For Chief Executives Group Approval
23rd June 2011

(i) Note progress on the Programme to date

(ii) Agree to discuss, within own organisation, taking to own Cabinet where required, a preferred option for shared commissioning of a Debt, Benefits and Consumer Advice Service and a Third Sector Infrastructure and Volunteering Service in advance of Leaders and Chief Executives Group (8th September 2011).

(iii) Agree to discuss, within own organisation, taking to own Cabinet where required, a consistent approach to third sector commissioning across all organisations through the adoption of a Third Sector Commissioning Framework in advance of Leaders and Chief Executives Group (8th September 2011)

(iv) Agree to take responsibility, if delegated by Leaders and Chief Executives Group, for decision making at Phase 3 and Phase 4 and to receive reports as required.

Staffordshire Leaders and Chief Executives

8th September 2011

Third Sector Commissioning Partnership (TSCiP) Programme Update

1.0 Recommendations

Leaders and Chief Executives Group Approval

(i) Note progress on the Programme to date
(ii) Agree to determine own organisations preferred option for shared commissioning of a Debt, Benefits and Consumer Advice Service and a Third Sector Infrastructure and Volunteering Service, taking to own Cabinet where required, to provide a decision at the Chief Executive Group meeting in November
(iii) Agree to determine own organisations commitment to implementing a consistent approach to third sector commissioning across all organisations through a Third Sector Commissioning Framework, taking to own Cabinet where required, to provide a decision at the Chief Executive Group meeting in November
(iv) Delegate responsibility to Chief Executives Group to agree and approve Recommendations for Phase 3 and Phase 4 and receive reports as required.

2. Programme Progress

2.1 As outlined in the Holding Report, submitted in April 2011, the programme has expanded to offer options for shared commissioning rather than a single approach and an option to adopt a consistent approach to third sector commissioning through the use of a Third Sector Commissioning Framework.

2.2 All fifteen Public Sector Organisation's (PSO's) known contracts/SLAs/grants with CABx, CVS's/VAST and Asist were mapped to identify the level of investment in these services for 2010/11, provide detail about the funding/commissioning process, provide contract and performance management information and identify indicative future commissioning intentions.

2.3 The mapping identified that there are 28 separate funding agreements with CABx, 55 with CVS's/VAST and 17 with Asist making a total of 100 known funding arrangements across these third sector providers. A summary of the findings is attached in Appendix A.

2.4 A Case Study and the Cashable/Non Cashable Efficiency Savings have been provided to Improvement and Efficiency West Midlands (IEWM) in order to drawn down the final tranche of programme funding. The Return on Investment has been calculated using this data.

2.5 Staffordshire County and Stoke City Councils and the three PCT's all commission advocacy services. Currently these are delivered by Asist. Asist is one of the three third sector organisations delivering services to be considered in the first phase of this programme. As many of these contracts are rolling or have contract end dates in the next twelve month partners have agreed to commission advocacy services jointly. This will mean that a shared commissioning approach will be implemented earlier than the agreed timescales outlined in the Draft Process Plan (Appendix E). As it falls outside of the project timescales the commissioning and procurement will follow Staffordshire County Council's existing procedures.

2.6 The services currently delivered by Mencap were initially going to be considered during the first phase of this programme. Upon meeting with representatives from Mencap (Mid Staffordshire and Royal Mencap) and following discussions with commissioning staff in a number of organisations it has been decided not to continue with scoping these services at this point. This is due to difficulties with the renewal of contracts and because Royal Mencap own most of the properties that they deliver care in. This makes these services complex in nature and therefore inappropriate to test under a shared commissioning approach.

2.7 The Draft Process Plan showed the intention to map six additional organisations later in the programme. It has become apparent through the work to date that this is not the best approach to determining the next services for commissioning and so instead it is proposed that two or three service areas will be identified, irrespective of current provider. The Draft Process Plan has been updated to include this amendment.

3. Return on Investment

3.1 Staff in each PSO completed a questionnaire regarding the period of time they, and other officers in the organisation, spent on confirming the budget, formulating the idea of the service, developing the service specification, commissioning and procurement, agreeing the contract, performance and contract monitoring and processing payments for each contract/SLA/grant.

