

<b>MEETING:</b>	<b>COMMUNITY SERVICES SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>6<sup>TH</sup> DECEMBER 2010</b>
<b>TITLE OF REPORT:</b>	<b>REVIEW OF THIRD SECTOR SUPPORT AND DEVELOPMENT SERVICES</b>
<b>REPORT BY:</b>	<b>DIRECTOR OF RESOURCES</b>

**CLASSIFICATION:** Open

## **Wards Affected**

County-wide

## **Purpose**

To consult on the proposals contained within the Review of Third Sector Support and Development Services and its overall objective to achieve consensus on the future provision of services, resources and delivery.

## **Recommendation**

**THAT: the Committee considers the Review of Third Sector Support and Development Services and in particular comments on the conclusions, which will be used to inform recommendations to the Joint Management Team and Cabinet.**

## **Key Points Summary**

- A joint review between HPS and the Third Sector is being undertaken to consider future provision of support services to front line voluntary and community organisations.
- The review has examined the needs of front line organisations, taken account of the views of key stakeholders, as well as the changing national picture and the financial constraints placed on HPS.
- A number of options for the future structure for the delivery and commissioning of support services have been developed and are currently under consideration.
- A decision on future delivery arrangements needs to be agreed and transitional arrangements substantially in place by April 2011.

## **Alternative Options**

1. This report does not seek to put forward one option for the delivery of future support services to front line voluntary and community organisations, but gain views on the options developed as part of the Review. However, it was made clear during the Review that the status quo was not an option, nor was the complete withdrawal of HPS funding support.

## Reasons for Recommendations

2. This report to Scrutiny provides an opportunity to understand the views of Members prior to formally proposing the structure of future arrangements to support front line organisations, to Cabinet in January 2011.

## Introduction and Background

3. Third sector support services provision has become an integral part of the frontline public service offer operating within Herefordshire. Shifts at the national level are reflected in the current direction of service provision. Key factors include:
  - Total Place - already embraced in Herefordshire e.g. through the creation of HPS;
  - a shift to a commissioning rather than a provider focus and towards more locally focussed provision;
  - adoption of Compact Principles; and
  - significant resource pressures on local public services.
4. The current trends are likely to accelerate and encompass the 'Big Society' approach to service provision. The developing agenda is aimed at minimising the impact of the national fiscal tightening by focusing and prioritising outcomes for Herefordshire.
5. A cross-sector working group (the Third Sector Support Services Review Group) was established under the chairmanship of the Council's Director of Resources, to review support services provided to the voluntary and community sector in Herefordshire (also known as the Third Sector).
6. There is a detailed definition of the support services covered by the Review in the Terms of Reference for the Working Group. It is summarised here as the range of organisations which occupy the intermediary space between the State and the private sector, including voluntary and community organisations, charities, faith groups, not for profit groups and social enterprises. In Herefordshire, they range from small local volunteer led community groups to large, countywide organisations.
7. The scope of the review covered the six third sector organisations funded by Herefordshire Public Services (HPS) to provide support services ( Herefordshire Voluntary Action, Community Voluntary Action Ledbury and District, Community First, Herefordshire Council for Voluntary Youth Services, The Alliance and Age Concern Hereford and Worcester) as well as those services delivered within HPS to support to the third sector. The majority of funding to support these services is provided by Herefordshire Public Services.
8. The overall objective of the Review is to achieve a consensus on the future provision of services, resources and delivery which will lead to:
  - Comprehensive, high quality support services that meet the identified and anticipated needs of front line third sector organisations.
  - Inclusive and flexible support services that are available, accessible and affordable to all front line third sector organisations across the county, and meet the varying support needs of different organisations.
  - Sustainable and effective delivery of support services that reflects good practice, eliminates duplication, fills gaps and provides value for money.

9. The work of the Review Group has included
  - a survey of those third sector organisations which receive support services from either the third sector or HPS;
  - a mapping exercise of the scope of support services currently provided by the six third sector organisations and HPS;
  - the development of principal options for the future shape and resourcing of support and development services to the third sector (this work was commissioned from Grant Thornton, whose report is attached as Appendix A).
10. The findings have been shared with Councillors, the Third Sector Interim Board and trustees of the six organisations affected. In addition, the Third Sector Interim Board has also commissioned a scrutiny review, testing the proposals with Board members and front line organisations. This approach was agreed in order to provide a wide scrutiny process that included both the Council and Third Sector. The Third Sector Interim Board has interviewed members of the review group to help inform its process.

