

Subject:	Third Sector Investment		
Date of Meeting:	20th July 2015		
Report of:	Assistant Chief Executive		
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The council has a clear and strong commitment to the Third Sector in Brighton & Hove as set out in its Corporate Plan and Communities and Third Sector Policy.
- 1.2 Public services are under increasing pressure as a result of both demand and reducing resources. The Third Sector is key to helping the council and its partners respond to this challenge. To support the required changes the council needs to review its Third Sector investment and commissioning arrangements to ensure they are delivering maximum value for money, meeting community needs and effectively supporting the Sector to improve and thrive.
- 1.3 Improvements in our Third Sector investments were made in 2013 through the first Communities and Third Sector Commissioning Prospectus (2014-2017). The proposal in this report is based on extensive cross sector consultation and aims to develop a second Communities and Third Sector Commission drawing in more funding streams from our partners and from across the council, including the Three Year Discretionary Grants Programme. The Annual Grants Programme will also be reviewed as part of this process including the possibility of joining small grants schemes from other parts of the council.
- 1.4 The second Communities and Third Sector Prospectus would be informed by the Fairness Commission reporting in 2016 and aim to support the implementation of its recommendations starting from April 2017. To deliver this time table the existing Three Year Grant (2013-2016) allocations, the Financial Inclusion Commission and Healthwatch and NHS ICAS Commission will be extended until 31st March 2017.

2. RECOMMENDATIONS:

That the committee:

- 2.1 Approves the creation of a second Communities and Third Sector Commission commencing in April 2017 made up of funding from across the council our partners including the Three Year Discretionary Grants Programme.

- 2.2 Approves the extension of the current Three Year Discretionary Grant Programme allocations, the Financial Inclusion Commission and Healthwatch and NHS ICAS Commission until 31st March 2017, subject to funding.
- 2.3 Approves a full review of the Annual Grants programme to ensure its continued effectiveness in meeting the needs of communities and third sector groups in the city.
- 2.4 Instructs officers to bring a further report to the Neighbourhoods, Communities and Equalities Committee in 2016 setting out the proposed Third Sector investment arrangements and outcomes for approval. The report to include complementary proposals for the future of the Annual Grants Programme and to be informed by cross sector consultation and the findings of the Fairness Commission.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The council has a long history of working with, supporting and investing in the Third Sector to help meet the needs of the city and its citizens. This support is through a mixture of funding approaches and arrangements.
- 3.2 Through Taking Account 3 (the economic and social audit of the Third Sector in Brighton and Hove 2014) and 'How Much? 2014' (a snapshot report on the impact of the BHCC Three Year Discretionary Grant) we know that:
 - The BHCC Three Year Discretionary grant (£1.25m) delivered:
 - 380,000 beneficiaries
 - 735,800 hours of service delivery by paid staff
 - 608,000+ hours of volunteering opportunity
 - 15.98m inward investment - £13 for every £1 of grant
 - 25% of Taking Account respondents have more than 1,000 users, and 55% stated that their numbers of users had risen in the last financial year
 - Estimated 6,900 paid employees in the sector almost comparable to the 6,500 estimated in the creative-digital-IT sector (Brighton Fuse report).
 - Estimated ratio of volunteers to paid staff is 4:1
 - Volunteers donate 5,740,800 hours per year (15,728 per day)
 - If volunteers were paid the Living Wage their time would be worth 44m per year
 - The percentage of small organisations that have no paid employees has risen from 20% (2008) to 87% in 2014.
 - Estimated income of the sector is 73m per year, much of which is spent locally so the sector contributes approximately 127m to the city economy.
 - 17% of its income comes from grants, 71% of which comes from outside the city
 - 47% of its income comes from service contracts, 62% of which comes from outside the city.

- 3.3 With council services under increasing pressure as a result of both funding reductions and increases in demand the council needs to change both its ask and relationship with the Third Sector and in doing so ensure both value for money and the delivery of outcomes for its citizens. We require a clearer framework within which to do business with the Sector. One that respects and recognises the sector's value and is appropriately challenging to ensure council investment is delivering against council priorities, meeting community needs and supporting the Sector to improve and thrive.
- 3.4 Our current investment practice is a mixture of discretionary grants aimed at general sector investment and specific commissions around infrastructure, community engagement and development, advocacy, representation and financial inclusion. These approaches have been benchmarked with other local authorities across the country and there continues to be a mix of approaches being under taken. Examples of best practice, regardless of investment model, include a high level of outcomes specificity to ensure impact and value for money and generally greater corporate coordination to reduce potential duplication and waste.

