

CABINET

Corporate Review of Service Level Agreements 17 January 2012

Report of the Head of Community Engagement

PURPOSE OF REPORT			
This report is to update Cabinet on progress in relation to the corporate review of Service Level Agreements and to make recommendations for future management arrangements, joint working and commissioning.			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date Included in Forward Plan	November 2011		
This report is public			

RECOMMENDATIONS OF THE HEAD OF COMMUNITY ENGAGEMENT

It is recommended that:

1. The council continues to develop joint approaches with other funding partners, where possible, including Lancashire County Council, to achieve efficiencies and maximise impact of funding.
2. That a request is made to Lancashire County Council that the council is able to use any Second Homes funding that may be available to support the council's agreements with the Arts and Voluntary, Community, Faith sectors.
3. The council continues to develop partnership working arrangements with the Arts and the Voluntary Community, Faith sectors, to support service delivery in the district and to achieve efficiencies.
4. That members consider the option to end the Welfare Grants scheme and incorporate budgets into overall budgets for voluntary, community and faith sector support, in line with the proposed commissioning framework.
5. If Cabinet opts to end the Welfare Gants scheme, a request is made to Lancashire County Council that the match funding for the scheme is also allocated for voluntary, community and faith sector support, in line with the proposed commissioning framework.

6. The council works with Arts and Voluntary, Community, Faith sector partners to develop commissioning frameworks to secure important services for the district and to provide robust arrangements for management of the related funding provided by the council.
7. The council's funding for the Arts and the Voluntary, Community, Faith sectors is aligned with other initiatives including the Strategic Funding and Social Enterprise projects that have been initiated by the LDLSP, and also to help achieve collaboration between partners, efficiencies, sharing of resources and development of opportunities for joint working.
8. That existing Service Level Agreements are continued at current levels for the financial year 2012/ 13, whilst longer term commissioning arrangements are developed with partners, but that Cabinet members consider the option not to include an inflationary element.

1.0 Background

- 1.1 In February this year, Cabinet considered a report on the future of the council's investment in SLA's (Service Level Agreements) with a number of local organisations (Minute No 106 refers). Cabinet resolved:

(1) That the council extend existing SLA's at current 2010/11 funding levels for the financial year 2011/12 with the exception of the specific time limited agreement with Storey Creative Industries Centre (SCIC) which will end on 31st March 2011 and any SLA's that are supported by external funding tied to specific time periods and where relevant at a reduced level already agreed as part of the 2010/11 Budget Process, e.g. The Dukes.

(2) That officers enter into discussions with County Council to consider the potential for future joint investment in the VCFS (Voluntary, Community and Faith sector), including a shared approach to monitoring and evaluation.

(3) That potential for shared administration arrangements is investigated in relation to the Council's Welfare Grants in order to achieve efficiency.

(4) That over the next 12 months, officers develop and bring forward proposals for a commissioning approach with the VCFS and other external organisations that will:

- Maximise the impact of the council's investment*
- To assist delivery of corporate priorities*
- Provide appropriate support that will safeguard key services*
- Develop the potential of the VCFS to deliver services in the district on behalf of the council.*

2.0 Proposal details

- 2.1 Current economic pressures are having an impact on many organisations in the district as well as the council itself. A number of VCF sector and arts organisations have suffered loss of mainstream funding and have needed to restructure their organisations and service delivery. The effects of cuts have been sharper than many expected and there seems little doubt that the services they offer to local communities will diminish.

- 2.2 Some organisations seem set to develop new business models, including social enterprise models, and are looking at ways of achieving additional income from activities that are more commercial in nature in order to protect services that are not viable in their own right. Some are also considering ways of cutting costs through a diverse range of efficiencies including sharing premises, staff and overhead costs. However, the assumption is that current pressures will continue into the future.
- 2.3 The SLA's considered in this report are primarily related to arts and culture and to voluntary and community services. These sectors are recognised as important to the district and the council's support over recent years reflects this. Changes to the way in which the council invests in such services in the future will have implications both for individual organisations and for the services they deliver.