## **Key Considerations**

11. The Working Group has reached a consensus on the general direction of travel, to respond to the future needs of front line third sector organisations, with the need to develop new delivery mechanisms and new commissioning arrangements. There are a number of options under consideration including the move towards a single provider / entity, (with future development of a hub and spoke model to service localities) and commissioning multiple providers via a single commissioning board. April 2011 is the deadline for transitional arrangements to be agreed and substantially in place.
12. The review has concluded that the current approach to Third Sector Support Services lacks co-ordination. Furthermore, in some instances services are duplicated meaning value for money cannot be demonstrated and a lack of clarity exists about which organisation delivers what services. One of the agreed principles of the review is that it is a priority for Herefordshire Public Services to deploy funding in the most efficient way whilst providing the most effective service. A new commissioning arrangement for these services is therefore needed to ensure this priority is met, especially as the third sector will be need to ensure even greater co-ordination of support will enable it to continue to meet the aspirations of the 'Big Society', within existing and future funding constraints.
13. The options outlined in the report also reference a need for shared 'back office' functions for the services which will provide greater collaboration and value for money. This is particularly relevant given the opportunity afforded by the HPS Shared Services programme. If not implemented, the danger is that of continued duplication, siloed working and under-utilised resources.
14. At an early stage the review group wanted its work to be informed by an evidence base. This was achieved by two research exercises:
  - A services needs survey of Front Line Organisations (FLOs). The survey saw 321 organisations respond; and
  - A service mapping survey carried out by the six Local Support and Development Organisations (LSDOs) commissioned by HPS to provide third sector support services. HPS support was also mapped.

15. Following a competitive tendering process Grant Thornton was selected to provide additional review capacity and develop the principal options.
16. The needs survey data was reviewed by Grant Thornton and their findings presented to the review group. The data suggested that those who use the services are broadly happy but the relevance to the wider community of FLOs is unclear. Even so the majority of perceived needs appear to be met. However, the wider issue is whether this would remain the case in the future.
17. Grant Thornton concluded “that the level of unmet need will grow, and if it does, dissatisfaction with provision can be expected to grow with it, if the way third sector support services are provided does not change”. The implication of this conclusion is there would be an impact on all organisations either receiving or delivering third sector support services. A wider impact was felt to be a limitation of the extent to which civil society organisations are able to respond to the emerging changes evident in government policy aimed at support the Big Society agenda.
18. The working group accepted the increasing resource constraints and have been briefed on the emerging implications of CSR10 announced on 20<sup>th</sup> October. These constraints mean that it is unlikely that increased resources will be available to meet increasing demands. The changes required for the future means that third sector support services will:
  - a. Have a priority driven strategic rationale;
  - b. Demonstrate increased productivity;
  - c. Remove duplication yet support devolution of service delivery;
  - d. Demonstrate a market response approach that adopts as needs change and grow; and
  - e. Demonstrate new, lower cost, models of support.
19. The Grant Thornton work also concluded that the organisations through which third sector support services are deployed will need to change. The likely scale of the change was seen as significant and there was an associated need to implement change quickly so that future demand can be met.
20. It is important to note that the current model had undoubted strengths and the stakeholder consultation in September and October produced the following comments:
  - “...there is a desire to support diverse and disparate front line organisations...”
  - “...there is detailed specialist support available...”
  - “...there is a high propensity for volunteering in Herefordshire...”
  - “...there is good partnership working between HPS and other TSSS providers...”
  - “...the model has developed organically, so it has strong community buy-in...”
  - “.. there are good examples of shared delivery, such as community buildings...”
  - “...different sources of funding can be accessed - we have "more bites at the cherry"...”
20. However, the stakeholders also gave examples that indicated why change is necessary:
  - “...I don't know what support services are on offer...”
  - “...the same service is provided by different providers...”
  - “...the current providers need to be more joined up...”
  - “...I receive multiple newsletters and don't have the time to read any of them...”
  - “...Herefordshire is small; so the current set up seems overly complicated...”
  - “.. there seem to be gaps in service provision...”

- “...there is a cost to managing the boundaries and interfaces between the different providers...”

21. Stakeholder consultation produced a series of key themes:

- The current model can and should be improved;
- There are efficiencies to be made via improved working (shared back office, accommodation, removal of duplication, etc.);
- LSDOs agree there needs to be a “One Sort of Something”;
- The future model needs to be “rural proofed” and ensure diverse communities are supported;
- FLOs find the duplication of activities and communications confusing;
- A priority for FLOs is bidding for funds, often unsuccessfully. A concerted effort to reduce this burden may be preferable to findings ways to sustain it;
- The future model needs to align to the new localities principles;
- Priority for FLOs is sustainability/securing funding;
- Herefordshire has good track record of volunteering, but there are concerns over its sustainability; and
- This review is an opportunity, but we need to get it right.