Proposal

- 3.5 The council's Communities & Third Sector Policy establishes a policy framework for co-ordinated third sector commissioning. This enables the authority and its partners to work more collaboratively, pooling budgets and investing in the sector more effectively. In total the council funds the third sector in the region of 24m per annum. Much of this funding relates to the contracting of services such as housing related support, with around only 2.2m targeted investment in infrastructure support, community engagement, community development and organisational investment.
- 3.6 Many of the council's existing grant and commissioning arrangements are due to expire or be renewed in the next two years, providing an opportune moment to review these investments and realign them to and improve their delivery of the Corporate Plan. Current investment streams and corporate commissions with the Third Sector include:
- Three Year Discretionary Grants 2013-2016 £1.25m per annum
 - Annual Grant Programme £0.350m per annum
 - Communities and Third Sector Commission 2014-2017 £0.517m in 2015/16
 - Healthwatch and NHSICAS 2015/16 £0.295m in 2015/16
 - Financial Commission (September 2014 - August 2016) £0.405m (*balance of £0.276m held in specific reserve as at 1st April 2015*)
- 3.7 The proposal is to produce a single third sector commission starting from April 2017 that draws together the objectives of the Three Grant scheme, the outcomes of the Financial Inclusion Commission, the existing Communities and Third Sector Commission and other relevant commissions. The commissioning process would be through a collaborative 'Prospectus' model which has been successfully trialled by the council and elsewhere for a number of years (see 3.10).

- 3.8 Financially, the budgets for the commissions along with the Three Year Discretionary Grants budget will be pooled and set against this new suite of outcomes.
- 3.9 The Annual Grant programme will be reviewed as part of this process with options to support small organisations being developed to compliment the delivery of the strategic commission.
- 3.10 Work is underway to identify other third sector investment streams internal and external to the council, including initial discussions with other local authorities in Greater Brighton, which could be included in this prospectus. The aim of this work is to enable the council to better co-ordinate and target its investment at groups and organisations that meet community need, invest in the third sector and support the council's priorities.
- 3.11 The council has been consulting extensively with the Third Sector and public sector partners over the past 6 months regarding potential changes. Much feedback has been gathered through this work and a potential move from grants to an integrated outcomes based commissioning model has been broadly welcomed. Through this process draft outcomes and funding principles have been developed and this process will continue and be linked to the work of the Fairness Commission.
- 3.12 The Fairness Commission will report in 2016 and the Third Sector Commission will aim to directly support the implementation of its recommendations and therefore ensure Brighton and Hove becomes a fairer and more equal city.
- 3.13 A draft set of funding principles for strategic investment in the Third Sector has been developed with the Third Sector, council commissioners and public sector partners. These draft principles seek to prioritise supporting: :
- Collaborative arrangements/models and partnerships between third sector organisations
 - Core costs and projects which will deliver on the stated outcomes
 - Prevention and early intervention activities related to the outcomes
 - Services that are resilient and well-equipped to meet future needs, with more creative and innovative modern and enterprising business models that can/will attract funding/resources from a range of sources
 - Approaches that achieve stated outcomes whilst also delivering on broader social value including:
 - Increased Community Resilience
 - Increased in Education and Training Opportunities
 - Reduction in Demand for Public Services
 - Impact of Volunteers
 - Minimising Environmental Impact
 - Models that are accountable to their beneficiaries
 - Partnerships and collaborations that have equality, inclusion and diversity embedded in their activities, and governance and management
 - Safeguarding
 - Partnerships and collaborations that provide opportunities for public involvement and for volunteering

- Partnerships and collaborations that promote technology enabled solutions and digital inclusion

The Prospectus Commissioning Model

3.14 The Prospectus model brings together the best parts of a grants scheme and the best parts of a traditional commissioning approach:

- It is fundamentally collaborative and Third Sector groups will be able to respond creatively to commissioning outcomes that will have been produced in partnership with them.
- The application process is based on an open and transparent competitive process that is informed by strength of application and ability to deliver.
- Reduces bureaucratic burdens by bringing at least three separate application processes together.
- The council has flexibility over the assessment criteria and is able to recognise local knowledge, networks and experience, creativity and importantly the added value of the sector.
- It also establishes a stronger and clearer performance management framework that allows the sector and the council to monitor and evidence impact of the investment – in terms of outcomes and outputs, and be responsive to changes in community and sector needs, council priorities, and national policy.

