



Leicester  
City Council

**WARDS AFFECTED**  
**All Wards**

**CABINET**

**17th MAY 2010**

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**CORPORATE VOLUNTARY & COMMUNITY SECTOR CONTRACTS**

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**Report of the Director of Change and Programme Management**

**1. PURPOSE OF REPORT**

- 1.1 This report sets out the current arrangements that exist regarding a number of corporate contracts with voluntary and community sector organisations that currently sit within the remit of the Partnership Executive Team. It seeks to clarify our approach to funding and managing these voluntary and community sector contracts. The report puts forward proposals for clear reporting arrangements and governance structures around these contracts which will be consistently applied in all cases.

**2. SUMMARY AND CONTEXT**

- 2.1 A number of voluntary and community sector organisations have historically received funding from Leicester City Council and in 2008 this funding was reviewed as part of a major review of all grant aided voluntary and community sector contracts with a view to putting new service contracts in place. The review was led and managed by Keith Murdoch and Joanna Bunting. Cabinet on 14<sup>th</sup> July 2008 approved the re-provision strategy in respect of the activities covered by former “grant aid contracts”.
- 2.2 Following this review it was agreed that 6 contracts that previously sat within the remit of the former Adults and Housing Department should be transferred to the Chief Executive’s Office as they were deemed to be of strategic importance and did not fit well with the remit of Adult Social Care services. These contracts are:
- Leicester Council of Faiths
  - African Caribbean Citizens Forum
  - Leicestershire Centre for Integrated Living
  - The Race Equality Centre
  - Somali Development Services
  - Voluntary Action Leicester

- 2.3 It was expected that new contracts were to commence from 1<sup>st</sup> April 2009 and specifications were to be negotiated on the basis of three year funding in order to give the organisations some stability.
- 2.4 Delays in negotiating the specifications meant that for some organisations the previous funding agreements were extended until such time as a new contract could be issued. Further it was agreed that 2 of these contracts (ACCF & LCIL) should continue to be grant funded rather than be issued with a service contract.
- 2.5 A further funding agreement with the Federation of Muslim Organisations, and not included in the review outlined in 2.1, is included as part of this report.
- 2.6 The table below gives a summary of the contracts held:

<b>Organisation</b>	<b>Contract Type</b>	<b>Current Contract Period</b>
African Caribbean Citizens Forum (ACCF)	Funding Agreement	1/04/09 – 31/03/12
Leicester Council of Faiths (LCoF)	Funding Agreement	1/04/09 – 31/03/12
Federation of Muslim Organisations (FMO)	Funding Agreement	1/04/07 – 30/06/10
Somali Development Services (SDS)	Service Contract	1/07/09 – 31/03/12
Leicestershire Centre for Integrated Living (LCIL)	Service Contract	Under negotiation
The Race Equality Centre (TREC)	Service Contract	Under negotiation
Voluntary Action Leicester (VAL)	Funding Agreement	Under negotiation

### **3. RECOMMENDATIONS**

- 3.1 Cabinet is recommended to approve that:
- 3.2 Strategic ownership of these contracts sits within the remit of the Thriving and Safe Communities Priority Board and that all monitoring information and reporting is submitted to the Board quarterly, and reported upwards to Cabinet and is aligned to other quarterly performance reporting.
- 3.3 The agreement with FMO, currently extended until 30<sup>th</sup> June 2010, is renegotiated following the principles outlined in this report including identification of clear outcomes around supporting infrastructure between Muslim organisations in the city.
- 3.4 A strategic review is undertaken of all of these services as each of the contracts reach the end of their current funding term. The strategic review will determine the type and level of service required by the Council and the appropriate delivery options, and put in place agreements / contracts in each case which are consistent with the principles outlined in this report. It is proposed that the LCIL and TREC

strategic review will commence with immediate effect, and that new contracts with more robust specifications setting out clear outcomes are drawn up in consultation with the organisations. Agreements and contract specifications for the remaining contracts will be reviewed and performance measures agreed at the earliest opportunity allowed in relation to existing contract terms as recommended in the report below.

- 3.5 Should strategic reviews, evidence of underperformance or adverse impacts on outcomes result in a recommendation to withdraw funding, then this will be on the basis of a full report to Cabinet.

## **4. REPORT**

### **4.1 Embedding a good practice approach**

Many of the above organisations have been funded historically and as such the approach has not been as rigorous as it could be, and has typically focused on inputs / outputs rather than outcomes. This report seeks to rectify this and put both the contract infrastructure and monitoring arrangements on a tighter footing.