3.2 This varied greatly between organisations both because of the process of commissioning and because of the varying types of funding arrangements in place. The Return on Investment (ROI) calculation is based on historical data and so it is worth noting that a lot of contracts have been inherited from other organisations, usually from PCTs to local authorities, and/or rolled for a number of years and have never been through an open procurement procedure. Consequently the staff hours are lower than might be expected and are likely to be an underestimation of the time involved. It is not possible to reflect this in the calculations however it could be assumed that the ROI would be greater if more accurate information was available. In additions many PSO's explained that they are now looking at improving their procurement of these services and would need to put more robust, transparent measures in place for services they intend to fund in the future. It is important to note that this will mean in the future the staff resource required to commission services is likely to be much greater than that outlined in this report in Appendix C and again this would have the effect of potentially increasing the ROI for shared commissioning.

3.3 The figures relating to third sector investment are annual. All other figures have been calculated over the life of a contract and adjusted, where necessary, to reflect a three year contract. The resource cost under a shared approach and the ROI is based upon the Aligned Budgets option with a lead commissioner.

3.4 In accordance with Appendix C a total annual investment of £6 million has been identified across all fifteen public sector organisations, for the three mapped services, pertaining to 100 funding arrangements. The estimated resource cost of administering and managing the funding agreements for these, based on the data received, is £426,937.

3.5 Under a shared approach with all fifteen PSO's participating the estimated resource cost of administering and managing the contracts under an aligned budget with a lead commissioner model would be £41,000 per contract although this may vary dependent upon service type. If three contracts were in place for the identified services the cost would be £109,289 a saving of £317,648 (adjusted as advocacy services only funded by 5 PSO's). It should be noted that in reality there may be more than one contract for each service area, not all PSO's fund every service and it is unlikely that all existing contracts will be included in new arrangements.

3.6 The mapping identified the annual investment made by Staffordshire County Council, Stoke-on-Trent City Council and the 3 Primary Care Trusts into the three organisations as almost £5 million, with 74 funding arrangements and an estimated staff resource cost of £347,365.

3.7 The estimated cost of a shared commissioning approach, with Staffordshire County Council, Stoke-on-Trent City Council and the 3 Primary Care Trusts partnering, to deliver a single contract for each service is £27,289. If three contracts were in place for the identified services the cost would be £81,867 a saving of £265,498. Again it should be noted that in reality there may be more than one contract for each service area, not all PSO's fund every service and it is unlikely that all existing contracts will be included in new arrangements.

3.8 The Return on Investment has been calculated to account for the cost of the project and potential savings over 5.5 years to include the project development phase and three year contracts for the first services identified within the timescale. The ROI has been calculated as 55% and 58% for five PSO's and all fifteen PSO's respectively. The savings year by year can be seen in Appendix B.

3.9 In addition to cashable savings the project offers the opportunity for a number of non-cashable savings including improved performance management leading to better evidence to support future strategic planning and improved provider accountability; benefits through shared expertise; data sharing should remove duplication and third sector commissioning will be more transparent and equitable.

4.0 Commissioning Options

4.1 There are two options for shared commissioning alongside an option to retain the status quo. These are:

- Aligned Budgets with a lead commissioner
- Stand Alone Partnership Arrangements
- Do nothing

In both options the individual public sector organisations remain responsible for needs analysis and priority setting to determine the services they wish to commission.

4.2 Under the aligned budget option a number of partners would commission services together with a lead commissioner who would procure services on behalf of all partners. The lead commissioner would determine appropriate services and co-ordinate interest in joint commissioning. Budgets would be transferred to the lead commissioner on an annual basis, for the duration of the contract, to be spent against the service commissioned. Financial, contract and performance management would be carried out by the lead commissioner and reports provided to partner organisations.