The prospectus approach should therefore enable the Council and its partners to:

- Deliver better outcomes for the city's residents
- Ensure value for money from its investment in the Third Sector
- Continue to support the sector to improve and thrive
- Ensure funding is better aligned to council priorities
- Develop a more collaborative and business based relationship with Sector.

Process and Timescale

3.15 Building on recent discussions with the third sector and commissioners internal and external to the council the Policy and Communities team will lead a process of involvement that will ensure the third sector, of all sizes, has the opportunity to inform the commission as well as the reshape of the annual grants programme.

3.16 Critically, as the Fairness Commission develops and reports its findings these will be fed into the development process to ensure the investment approach at all levels is aligned with the future direction and priorities for the council.

3.17 It will also ensure cross member involvement throughout the development process through the Members Advisory Group.

- 3.18 There will be ongoing discussions with commissioners individually and through the council's commissioners network (a group of commissioners from across the council as well as the CCG) to identify other third sector investment streams that would be appropriate and timely to incorporate into this prospectus. We will also continue discussions with other local authorities in Greater Brighton to explore opportunities for sub regional commissioning.
- 3.19 To facilitate the development of the new investment approach and allow for the Fairness Commission findings to be incorporated the current community and voluntary organisations in receipt of three year (2013-2016) strategic grant funding will receive an extension for one year (2016/17). The annual evaluation report on the impact of the grant programme will be repeated to inform the review processes and ensure ongoing performance management.
- 3.20 The current Communities and Third Sector Commission 2014-2017 will serve its full term. The HealthWatch and NHS ICAS contract will be extended, subject to satisfactory peer and evaluation reviews, for a further year until 31st March 2017.
- 3.21 The Financial Inclusion Commission is currently set to end on 31st August 2016. To ensure alignment with the overall process the contract, subject to satisfactory evaluation, will be extended until 31st March 2017.
- 3.22 The opportunity to start revising the annual grants programme in 2016/17 will be taken to support groups and organisations transition to the new investment approach and in particular its alignment to delivering the findings of the Fairness Commission.

Overview of Timeline

Action	Date
Development of Investment Approach	June 2015 – June 2016
Report of Fairness Commission	June/July 2016
Report to Neighbourhoods, Communities and Equalities Committee	June/July 2016
Launch Communities and Third Sector Commission 2017 – 2020	September 2016
Decision	January 2017
Funding Agreements go live	April 2017

4. COMMUNITY ENGAGEMENT AND CONSULTATION

- 4.1 All current three year grant recipients were invited to two workshops in October and November 2014 about the changes. The invite for the second session was extended to any and all groups in the third sector. These were followed by two detailed workshops in March and April 2015 the former on funding principles and the latter on the commissioning outcomes.
- 4.2 The proposal was also discussed with the cross party Members Advisory Group, officers of the commissioners network and other relevant service leads across the council, for example, sports development, economic development, libraries.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 Current investment with the third sector is set out in Appendix 1 of the report, with budget resources of £2.412m in 2015/16 and a balance of £0.276m held in a specific reserve for the Financial Commission.

The overall financial envelope for the new investment approach will be subject to budget decision-making at council in February 2016 and yearly thereafter. The current Medium Term Financial Strategy included a savings target of £0.165m against the discretionary grants budget in 2016/17.

To continue at the current levels of investment, including the extension of the Moneyworks contract beyond its current end date of 31st August 2016, would require additional funding of approximately £0.185m. Options for funding would need to be considered as part of the budget setting process for 2016/17.

Finance Officer Consulted: Name Mike Bentley Date: 26/06/15

Legal Implications:

- 5.2 The prospectus model of commissioning is now a well-established mechanism to embed the social value generated by the community and voluntary sector into commissioning processes. 'Funding Agreements' are awarded following a bidding process that is designed to ensure that smaller organisations are not discouraged from taking part and which includes in the evaluation process the dimension of social capital. The council's procurement team will be involved in designing the detailed timetable, grant award processes and relevant documentation.