It is important that we have a consistent and transparent approach to the way we work with the Voluntary and Community Sector (VCS). We have now reviewed that approach to ensure a focus on how the work the VCS does improves outcomes for the people of Leicester and delivers the vision and priorities articulated in One Leicester. This requires us to define and measure activity in a way which is focused on the impact it will have on our communities, and to put in place a clear and consistent performance management framework which aligns outcomes and funding.

This is consistent with the way we are developing our approach to strategic commissioning, where we will commission on the basis of outcomes, and manage performance against these outcomes ensuring that there is clear accountability for achievement of targets. This applies as much to the City Council's own internal service delivery as to our contracts with other providers across all sectors.

We commenced the development of our approach to working with the VCS through work to establish a new service contract with Voluntary Action Leicester (VAL). The principles that emerged as a result of this and which will apply consistently in future to our service contracts with the VCS are:

- Each VCS organisation which is contracted by Leicester City Council will have a named individual who will oversee all activity that the organisation undertakes for us.
- We will have a clear framework for specifying and monitoring activity which makes clear what outcomes must be realised for the funding provided.
- Performance will be monitored quarterly to align with the Council's corporate performance monitoring timetable, for all service contracts and will be regularly reported through Cabinet.

- Strategic reviews will be undertaken for each of the currently provided services in line with the Council's commissioning framework to ensure that the services continue to meet Council priorities into the future and that the most appropriate delivery options have been considered.
- There will be close monitoring to ensure that where organisations apply for other sources of City Council funding, such as the Community Cohesion fund, that this is to achieve outcomes that are in addition to those specified in any existing funding agreement or contract with that organisation.
- Agreements will be year-on-year with appropriate break clauses. Funding will not be continued where there is clear evidence of underperformance or adverse impacts on outcomes, but this will be on the basis of a report to Cabinet.
- Organisations will be required to provide the City Council with fully audited accounts as part of the terms of any funding agreement / contract.

In putting in place agreements with these organisations we will seek to ensure where appropriate, organisations are supported to build their capacity so that they are not reliant on City Council funding to sustain their service delivery.

Reviews will commence as soon as is feasible in relation to existing contract terms. All organisations will therefore be treated consistently.

## 4.2 Contract Summary

Below is a summary position and recommendations for each contract. This is based on contract monitoring information that has been gathered since September 2009 when the contracts were transferred to the Partnership Executive Team. These contracts are deemed to be of strategic importance as they provide a gateway into a number of key communities within the city and help to support a range of outcomes including addressing inequalities and supporting the development and sustainment of strong, resilient communities in the city.

### 4.2.1 African Caribbean Citizens Forum (ACCF)

- The service aims to provide a voice for the African and Caribbean Community through the establishment of a 'Citizens' Forum. The Forum is required to establish close links with the City Council to ensure that effective communication and consultation channels are in place to enable an ongoing and constructive dialogue between the ACCF and the City Council.
- There is scope to tighten up the milestones and outcomes in this specification so that they are appropriately focused and aligned with the needs of the city.
- **Recommendation:** Draw up a new specification for 2010 which sharpens the objectives and outcomes. This should include consideration of the role of ACCF in relation to the recently agreed community cohesion strategy and potentially how they could support wider working with African communities, particularly new arrivals and development of new African communities in the city.

### 4.2.2 Leicester Council of Faiths (LCoF)

- The service aims to encourage and promote knowledge and understanding of, and between, the different faith communities in the city and works with Leicester City Council and the Leicester Partnership to achieve this. The LCoF has an important contribution to make to agendas such as Community Cohesion by providing a united voice across the faith communities in the city. This is a small organisation with limited capacity and all board members are volunteers.
- LCoF also receive funding to act as one of the 'host' organisations for the Leicester Partnership. (Host organisations are intended to strengthen representation across the different strands of equalities – there is a host for each strand). This is subject to a separate agreement recently negotiated with tight performance measures.
- **Recommendation:** No changes at the current time.

#### 4.2.3 Federation of Muslim Organisations (FMO)

- This contract commenced in April 2007. The main objective of FMO has been to act as a 'gateway' into the Muslim community. This is another small organisation with limited capacity. There is scope to strengthen the outcomes in relation to our agreement with FMO.
- **Recommendations:** The original funding agreement expired on 31<sup>st</sup> March 2010 and has been extended for a further 3 months to 30/6/10 whilst contract negotiations are in progress. It is recommended that a new specification which identifies clear outcomes around supporting infrastructure between Muslim organisations in the city is drawn up in line with the principles outlined in this report which can form the basis of a future agreement.