22. Following consideration of feedback and work undertaken as part of the preliminary phases of the project a list of options was developed. As a result on 7<sup>th</sup> October the Third Sector Support Service Review working group agreed the following list of options for evaluation:

<i>Options</i>	<i>High level description</i>
1. Commission a single provider	Full commissioning of all TSSS activity currently provided by the existing 6 providers and HPS via a single entity (this could be, for example, via a joint venture, potentially including the merger of part or all of existing commissioned providers)
2. Commission multiple providers via a single TSS Board	Re-tender all TSSS contracts and stimulate competition for providing TSSS and invite new market entrants including private sector organisations to deliver TSSS. This can include local, regional and national providers
3a. Mixed in-sourced and outsourced TSSS provision	HPS integrate core/generic TSS provision into HPS shared service centre ( <b>back office and front line generalist support</b> ), and commission specialists support via a range of providers.
3b. Mixed in-sourced and outsourced TSSS provision	HPS integrate core/generic TSS provision into HPS shared service centre ( <b>back office only</b> ), and commission specialists support via a range of providers.
4. Hub and spoke /Localities model	Deliver a core/generic cross sector TSSS at a County level via a single hub (merging levels of provision by current providers) with access to specialist support - providing access to the hub via small spokes based in service provision localities.

5. Single provider with hub and spokes structure	A hybrid of options 1 and 4, with a single entity with a central hub (including shared back office and potentially some specialist services) with local spokes providing other, potentially more generalist services. Balance of central and local delivery to be determined, and a phased approach possible, reflecting wider role out of localism principles and practical constraints
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23. The TSSSR Working Group considered the options and following the first review it was agreed that:
- Options 3a and 3b should be discounted. Whilst it was noted these options would offer some economies of scale, by delivering cost savings through shared services, it was unclear that the approach would be welcomed by all FLOs. The working group also felt that little extra value would be delivered.
  - The Commissioning Board in Option 2 was identified as the distinguishing feature from the status quo. However, it was noted that the Commissioning Board could be applied to the other options.
  - The TSSSR working group at a subsequent meeting identified a new option, combining a single entity with some local presence (see Option 5 above). The group felt this was potentially preferable to Options 1 and 4, as it combined the benefits of both options.
24. The Working Group focussed predominantly on two options (2 and 5) but did not reach a clear consensus.
25. Option 5 was preferable to most, but not all members of the Working Group but there are still issues to be addressed. These include the viability of the predecessor organisations (if Herefordshire TSSS provider elements are removed) and the need to structure it in a way that maximises the potential to lever funding and additional resources. It should also be noted that there are various organisational models that may reflect different types of integration with varying degrees of impact upon exiting bodies.
26. The group reached a consensus on a localities focus as being the preferred direction of travel; this is consistent with likely developments in the county (and nationally). However there were some concerns about the feasibility of implementing local 'spokes' in terms of implementation complexity and potential cost.
27. The review is also timely given the end of Capacity Builders funding in March 2011. This is at a time when the Government is consulting on future national support services. The "Supporting Stronger Civil Society" consultation document was issued in October 2010 and includes the Herefordshire Third Sector Support Services Review including rationalisation of infrastructure provision.
28. CSR10 confirmed £470m over the four year review period will be made available to support third sector capacity building and a £100m Transition Fund will be created to support third sector organisations providing public services. The review process may be well placed to access funding should collaboration or even merger of organisations occur.

## Community Impact

29. The review has been a collaborative piece of work involving the relevant third sector organisations in the entire process, as it is important that consensus is reached. The resulting

decision from this review will have an indirect impact on communities as community groups benefit from the support services commissioned and delivered and it is therefore important that this service to them is of the highest quality whilst being cost-effective.

## **Financial Implications**

30. Financial support from HPS for those organisations providing support services to the third sector will not be immune from the effects of CSR10. Whilst this is not the prime driver for the Review, the emphasis has been on effective support to front line third sector organisations, and reducing management and overhead costs at a time of budgetary constraint would be an advantage.
31. The funding envelope has not been agreed but it is likely that the Council's funding will need to reduce over future years.

## **Legal Implications**

32. At the end of the 2010/11 financial year all current contracts with third sector organisations providing support services end. There are therefore no legal implications in relation to contractual arrangements other than the need to reach a decision swiftly for clarity to be given on financial arrangements post March 2011.

## **Risk Management**

33. If agreement is not reached, HPS will not be able to secure a way of ensuring co-ordination and increased value for money in commissioning. This has been mitigated by the joint nature of the review.
34. More immediately, if clear financial proposals are not reached by end of December 2010, the viability of the six third sector organisations may be at risk from April 2011.

## **Consultees**

35. Consultation with key stakeholders, including commissioners, providers, third sector front line organisations was undertaken as part of the work conducted by Grant Thornton. The HPS Research Team also supported a postal survey of third sector frontline organisations. The 320 survey responses informed the Grant Thornton report.
36. Significant consultees have included:
  - The Leader of Herefordshire Council
  - The Chief Executive of Herefordshire Public Services
  - Members of Joint Management Team
  - The Interim Chair of the Third Sector Board
  - Trustees and chairs of the involved third sector organisations

## **Appendices**

- Appendix 1 - Review of Third Sector Support and Development Services – Grant Thornton (November 2010)
- Appendix 2 - Terms of Reference of the Third Sector Support Services Review Group