
AGENDA ITEM NO: 12

Report To: Policy and Resources Committee **Date:** 22nd September 2009
Report By: Corporate Director – Regeneration and Resources **Report No:** P+R/09/09/01/SJ
Contact Officer: Stuart Jamieson **Contact No:** 01475 715555
Subject: Fairer Scotland Fund – Post March 2010

1.0 PURPOSE

- 1.1 The purpose of this report is to update Members of the review of the procurement process and the first eight months of activity by projects of the Fairer Scotland Fund. In addition the report also considers the outcome of the termination of 'ring fencing' of the fund known as the Future Scotland Fund on 31st March 2010, and how the Council may wish to allocate future block allocation funding to outcomes linked to regenerating communities; tackling poverty; and overcoming barriers to employment.

2.0 SUMMARY

- 2.1 The Scottish Government awarded Inverclyde's Community Planning Partnership, the Inverclyde Alliance, £6.47m in the financial year 2008/09 and £6.12m in the financial year 2009/10, under the fund known as the Fairer Scotland Fund. By 2010/11, it is the Scottish Government's intention "that the Fund will no longer be ring - fenced. Instead, resources will be awarded to local authorities as part of their block allocations. At this time, it is envisaged that all CPP priorities with regard to outcomes linked to regenerating communities; tackling poverty; and overcoming barriers to employment will be fully integrated within the SOA".
- 2.2 The Inverclyde Alliance, through its allocation of the Fairer Scotland Fund (FSF), has contributed in achieving the outcomes identified in the 2008/9 Single Outcome Agreement, by addressing issues in respect of the four priority themes identified by the Alliance Board, namely health inequalities; drugs and alcohol; community engagement; and employability. It continues to make positive contribution to the recently approved 2009 -11 Single Outcome Agreement, despite the current economic downturn.
- 2.3 At its meeting on 29th April 2009, the Inverclyde Alliance considered an FSF update and requested that the Corporate Director – Regeneration and Resources bring forward a report reviewing the procurement process and the first eight months of activity. It was at this meeting the Board Members were advised that the Council would be making decisions in respect of its block allocation and would consult with CPP partners in due course.
- 2.4 McGregor Regeneration Consultants (MCRC) were commissioned to carry out an independent exercise looking at the procurement of Fairer Scotland Funds and the performance of the 44 projects to date, a copy of these reports are contained in Appendix 1,1a and 1b.

- 2.5 Officers have carried out a review exercise looking at the effectiveness of programmes, their impact on the local community, their fit with the SOA whilst also considering their suitability for external match funding. The opportunity has also been taken to consider areas which are not being satisfied, as well as looking at potentially expanding the commissioning model developed under the Fairer Scotland Fund.
- 2.6 Appendix 2 identifies all projects which have been considered, on the basis that if funds are available. Future provision would be procured through an appropriate procurement process depending on the final allocation provided.
- 2.7 It should be recognised that the evaluation made within Appendix 2 is based on outputs to date, these outputs are subject to change over the remaining contract programme period, the projects will continue to be monitored and matters of underperformance will be addressed through the existing contract conditions. It is suggested that any possible future allocation be conditional on satisfactory review in December 2009.
- 2.8 At a special meeting of the Alliance Board on the 31st August 2009, Alliance Board Members considered the content of this report and endorsed the recommendations set out below.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee :-

- Note the content of the reviews carried out in respect of procurement and performance.
- Agree in principle that funding from the Council's General Revenue Grant settlement will be allocated to allow programmes which will contribute to the SOA to continue/expand and for new projects to be considered.
- Note that the level of funding allocated cannot be determined until the Council receives confirmation of the overall 2010/11 grant settlement which is due in November/December 2009 and that any allocation will include allowance for on going management team / commissioning costs.
- Agree that an appropriate thematic review should be concluded which looks at the suitability of commissioning of services to the Council, and its partners, within similar areas of activity by October 2010 with implementation by April 2011 and this is remitted to the Corporate Director – Regeneration and Resources, Inverclyde to progress.
- Agree that the Programme Management Support Unit (PMSU), within the Economic and Social Regeneration Service, should continue to manage performance issues and if performance issues are not addressed appropriately by project providers, a further report is to be brought forward for Members' consideration.
- Agree to allow a bids to be submitted to the European Structural Funds and other funding sources using the aforementioned funds on behalf of the Inverclyde Alliance as match in the financial year 2009/10 in order to maximise funding opportunities in the financial year 2010/11.