TUPE considerations will be explored through the development of the prospectus, working closely with the council's legal team.

The extension of current funding agreements for 2016/17 through either the Three Year grant, Healthwatch and NHS ICAS, or the Financial Inclusion Commission (Moneyworks) would be undertaken by way of letter and subject to the same terms and conditions, except in relation to the term, which will be for one year only from 1 April 2016 to 31 March 2017. There are no procurement implications in relation to this extension because the funding is grant funding not a contract for services.

Lawyer Consulted: Elizabeth Culbert Date: 23rd June 2015

Equalities Implications:

- 5.3 An equality impact assessment will be planned into the process for producing the new investment approach.

Sustainability Implications:

- 5.4 A broad definition of sustainability, which takes account of the health and wellbeing of people and communities as well as the environment, is wedded through the principles and priorities of our Corporate Plan 2015-19. These are interconnected in terms of the causes and outcomes of inequality, which a new commissioning approach would seek to address.

Crime & Disorder Implications:

- 5.5 During the process a discussion with the Partnership Community Safety Team and Sussex Police will explore how the investment approach can contribute to helping achieve the objectives of the Safe in the City Strategy.

Risk and Opportunity Management Implications:

- 5.6 The risks of a single commissioning prospectus are that:
- From experience it tends to favour larger organisations which have the capacity to give time to writing funding applications without impacting significantly on service delivery.
 - For smaller volunteer led groups it's a more complicated and time consuming process than the council's current discretionary grant programme
 - Medium sized organisations risk being squeezed out – too big for annual grant and too small for prospectus process

We will seek to mitigate these by maintaining a separate annual grants programme and revising its criteria and principles to make sure it complements the prospectus and in particular supports investment in smaller and medium sized organisations that are important at community/neighbourhood level or indirectly to achieving the outcomes.

Revising our Infrastructure commission with Community Works in 2016/17 to ensure sufficient support is available to groups/organisations that wish to apply for funding through the prospectus but may lack skills or experience.

Within the 'partnership' assessment criteria the evaluation panel will seek reassurance that the partnership has considered partners of all sizes and can give sound justification for the composition of the partnership.

Public Health Implications:

- 5.7 During the process a discussion with colleagues in Public Health will explore how the outcomes of the commission can contribute to helping achieve public health outcomes.

Corporate / Citywide Implications:

- 5.8 The project has potentially significant corporate improvement implications as it starts to streamline and improve co-ordinate of investment across the council.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 Do nothing and continue to invest in the third sector through a range of approaches and processes. This would prevent any synergy being achieved, not only within those individual commissions but also across the council.
- 6.2 Reallocate the investment to service areas already pursuing similar but service based outcomes. This would prevent the synergy and joining up of outcomes and investment across the council.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 Committee is recommended to approve the development a new third sector investment approach in the timeframe proposed that allows the incorporation of the Fairness Commission findings and for the community and voluntary sector to be involved in shaping each level of the investment approach to maximise its impact improving the outcomes for residents.

SUPPORTING DOCUMENTATION

Appendices:

1. Current Investment Stream in Third Sector in Brighton and Hove

Documents in Members' Rooms

1. None

Background Documents

1. BHCC Communities and Third Sector Policy 2014-2017

Appendix 1 Current Investment Streams in Third Sector in Brighton and Hove held by Policy and Communities Unit

Investment Stream	BHCC funding	Other Funding	Purpose	Timescale
3 year discretionary grant	£1.25m per annum	Inward Investment 13 for every 1 of grant	Strategic investment in the sector awarded against corporate plan priorities	2013-2016
Annual grants	£0.350m per annum	Arts Partnership Awards	Small grant awards for community and grass root activity	Annual
Financial Inclusion Commission	£0.405m (contract period) <i>£0.276m current balance in specific reserve</i>	£0.050m DWP	Fund Community Banking Partnership to improve financial well-being and resilience of citizens	September 2014 - August 2016
Communities and Third Sector Commission	£0.517m (2015/16)	£0.091m CCG £0.068m Public Health	Funds outcomes across community development, community engagement and infrastructure	July 2014 – March 2017
Healthwatch and NHSICAS	£0.295m (2015/16)		Health and social care watch dog and complaints	April 2013 – March 2016
Total	£2.688m	£0.209m		