literacy, numeracy and ESOL; or, KEY SKILLS - including non-academic generic skills such as communication, ICT, team-working, job search and interview skills.

6.26 It should also be understood that beneficiaries targeted by our funded projects are likely to be at varying stages in terms of distance from the labour market or the particular skill or knowledge being sought - it follows therefore, that costs for the achievement of those stated outputs will vary.

#### **Future Challenges**

6.27 In the financial and economic position that is anticipated over the coming 3 years or so, unemployment and economic inactivity will certainly remain a key challenge both in Tower Hamlets and throughout London. The Council has commissioned a Local Economic Assessment and is refreshing its Employment Strategy which will make recommendations about how we should focus our own resources, and work with partners, to maximise our impact in reducing worklessness.

6.28 As part of the new Government's emerging welfare reform strategy which includes changes to Jobseekers Allowance, Incapacity Benefit and Housing Benefit, many residents of the borough will be subject to changes in both their benefit claimant status as well as the financial amounts they will receive through these regimes. Subsequently, this will mean an increase in the need for advisory and support services.

6.29 The challenge for Tower Hamlets is also exacerbated by the fact that the level of funding available for local authorities to support employment-related initiatives is likely to be significantly reduced from that which was available in previous years. It is clear that if we are to rise to the challenge, amongst other things, we will need to maximise the productivity and investment of the mainstream service delivery by Jobcentre Plus, maximise the Council's available resources and determine what should be the key priorities for the Council in using this funding to complement the work of the nationally funded agencies, co-ordinate effective joined up service delivery which reduces duplication of delivery and finally to open up increased levels of employment opportunities to local residents.

- 6.30 It is recommended that a robust commissioning process moves away from grant agreement arrangements and toward a contractual basis for services to drive the performance of organisations against agreed targets.

### **The Way Forward**

- 6.31 Current CMF Service Agreements run till 31 March 2011. The level of allocation of CMF grant for beyond March 2011 will not be determined until January/February next year as part of setting the Council's three year budget. This will be too late to undertake a formal re-commissioning exercise to commence operation from April 2011. This may mean that some currently funded projects, which still meet future aims and would be likely to get funding in a re-commissioning round will face a gap in funding which would affect their viability.
- 6.32 One option would be for Cabinet to agree that current CMF service agreements be extended for 3 months. This has been done before to enable a transition between funding streams, for example in moving for Neighbourhood Renewal Funding to WNF. In this case, however, it would require Cabinet to make an up-front commitment of a maximum of £138k for 2011/12 to continue funding the existing projects. The actual requirement may be less as some projects may no longer have matched funding beyond March 2011 and may therefore be coming to an end or not seeking further funding beyond this period.
- 6.33 Depending on budget decisions about the future of CMF, the new funding period would then run for 2 years 9 months from July 2011 through to March 2014. The proposed programme commissioning timetable would therefore be as follows:
- |      |                                     |                             |
|------|-------------------------------------|-----------------------------|
| i.   | Notification of funding opportunity | - Jan 2011                  |
| ii.  | Expression of interest deadline     | - Feb 2011                  |
| iii. | Full application deadline           | - March/April 2010          |
| iv.  | Report to Grants Panel              | - June 2010                 |
| v.   | Successful projects commence        | - 1 <sup>st</sup> July 2010 |
- 6.34 It is also recommended that Third Sector team officers work closely with the Employment and Enterprise team in Development and Renewal, and through them with Jobcentre Plus and other key partners, to develop a set of commissioning criteria for CMF which reflects both the Council's objectives for the third sector as set out in the Third Sector strategy and our priorities around the emerging Employment Strategy.
- 6.35 In order to accommodate the above approach, Cabinet are asked to agree that the Service Agreements for all current CMF funded projects be extended from March 31 2011 to 30 June 2011, requiring an up-front funding commitment of £138K.