Aubrey Fawcett
Corporate Director – Regeneration and Resources

4.0 BACKGROUND

- 4.1 The Inverclyde Alliance, through a series of meetings, decided that a full procurement process be undertaken for the disbursement of Fairer Scotland Funds, whilst maintaining service provision under transitional arrangements for 37 projects. The initial monetary allocation for the transitional projects was £2,625,225.
- 4.2 The procurement exercise, authorised by Inverclyde Alliance, resulted in 114 invitation to tender packs being issued and 70 tenders being received by Inverclyde Council, as accountable body.
- 4.3 Tenders were initially evaluated by New Skills Consulting Ltd, who were appointed externally to support the process. Subsequent evaluation was undertaken by the Fairer Scotland Appraisal Group, which consists of representatives from the department of Work and Pensions, Skills Development Scotland, Strathclyde Police K Division, James Watt College, NHS Greater Glasgow and Clyde, Community Representatives and Inverclyde Council.
- 4.4 A report was submitted to the Special Inverclyde Alliance Board on 21st August 2008 providing Board Members with recommendations on these projects.
- 4.5 An additional report was submitted to the Policy and Resources Committee on 2nd September 2008, with additional projects that had been commissioned within the area of alcohol and drugs.
- 4.6 A retendering exercise for neighbourhood development took place and as a result a contract was awarded as of 1st February 2009.
- 4.7 A total of 44 contracts have been awarded at a value of £8,783,184 and they employ 263 staff, these contracts are due to terminate on 31st March 2010.

During the period 2008-2010 a total of £12.59 million (£6.47m in 2008-09 and £6.12m in 2009-10) has been allocated by the Inverclyde Alliance to services based on the following 4 target themes:

- **Alcohol and Drugs:** £1.2m awarded to services aimed at assisting alcohol and drug misusers overcome their addictions, assisting the families of drug misusers and working towards changing attitudes towards alcohol throughout the local community.
- **Health Inequalities:** £908k awarded to aid services aimed at increasing the provision of affordable healthy food options, smoking prevention, increased education on sexual health and breastfeeding, improved mental health and wellbeing, suicide prevention and affordable leisure facilities for people in areas of multiple deprivation.
- **Employability:** £3.9m awarded to a range of services aimed at specific target groups such as the long term unemployed, people for whom lack of skills or confidence acts as a barrier to employment, highlighting the financial benefits of working as opposed to unemployment and increased affordable childcare opportunities for people in target areas to remove childcare as a barrier to employment.
- **Community Engagement:** £2.9m awarded to services such as community centres, outreach youth programmes, community hubs (Auchmountain, Clune Park and Burns Square) and community advice. FSF funding in this area is aimed at the SIMD target areas and includes Port Glasgow Community Regeneration Centre, Craigend Resource Centre in the East and Branchton Community Centre in the South West areas of Greenock. These centres will facilitate local voluntary organisations such as Credit Unions and advice services, as well as hosting events from other FSF funded services.

- 4.8 The Appraisal Group was required to review the progress of the projects and report back to the

Alliance Board, based on information obtained by the monitoring team employed by the Fairer Scotland Fund. Further awards of £284,185, which represents the balance of un-allocated / clawback monies, were made to a further 5 projects in July 2009. The approach which Inverclyde Council has taken, on behalf of the Inverclyde Alliance, is now regarded as a model of best practice by the Scottish Government.