Joint approach with partners

- 2.4 In line with the council's agreed priorities and the recent Cabinet resolutions on the future of partnership working (Cabinet Minute 57, 8 November 2011 refers) the proposals in this report emphasise joint approaches and collaboration with partners.
- 2.5 Lancashire County Council has been undertaking a significant review of its arrangements for support for the VCFS across Lancashire with some new officer and management arrangements emerging as well as different funding models. Developing a joint approach at present is complex but some initial steps have now been taken to bring together some of the monitoring processes, which is one area where some efficiencies can be gained. As both council's are currently looking at priorities for funding it is likely that common objectives will emerge and opportunities for future joint funding and management arrangements will arise. In line with a collaborative approach between the two councils, this report recommends that a request is made to Lancashire County Council that the council is able to use any Second Homes funding that may be available in the future to support its agreements with the arts and VCF sector partners. The County Council's estimated income from second homes in 2012/13 is £284K, subject to any increases in council tax.
- 2.6 Discussions with County Council have also led to an option to develop wider communications with other local authorities in Lancashire, which is likely to be helpful in understanding common objectives and identifying further areas where councils can work together. Development of these opportunities will be ongoing.
- 2.7 Some very constructive engagement between the funders for the arts and culture sector, specifically Arts Council England, Lancashire County Council and Lancaster City Council, has led to increased collaboration and agreement reached that funders will develop more synergy around the way in which arts funding is allocated in the district. At a meeting between the funding partners in December this approach was firmly re-affirmed.
- 2.8 The potential of the VCF sector to deliver services in the district is recognised and the ongoing need for strong partnership arrangements has been identified (Cabinet Minute 57, 8 November 2011 refers). As backdrop to the proposals in this report, there is ongoing dialogue with partners at this time to take this forward to achieve real engagement with partners at the

infrastructure level and as part of a wider forum of service deliverers. Within this context the council's funding can help to support collaboration, achieve efficiencies, sharing of resources and development of more opportunities for joint working

- 2.9 It is recommended as part of this report that officers continue to develop these areas of work with any further reports to members being prepared as required.

Welfare Grants

- 2.10 The council's Welfare Grants budget allocation for 2012/13 is £4,000 of which £2,000 is funded by a contribution from Lancashire County Council. Outcomes are limited owing to the levels of funding available but also because application criteria are restrictive. Officer time in managing the allocation of these funds is high and disproportionate to the level of the grant fund. It was agreed in February that officers would investigate potential for shared administration arrangements to achieve some management efficiency but have concluded that there is no feasible option, given the criteria for the grants and the small value of the total funds available.
- 2.11 An alternative option is to combine the Welfare Grants budget with the overall budgets considered in this report, to be managed in line with the commissioning approach being proposed. During the next financial year, prior to commissioning arrangements being fully in place, this would create a small uncommitted fund. It is recommended that this is allocated on a one off basis by officers in consultation with the relevant portfolio holder to support activities that are exceptional in nature and meet the broad criteria identified later in this report.
- 2.12 In line with this proposal, a request would be made to Lancashire County Council that their contribution is also aligned with the relevant budgets and used for the benefit of people in this district.

Commissioning framework

- 2.13 Commissioning broadly covers the process of specifying, securing and monitoring services to meet individuals and community needs. Although there are financial processes, commissioning is much broader than traditional procurement and involves understanding the needs of people and communities, includes engagement with providers and puts outcomes for local people at the heart of the planning process. Commissioning is accepted as a means of ensuring good value for money.
- 2.14 Many funders are now taking a commissioning approach in order to manage investment. Most are based on identified high level objectives and desired outcomes along with core criteria to be used to assist fair and transparent assessment of proposals. There is a developing trend towards working with service providers to bring in sector expertise to help 'co-design' services at the early stages.
- 2.15 It is proposed that a commissioning framework is developed and introduced for all of the investments the council currently makes via SLA's in the arts and VCF sectors. Public sector bodies often undertake straightforward procurement or bidding processes and these can be effective. However, Lancaster City Council is trying to work more closely with its partners and it is recommended that the council commissioning approach is taken forward by

working with the Arts and Culture partnership and a partnership for the VCFS, in line with the Cabinet's resolutions for the future of partnership working (Cabinet November 2011, Minute 57 refers). In this context, a commissioning framework offers much stronger elements of engagement with delivery partners, which can bring in delivery expertise at the service design stage as well as during delivery, maximising the impact of any investments made.