## **7. COMMENTS OF THE CHIEF FINANCIAL OFFICER**

- 7.1 This report describes proposals for supporting advice services organisations that are currently funded by the Council's Mainstream Grants (MSG) and Corporate Matched Funding (CMF) arrangements in 2011-12.
- 7.2 Currently, existing advice commissioning contracts that are funded by MSG expire in 2010-11 and the report recommends these contracts are "rolled-over" for one year to 2011-12 and re-commissioned for the next three years 2012-15 so the Council can: review existing service specifications; develop a new commissioning model for advice services in the Borough; deliver any savings agreed through the current budget setting process for 2011-12.
- 7.3 The report also proposes that current CMF service agreements are extended for three months to June 2011 because the Council's budget setting process will delay the award of new contracts from 2011-12 and some organisations may experience reduced funding that could affect their viability as result. This would require an initial budget allocation of £130,000 to be made available to fund these organisations for the period April-June 2011. The CMF program is used to match fund organisations to deliver the Community Plan and has a budget of £555,000 in 2010-11.
- 7.4 As part of the 2010-11 budget process Third Sector Strategy was identified to achieve £100,000 savings over two years (2011-13) from the mainstream grants programme. Consequently, MSG and CMF funding from 2011-12 will reduce and the financial commitments proposed in this report to fund organisation for three months April-June 2011 will have to be included in the remaining budget allocation available to groups after June and the following two years.
- 7.5 The Council is under a legal duty to secure best value for the use of public funds. In allocating resources in grants to the Third Sector, grant monies should be allocated to those organisations which can be identified as contributing to the wellbeing of the area. Consequently, in deciding whether to continue the allocation of funding to CMF funded advice groups for three months April-June 2011 and MSG 2011-12, Members should satisfy themselves that these organisations continue to meet the necessary criteria and that the same levels of funding commitment to Third Sector organisations from the CMF program can continue to be supported or need to be revised depending on the 2011-12 Council budget process.

## **8 CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)**

- 8.1. The report proposes that the Council extend a number of arrangements for advice services for 12 months and other services, the subject of corporate match funding, for 3 months.
- 8.2. It is understood that the services provided under the various contracts are all within the Council's statutory functions. The report makes reference to the

ways in which the services tend to achieve the Council's Community Plan objectives, which suggests that the contracts are underpinned at least by Council's well being power in section 2 of the Local Government Act 2000. That being the case, it is for the Council to determine the system by which it will manage the submission and award process for grant funding.

- 8.3. Section 3 of the Local Government Act 1999 requires best value authorities, including the Council, to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". Competitive commissioning would normally form part of the discharge by the Council of its best value duty. In this instance, for reasons set out in the report, Cabinet may conclude that extensions for the proposed periods will still be consistent with the delivery of best value. Moving forward a robust commissioning process will provide further evidence of best value.
- 8.4. The proposals contained in the report will be consistent with the Council's procurement duties as the value of the contracts is likely to be below the OJEU limits or the services will be Part B services within the meaning of Public Contract Regulations 2006 and so will not require an EU procurement procedure to be adopted.

## **9. ONE TOWER HAMLETS CONSIDERATIONS**

- 9.1 Third Sector Organisations contribute extensively to achieving One Tower Hamlets aims and objectives. Not only do organisations play a key role in delivering services that address inequality, improve cohesion and increase community leadership, the simple fact of people coming together to improve their environment is a real example of One Tower Hamlets in practice. Our Grant funding programmes are specifically aimed at creating an environment for a thriving third sector.

## **10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 10.1 Whilst there are no direct implications which can be identified in the report at this stage, it is clearly evident that the Third Sector play a key role around sustainability issues and our grant funding programmes contribute significantly to this area of work.

## **11. RISK MANAGEMENT IMPLICATIONS**

- 11.1 A number of different risks arise from any funding of external organisations. The key risks being:
- Funding not fully utilised and therefore allocations remain unspent;
  - Funding used for purposes other than those agreed;

- Organisations not able to secure all the necessary funding required to deliver the project as planned; or,
- Organisations failing to deliver the agreed outputs/outcomes.

11.2 Part of the appraisal process evaluates and takes into consideration the above and other related risks in relation to both the organisation and the project.

11.3 Additionally, to ensure that action is taken to minimise risks, funded organisations will need to comply with the requirements of the Council's Service Agreement which, puts an onus on them to effectively manage identified risks.

## **12. CRIME AND DISORDER REDUCTION IMPLICATIONS**

12.1 A number of contracted projects work with individuals who are within or deemed to be 'at risk' of becoming involved in the criminal justice system, or, are involved in petty crime/anti-social behaviour. The projects in question work with clients providing a range of diversionary activities including developing a range of social and employability skills, delivering accredited training or getting individuals into further education.

## **13. EFFICIENCY STATEMENT**

13.1 All projects funded through the MSG and CMF programmes will be selected on the basis that the commissioned work will deliver against the agreed Service Delivery Standards and Priorities. Projects will be monitored to ensure that they are delivering agreed outputs and benefits which contribute measurably to meeting targets including efficiency and value for money.

## **14. APPENDICES**

There are no appendices to this report.

### **Local Government Act, 1972 Section 100D (As amended) List of "Background Papers" used in the preparation of this report**

Brief description of "background papers"	Name and telephone number of holder and address where open to inspection.
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**None**

**N/A**

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