- 4.9 From 2009/10, the Scottish Government expect that all SOAs will fully involve all community planning partners. By 2010/11, it is the intention that the Fairer Scotland Fund will no longer be ring-fenced. Instead, resources will be awarded to local authorities as part of their block allocations. At this time, it is envisaged that all CPP priorities with regard to outcomes linked to regenerating communities; tackling poverty; and overcoming barriers to employment will be fully integrated within the SOA. Inverclyde Council will require to make a number of decisions in respect of its block allocation in this respect.
- 4.10 Existing Fairer Scotland Fund projects are currently contributing to most of the National Outcomes, regular updates on performance are provided to the regeneration Committee.
- 4.11 At its meeting on 29th April 2009, the Inverclyde Alliance considered an FSF update and requested that the Corporate Director – Regeneration and Resources bring forward a report reviewing the procurement process and the first eight months of activity. It was at this meeting the Board Members were advised that the Council would be making decisions in respect of its block allocation and would consult with CPP partners in due course.
- 4.12 MCRC were commissioned to carry out an independent exercise looking at the procurement of Fairer Scotland Funds and the performance of the 44 projects to date, a copy of these reports are contained in Appendices 1, 1a and 1b. It was recognised that the performance appraisal was for two quarters so Officers decided to delay the decision making process to allow for a further quarters worth of returns to be considered.
- 4.13 In relation to the procurement process MCRC recognise that “Inverclyde Council, as accountable body, did attempt to apply good practice procurement procedures to secure a range of FSF services. On the basis of documentation analysis and interviews, the Council appears to have followed the majority of procurement steps advocated by the UK government in relation to procuring services from the third sector. This approach was badly needed and is now perceived in Scotland as a model of best practice.” However, due to time constraints experienced in implementing the original procurement process, lessons can be learned to improve on future procurement processes.
- 4.14 MCRC’s review of performance covered at the time of commission the first two quarters of delivery as identified in appendix 1b, this was supplemented by officers reviewing the quarter three returns (Appendix 1c). It can be seen that some projects have performed very well, whilst others, particularly in the field of alcohol and drugs have performed less well.
- 4.15 In considering the way forward Officers have carried out a review exercise which has considered:-
 - Current data in relation to the Scottish Indices of Multiple Deprivation
 - Impact on the Single Outcome Agreement
 - Effectiveness of the current FSF activity
 - Other similar related activities provided by the Council
- 4.16 In relation to SIMD poverty issues continue to affect 35% of Inverclyde’s population by placing them in the worst 15% in Scotland. It is felt that the Council, and its partners should support measures to address issues which the Inverclyde Alliance previously identified as priorities for the disbursement of the Fairer Scotland Funds i.e. Drugs and Alcohol, Health Inequalities, Employability and Community Engagement, however a significant area that is yet to be addressed is developing the jobs infrastructure in Inverclyde
- 4.17 In reviewing these priorities it became very apparent that whilst employability is catered for there is a gap in the funding provision for employment i.e. the provision of support for start up

businesses, business support, area renewal, physical infrastructure, connectivity, the environment, venture capital and business networks or job creation

- 4.18 The SOA sets out clearly defined outcomes which Inverclyde Council and its Alliance partners are seeking to achieve. The current FSF project list contributes significantly to the current Single Outcome Agreement
- 4.19 In consideration of the effectiveness of the current project portfolio of FSF projects Officers looked at performance and strategic fit. Three categories have been developed A, B and C. Category A projects are currently delivering positive outcomes on target. Category B projects have been identified as projects where review is required in terms of duplication or lack of performance. Category C projects are questionable in terms of duplication and performance.
- 4.20 Consideration has been given in respect of the other similar related activities provided by the Council, which tend to occur in Community Care and Strategic Services, Life Long Learning and Educational Support, and Economic and Social Regeneration, these projects amount to funds in excess of £10m. Examples of such projects are neighbourhood development, community learning and development and financial inclusion. A review of these funds is required as they may benefit from the model of procurement used in the deployment of the Fairer Scotland Fund, it is proposed that this would be ready for implementation by October 2010 and operational from April 2011.
- 4.21 Whilst the indicative 2010/11 budget figures issued in December 2007 allocated £5.78million in lieu of the former FSF funding, it is clear that due to the wider economic downturn that the Council will now receive a significant reduction in overall grant. The level of funding will not be confirmed until November/December 2009 and as such the level of resources which the Council can allocate to FSF projects in 2010/11 can only be developed after that point.
- 4.22 This report has been presented to both the Programme Board and the Appraisal Group of the Inverclyde Alliance, both groups have endorsed its content.