#### 4.2.4 Somali Development Services (SDS)

- The service provides a range of support and advice services to address the needs of the Somali Community in Leicester. It also undertakes general engagement and consultation with the Somali Community. SDS is expected to maintain good communication with the council to ensure ongoing and constructive dialogue between the Somali community and the Council is supported. Funding is used to deliver a range of popular drop in sessions and advice services from benefits advice to an employment and training service.
- The service also works with a diverse client base and not just the Somali Community - 40% of users are from Eastern European communities.
- **Recommendation:** No changes are recommended at the current time.

#### 4.2.5 Leicestershire Centre for Integrated Living (LCIL)

- LCIL have historically provided services such as the provision of information and advice to individuals and organisations on disability issues and legislation. The contract remains to be negotiated at the current time.
- LCoF also receive funding to act as one of the 'host' organisations for the Leicester Partnership.
- **Recommendations:** It is recommended that a strategic review is undertaken to determine the type and level of service required by the Authority to be provided by LCIL. As part of the Personalisation agenda for Adult Social Care, the Authority is required to have a User Led Organisation (ULO) in operation. As the

LCIL is the designated ULO for Leicester, it is recommended that Adult Social Care to lead the review, because of its link to the transformation.

- Following the review a revised service specification and contract to cover service delivery on a year-on-year basis with appropriate break-clauses be put in place. However, if the review highlights major concerns or if there is no requirement for the service, then a further report will be submitted for Cabinet consideration.
- It is recommended that in the interim LCIL provide a summary report detailing key milestones and activity carried out during the period 01/04/09 – 31/03/10 to the Thriving and Safe Communities Priority Board.

#### **4.2.6 The Race Equality Centre (TREC)**

- TREC have historically provided services such as the provision of specialist support and advice around race equality issues including legislation and policy advice to individual's groups and organisations in the city. Neighbourhood Renewal Funding was also provided to support the refugee and asylum seekers project, which provided comprehensive support to refugees; from the point they receive a positive decision. The support offered included access to housing, benefits entitlement access to education and health care services. The contract at the remains to be negotiated at the current time.
- TREC also receive funding to act as one of the 'host' organisations for the Leicester Partnership.
- **Recommendations:** It is recommended that a strategic review is undertaken to determine the type and level of service required by the Authority to be provided by TREC.
- Following the review a revised service specification and contract to cover service delivery on a year-on-year basis with appropriate break-clauses be put in place. However, if the review highlights major concerns or if there is no requirement for the service, then a further report will be submitted for Cabinet consideration.
- It is recommended that TREC provide a summary report detailing key milestones and activity carried out during the period 01/04/09 – 31/03/10 to the Thriving and Safe Communities Priority Board.

#### **4.2.7 Voluntary Action Leicester (VAL)**

- The review of the contract with VAL is currently underway and is being led by the Head of Planning & Commissioning, Personalisation & Business Support. Discussions have been held with NHS Leicestershire, who also provide funding to VAL and the Leicestershire Constabulary, to develop a joint specification of activities, outcomes and outcome indicators that meet the requirements of all funding bodies. Leicester City Council will be the Lead Commissioner. Meetings have also been held with VAL to discuss this approach.
- The revised specification with VAL is now based on National Association for Voluntary and Community Action (NAVCA) Performance Standards for Local Infrastructure Organisations. The specification includes an outcomes framework which clearly identifies the outcomes that VAL are expected to deliver and the outcome indicators that will be used to measure performance. This work is close to being concluded but actual target numbers/percentages are still to be agreed. Further detail will be provided to Cabinet members in due course.

### **4.3 Future Governance & Monitoring Arrangements**

Although these contracts are monitored in the Partnership Executive Team, ownership of them at strategic level is not clear and there is scope to strengthen the governance arrangements for reporting monitoring information and raising issues. Because of this lack of ownership the specifications are not as tight as they could be and it is not always clear how the outcomes achieved by these services are contributing to our One Leicester priorities or LAA indicators.

Contract monitoring currently takes place quarterly but the information collected is not currently reported to any Strategic Board. We need to have agreed monitoring which focuses on collecting information and feedback that is relevant and can clearly demonstrate the difference the service is making to our local communities. We are therefore recommending that the Thriving and Safe Communities Priority Board has the strategic oversight and ownership of this funding via quarterly reports and that these are reported to Cabinet on a quarterly basis in line with other quarterly performance monitoring.