4.3 Under the Stand Alone Partnership Arrangements approach one partner would determine a need to commission/ recommission a service and approach other PSO's to see if they would like to jointly commission. One partner would then take the lead and commission on behalf on the group. Financial, contract and performance management could be performed by the lead partner or remain with individual partners. This option is better suited to arrangements that are new or where there are a small number of funding partners. It is proposed that a consistent approach to commissioning should be used and this could be through an agreed commissioning framework, such as the Third Sector Commissioning Framework. Alternatively the existing procurement processes of the lead partner could be followed.

4.4 The use of a shared commissioning model would only be used where more than one partner wishes to commission similar services and only where there are efficiencies to be realised. Consequently this approach would not apply to low value commissions, unless included with other partners higher value requirements, and will therefore not impact on all the third sector funding arrangements in place in each organisation. Further detail on each model with advantages and disadvantages are set out in Appendix D.

4.5 The TSCiP Project Team would lead under the aligned budgets model only and therefore this is the model partners will be asked if they wish to participate in for the procurement of a Debt, Benefits and Consumer Advice Service and a Third Sector Infrastructure and Volunteering Service. The team will then work with interested partners to determine their requirements. A decision will be required in November to start the tender process in April 2012 with contract start dates of January 2013 and April 2013. Partners that do not wish to participate under the Aligned Budgets model will be asked to express an interest in the Stand Alone Partnership Arrangements which can be used as required and will be instigated by individual organisations as required.

4.6 It is important to have a fair and transparent approach to third sector funding in place that reflects an organisation's priorities. As outlined above a shared commissioning approach will not impact on all third sector funding. It is therefore proposed that, in addition to a shared commissioning model, a consistent approach to all third sector investment over an agreed threshold be developed that all partners can adopt. This would be based upon the Newcastle and Tamworth Third Sector Commissioning Frameworks and would provide a minimum standard across Staffordshire and Stoke on Trent. This may be of particular interest to district councils that don't wish to participate in a shared commissioning approach however, one does not preclude the other as organisations could use the consistent framework for services they choose to commission alone and could partner under a shared commissioning approach where appropriate.

4.7 PSO's will be requested to sign up to a consistent approach through the use of Third Sector Commissioning Framework in November and this will then be developed by the Project Team utilising the learning from Newcastle and Tamworth Borough Councils.

5.0 Project Benefits

5.1 Shared commissioning would create efficiencies for public sector organisations through backoffice rationalisation including finance, legal, admin, commissioning, procurement and performance management departments. These efficiencies would be significant for larger PSO's in terms of staff resource and may release the equivalent of one or more FTE's. District Councils and PSO's with smaller investment levels should also see a reduction of staff time currently committed to all elements of the commissioning/grant process although on a smaller scale.

5.2 The economies of scale and collective bargaining power of a shared approach should improve value for money e.g. same level of service at a reduced contract value or increased service levels for the same contract value. This will be particularly important in the current climate of budget reductions.

5.3 Robust performance management will improve accountability ensuring services are delivered that meet organisational priorities and community need and this will also provide evidence to support future strategic planning e.g. identifying groups/areas for differential targeted delivery.

5.4 The commitment to a partnership approach will bring significant benefits including removing duplication of services and sharing expertise and best practice. More than that it will define the commitment to transparency and equity in commissioning and show a readiness to adapt in a changing environment to continue to secure essential services for the people of Staffordshire and Stoke-on-Trent.

5.5 Shared commissioning will also create opportunities for backoffice efficiences for third sector organisations particularly the larger organisations. Shared processes will make it easier and less resource intensive to identify opportunities, complete the application process and the performance management returns required. It could also offer real opportunities to work collaboratively.

5.6 Both shared commissioning and the Third Sector Commissioning Framework will offer greater stability for many third sector organisations through three year minimum contracts rather than annual grants and rolling contracts.

6.0 Equality Impact Assessment

6.1 The proposed approach does not impact directly on people in Staffordshire as it deals purely with the way in which existing funding to the third sector is managed and monitored, and does not in itself propose any changes to funding for any particular organisations. Clearly, were any future recommendations made to change funding streams for particular third sector bodies this would have a direct impact on local people and these recommendations would need to be impact assessed in their own right.

6.2 Implementation of the proposed framework would support equality by ensuring that the each council's key equality objectives are more firmly integrated in joint commissioning protocols and guidance.