- 2.16 To take the development of a commissioning approach forward, this report proposes key principles and core assessment criteria for members' consideration. These will enable commissioning frameworks to be developed for the council's own investments, based on council priorities and values and aligned where appropriate with other funders. The proposals take account of the need to manage the transition from the current arrangements and to establish strong management arrangements:

Key principles for commissioning

- 2.17 The following key principles are recommended and provide the foundations upon which a commissioning process can be developed:

- New arrangements to be introduced as a rolling programme of change to be completed and in place by April 2013, allowing the council sufficient time to engage with partners and for delivery organisations to plan for the future
- Close engagement with delivery organisations to ensure that the commissioning framework is supported by a full understanding of development opportunities, impacts of services and sector development
- 3 yr cycles to be introduced in most cases to support forward planning but with annual performance monitoring to ensure quality standards
- Fair and transparent arrangements established for submission and consideration of proposals
- Funding to be offered in the form of grants or, if procurement is required, contracts. SLA's reserved for situations where services are involved and a concordat/ understanding is required but no direct funding is involved.
- Levels of information and monitoring to be proportionate to levels of grant

Core appraisal criteria

- 2.18 Proposed core appraisal criteria include the following:

• Links to corporate priorities and other approved strategies

Clear indication of how services will assist the council in delivering its priorities and desired outcomes and support delivery of other relevant, approved strategies

• Deliverability

Assurance that there are no major barriers that could negatively affect delivery of services

• Quality Assurance

Information to show how services can be delivered within budget, timescale and to the required quality standards

• Value for Money

Evidence that services are economic, efficient and effective and the return on investment can be clearly identified. Also that leverage and match funding from

other sources has been achieved wherever possible

• **Added value/ additionality**

• Evidence that opportunities to add value to other initiatives in the district have been sought and acted upon wherever possible and that duplication is avoided. Alignment with other partnership projects and initiatives, for example, the LDLSP's Strategic Funding and Social Enterprise projects

• **Sustainability**

Information to show how services can become more self sustaining in the future with a reducing reliance on public sector funding. Efficiencies have been achieved where possible.

• **Collaboration**

Joint submissions where opportunities for collaborative working and shared delivery of services have been sought and proposals developed

• **Service specific criteria**

Any information which is relevant to the specific services required

Interim arrangements

2.19 A long lead time of around 15 months is recommended to develop and establish the council's commissioning framework, so as to assist local organisations currently supported. However, in the interim period there is a need to ensure that existing SLA's, offer value for money and the best possible return on council investment.

2.20 It is proposed that existing SLA's continue to be reviewed as part of standard monitoring processes but that the core appraisal criteria are now considered as part of this process. It is further recommended that any changes to existing SLA's are made in the light of current corporate priorities and Cabinet's agreed priority areas of activity. The most relevant of these are protection for the most vulnerable in the district, which is a thread that runs through all priorities, support for arts in the district and diversionary activities for young people.

Levels of funding

2.21 Given current budgetary pressures, Cabinet may wish to consider future levels of council funding to support services delivered by local organisations as described in this report. The current combined budget has a total value of £435,800 grant funding in addition to £65,900 in respect of rents paid by the council. These figures do not include any SLA's that are supported by external funding.

2.22 There is the opportunity for Cabinet to consider cuts in funding for the Arts and VCF sectors although delivery of council priorities depends to some extent on the capacity and services delivered by these sectors. The potential impact of cuts on services is not fully understood as there are many changes occurring at the present time that combine to create a very dynamic situation.

2.23 One option Cabinet members may wish to consider is to retain budgets at their current level for the next financial year without an added element for inflation, whilst commissioning arrangements are in development. This occurred in the current financial year and would offer a saving of £11,000 but is unlikely to have any serious impact on services.

2.24 Levels of funding for years 2013 and beyond will need to be considered in the light of any commissioning requirements agreed for those years.

3.0 Details of Consultation

3.1 Officers have been in discussion with delivery partners over some months and have developed a much more detailed understanding of current issues and challenges as well as opportunities. However, engagement is a key element of the proposed commissioning approach and it is expected that, following Cabinet's decision, early consultation will take place with a wide range of organisations, in particular with the Arts and Culture Partnership and key VCFS partners.