## **5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

### **5.1. Financial Implications**

- 5.1.1 There is currently budgetary provision for all seven of these organisations in the table at para 2.6 above. Any decisions on the future funding of these organisations need to be made with reference to the current budgetary provision.
- 5.1.2 The organisations generally receive funding quarterly in advance. For the three organisations that have simple funding agreements (ACCF, LCofF and FMO) there is provision for payments advanced to be clawed back in the event that the money is not being used in accordance with the agreement. For the other organisations the service contract arrangements provide for cessation of funding if services were not being provided as agreed.
- 5.1.3 All future service or funding contract arrangements should be in accordance with both Contract and Finance Procedure Rules.

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### **5.2 Legal Implications**

- 5.2.1 The approach to former “grant aid contracts” (including the procurement approach) is underpinned by Cabinet decisions in March and April 2008. This has, subject to a handful of contracts being queried, been successful.

- 5.2.3 For ACCF and LCoF the decision was then taken, on further consideration, to continue a funding arrangement as the purpose of the relationship reflected more of a “grant in aid” (core funding) approach rather than the delivery of particular outputs.
- 5.2.4 It will be recalled that the procurement approach to the award of the VAL contract was subsequently based on the fact that, because VAL had been awarded the contract for voluntary infrastructure in Leicestershire and because of our MMA, they were in effect the body that could provide these services in Leicester.
- 5.2.5 The recommendations in this report are supported as they will lead to clarity about the nature of the arrangements and ownership of the outcomes. It is obviously in no-one's interest for arrangements to continue that have not been properly “closed”, where money is being paid on an inchoate basis. This means that neither party can be certain what the contractual arrangement is and this could lead to disputes and service failure.
- 5.2.6 Procurement principles and contract procedure rules still apply to the award of these contracts (unless the relationship is clearly one of grant funding – in which case the rules on State Aid may apply, but at these values and for these outcomes this should not be a barrier) The procurement approach approved in 2008 should therefore be reviewed on each renewal.
- 5.2.7 Equalities issues in contracting is a complex area and the most robust approach is to embed these in the service delivery requirements at a pervasive level. The proposed work on this issue is strongly supported.
- 5.2.8 The principal legal power used by the Council to enter into these arrangements are our “well being powers”. As ever regard must be had to our Sustainable Community Strategy in the exercise of these powers.

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#### 5.2.9 **Equalities implications**

An equalities checklist for commissioning has been developed and will be piloted by the Strategic Commissioning Project Board. The checklist highlights the range of equalities considerations across the various phases of the commissioning cycle: clarifying customer needs (whether for individuals or communities), identifying an effective service offer, equality risk assessing any proposal, specifying equality outcomes and wider social benefits to be achieved by the service, and monitoring the outcomes and benefits realised. As an authority, we have been poor at specifying and demonstrating equality outcomes achieved through our service provision. The good practice approach recommended within this report will enable the Thriving and Safe Communities Priority Board to get a clearer picture of the individual and community benefits realised through its commissioning activities. This in turn, will inform the Priority Board's future commissioning decisions. Another challenge is the ongoing development of a local market of a diverse range of



potential providers, providers who know and are able to respond effectively to the needs of Leicester's communities. A larger pool of potential providers would stimulate entrepreneurship within the city, which is itself, a social benefit.

Irene Kszyk, Head of Corporate Equalities  
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### 5.3 Other implications

OTHER IMPLICATIONS	YES/NO
Policy	No
Sustainable and Environmental	No
Crime and Disorder	No
Human Rights Act	No
Elderly/People on low income	No
Corporate Parenting	No
Health Inequalities Impact	No

## 6. RISK ASSESSMENT MATRIX

Risk	Likelihood L/M/H	Severity Impact L/M/H	Control Actions (if necessary/appropriate)
1. Contracts don't deliver against agreed outcomes and don't demonstrate value for money	High	Medium	Clear outcome based specifications in place and rigorous quarterly monitoring and reporting undertaken
2. Not opening the funding/procurement process up to competition	Medium	Medium	Strategic review of contracts takes place in the longer term to assess future needs and priorities
3. Lack of strategic ownership of contracts	Low	Medium	Recommendation that the Strategic ownership of these contracts sits within the remit of the Thriving and Safe Communities Priority Board

## 7. CONSULTATIONS

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**8. REPORT AUTHOR**

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<b>Key Decision</b>	No
<b>Reason</b>	N/A
<b>Appeared in Forward Plan</b>	N/A
<b>Executive or Council Decision</b>	Executive (Cabinet)