7.0 Conclusion

7.1 The mapping information identified that there are at least 100 separate funding arrangements with CABx, CVS's and Asist with the majority covering very similar services. There is obviously scope under a shared commissioning approach to rationalise these to reduce transactions and the staff resource required to administer and manage the funding arrangements.

7.2 The resource data collected to identify cashable efficiencies and ROI indicates that there are significant back office efficiencies to be made through a shared commissioning approach which could release staff time and/or FTE's. It is acknowledged that the existing number of contracts and the contract values that the data is based on will reduce due to the removal of a number of government funding streams and the need for budget cuts/efficiency savings in organisations. As the number of participating partners, services required and funding allocations is not known at this point it is not possible to give an actual saving or the actual cost to individual partners of a shared approach. These would need to be calculated on a service basis once PSO's have expressed an interest.

7.3 It is generally accepted by the larger funders that whether or not partners sign up to a shared commissioning approach the historical/rolling funding arrangements must be addressed and services must be revisited to ensure that they still fit with the corporate priorities, meet needs and deliver value for money. It is evident from the mapping that a large number of services have never or have not for some considerable time gone through an open procurement process and in future arrangements this will need to be done. If this is done separately by PSO's the staff resource required will be significant and there may not be the capacity within organisations to deliver. In addition if organisations are commissioning to similar timescales the responding third sector organisations may not have the capacity to complete a large number of tenders.

7.4 Both shared commissioning models enable each participating PSO to retain responsibility for identifying needs, setting priorities and determining the services they wish to commission along with the outcomes to be achieved. PSO's also retain responsibility for their third sector budgets and agree commitment based upon the duration of the contract. The Aligned Budgets with a lead commissioner model has the potential to offer the greatest efficiencies but it is acknowledged this option may not be suitable for all organisations or all services. Under this model funds are transferred to the lead commissioner annually in advance to cover the commitment to the contract and the lead commissioner would procure on behalf of all partners and will take responsibility for contract and performance management reporting to partners as agreed. The Stand Alone Partnership model may be better suited to the commissioning of new services or where there are a small number of partners.

7.5 A consistent approach to third sector commissioning through the use of an agreed Third Sector Commissioning Framework will ensure that services that are not commissioned through a shared approach are commissioned in a way to enable the organisation's resources to be allocated in the best possible way guaranteeing high quality, outcome led, value for money services. It will ensure that Third Sector organisations deliver against the organisation's priorities and that performance management systems are in place improving the accountability in delivering efficient and effective services. It will also establish a fairer and more transparent process to funding allocations that enables equal access and opportunity for the Third Sector to secure longer term support to deliver priority services. A Third Sector Commissioning Framework will also offer a consistent approach across PSO's that could be used when commissioning through the Stand Alone Partnership Arrangements.

7.6 Group members are requested to consider their organisation's preferred shared commissioning option for a Debt, Benefits and Consumer Advice Service and a Third Sector Infrastructure and Volunteering Service and the consistent approach to third sector commissioning across all organisations through the adoption of a Third Sector Commissioning Framework in advance of the Septembers Leaders and Chief Executives meeting, taking to their Cabinet where required.

7.7 Due to the timescales outlined in the Process Plan, Appendix E, it is requested that responsibility be delegated to Chief Executives Group for the next two phases of the programme. Subject to the decisions made today this responsibility would include endorsing the policy framework and reporting individual PSO decisions to participate in the aligned budget approach thereby giving approval to commission the first two identified services and sign up to adopt a Third Sector Commissioning Framework in November 2011. This will be followed by approval requests to map additional service areas at Phase Three and then reporting individual PSO decisions to participate in the aligned budget approach for additional service areas at Phase Four. A final briefing would be presented to Leaders and Chief Executives Group in November/December 2012 requesting project sign off.

Appendices

Appendix A Contract Mapping Data and Summary
Appendix B Cashable and Non Cashable Savings and Return on Investment
Appendix C Contract Values and Staff Resource Data
Appendix C Commissioning Options
Appendix D Draft Process Plan
Appendix E Draft Risk Assessment