4.0 Options and Options Analysis

Various options have been outlined above. For commissioning, the options have been analysed as follows:

	Option 1	Option 2
	Introduce a commissioning framework	Do nothing – retain existing arrangements
Advantages	<p>Opportunity to use the commissioning approach to reinforce positive engagement with partners</p> <p>Potential for improved value for money</p> <p>Improved opportunity to align council investment with delivery of corporate priorities</p> <p>Increased flexibility to focus funds on current high priority service areas</p> <p>Longer term planning opportunities for delivery partners</p> <p>Development of staff expertise and capacity to take commissioning forward in other areas of work</p>	<p>Officer time not required to develop commissioning arrangements</p>
Disadvantages	<p>Officer time required to develop commissioning arrangements</p>	<p>Funding may not be closely aligned to current priorities</p> <p>Current agreements limit the council's ability to steer funding towards priority activities that offer maximum return</p> <p>Best possible value for money may not be achieved</p> <p>Current arrangements not consistently supported by agreed priorities and transparent criteria for funding</p> <p>Lost opportunity to strengthen engagement with partners via commissioning processes</p>

Risks	Possible concerns on the part of current delivery organisations – can be mitigated by communications and fair, transparent processes	Possible risks to high priority services if funding is already fully allocated and flexibility is not available to shift funding priorities over time
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The preferred option is Option 1

5.0 Conclusion

The council has supported a number of organisations to deliver services in the district for some years. Funding has been provided as part of Service Level Agreements with the relevant organisations. Over the last year the council has reviewed these arrangements in detail and, following the review, this report makes some recommendations to ensure that the council’s investment is in line with corporate priorities, that collaboration is supported and other requirements including value for money, quality standards, sustainability are met.

<p>RELATIONSHIP TO POLICY FRAMEWORK</p> <p>This report is consistent with current corporate priorities as identified within the council’s Corporate Plan 2011 to 2013:</p> <ul style="list-style-type: none"> • Work to develop resilience and capacity in the Voluntary Community Faith Sector and to maximize the benefits achieved from the council’s investment in Voluntary Community Faith Sector. • Development of a thriving Arts and Cultural sector supported by a stronger Arts and Cultural partnership for the District • Protecting the most vulnerable in our society
<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</p>
<p>LEGAL IMPLICATIONS</p> <p>The proposed commissioning framework will include contractual arrangements with partners in line with the council’s grant management processes.</p>
<p>FINANCIAL IMPLICATIONS</p> <p>The 2012/13 draft budget currently assumes inflationary increases of 2.6% for all city council funded SLA’s, therefore if the recommendation to maintain grants at 2011/12 levels is approved then there will be a saving of £11,000.</p> <p>In terms of the Welfare Grants, if the existing scheme is ended and the proposed new arrangements are put in place, approval would be required from the County Council in terms of their contribution of £2,000 per annum. There is a risk that they may decide to withdraw from the scheme resulting in the loss of this income.</p> <p>Collaborative working with the County may generate savings as a result of using second homes monies to support agreements with the arts and VCF sector partners. The 2012/13 estimated income from second homes for the County Council is £284K, subject to any increases in Council Tax. Clearly, however, this is dependent on the County Council’s</p>

decision.

Ongoing review and monitoring of future arrangements by the Partnerships Team as part of a commissioning framework will continue to be undertaken in conjunction with ongoing support from Financial Services and Legal Services where appropriate.

OTHER RESOURCE IMPLICATIONS

Human Resources:

Alternative management arrangements for Welfare Grants would result in a reduction in the administration burden for Democratic Services staff to a level which would be in line with their current staffing levels, following the recent restructure.

Development of a commissioning framework will require a significant investment in officer time to bring about the changes proposed, which needs to be balanced against other priorities.

Information Services:

There are no specific Information Services implications arising from this report.

Property:

It should be noted that the figures identified as rent are those included in the current agreements relating to each property. If rents are due for review, this would result in either a reduction in the amount of usable grant aid for the organisation or the need to increase the grant aid to cover the rental value. If the grant aid was to be increased to reflect the increased rent the net effect would be zero. Increasing rent in this way would be in line with the council's policy on charging market rent to all organisations occupying council property.

Open Spaces:

There are no open space implications arising from this report.

SECTION 151 OFFICER'S COMMENTS

Members are advised to consider the proposals in context of their draft priorities and the Council's financial prospects, as well as service objectives and value for money.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

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