5.0 PROPOSAL

- 5.1 In order to consider how available funding should be used it is felt that the Council, and its partners should continue to support measures to address issues which the Inverclyde Alliance previously identified as priorities for the disbursement of the Fairer Scotland Funds i.e. Drugs and Alcohol, Health Inequalities, Employability and Community Engagement. In recognition of the review exercise undertaken by officers it is also proposed that available funding should also be used to develop employment initiatives as well as addressing the remaining themes of the SOA.
- 5.2 In relation to the existing FSF activities, Appendix 2 identifies all FSF projects which have been considered on the basis that if funds are available. Category A projects would be extended via existing contracts arrangements for a period of one year at a level to be agreed by the Council in consultation with Alliance partners, once the block allocation is known. Category B projects have been identified as project where review is required in terms of duplication or lack of performance, but their outcomes are still required, funds would be notionally allocated by the Council in consultation with Alliance partners to these types of activity after the block allocation has been announced. Category C projects are questionable in terms of duplication and performance etc and these services should come to a natural conclusion, whilst meeting their contract terms.
- 5.3 It is proposed that if funds are available the following action should be taken:-
- Category A should be notified of an extension to their project of one year from 1st April 2010 in December 2009, with the scope of activity limited by resource allocation
 - Category B projects should be advised of their status and a review carried out on the type of activity with the review conclusion in November 2009 in order that exit strategies can be developed, if required, otherwise procurement arranged for one year with the scope of activity limited by resource allocation.

- Category C projects should also be advised and provided with support to implement an exit strategy at the natural conclusion of the project term.
- New projects to address gaps e.g. employment should be developed between August and November 2009 in order that they can be procured in sufficient timescale in line with the MCRC observations.
- The cost of the management of the fund would see a reduction by the appropriate percentage across the full allocation

5.4 In order to build on this work it is considered essential that a thematic review of activities in the social regeneration arena be completed in 2010 of services provided by the Council (e.g. Community Care and Strategic Services, Life Long Learning and Educational Support, and Economic and Social Regeneration) and, where appropriate, Partners with a view to implementing a commissioning model of services by October 2010 which may benefit from the model of procurement used in the deployment of the Fairer Scotland Fund.

5.5 Where existing contracts are to be extended it is proposed that the current procurement model be used with modifications as outlined by MCRC, subject to verification by Legal Services and ESEP Ltd. Where new services are being procured the same procurement model should be utilised. The staff required to administer any programme will be dependent on the funds available and the procurement model utilised.

6.0 IMPLICATIONS

5.1 Financial Implications – One off Costs

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments
n/a	n/a	n/a	n/a	n/a	n/a

Financial Implications – Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
n/a	n/a	n/a	n/a	n/a	None

The financial and employee implications of each of the scenarios are considered as part of the options appraisal.

6.0 Consultations

6.1 Consultations regarding the Fairer Scotland Fund have included Finance and Legal and Administration.

Desk Top Review of FSF Contractors' Performance (October 2008 – March 2009)

1.0 Introduction

This briefing paper provides the CMT with an independent assessment of the current performance of Fairer Scotland Fund (FSF) Programme in working towards the local outcomes set out within the Inverclyde Single Outcome Agreement and other related programmes. This briefing paper has been prepared by Macgregor Community Regeneration Consultants (MCRC) in response to the brief provided by Inverclyde Council (Economic & Social Regeneration) to undertake a desk top review of FSF contractors' performance covering the period October 2008 to 31 March 2009.

1.2 Background

In October 2008, following an extensive tendering process and a period of 'interim funding', Inverclyde Alliance contracted a total of 44 services funded from the Scottish Government's Fairer Scotland Fund. It is anticipated that through the targeted support provided, specifically aimed at areas of 'multiple deprivation', more citizens of Inverclyde will be assisted out of poverty through the provision of further education or skills development, assisting people dependent on alcohol or drugs to overcome their addictions and increasing access to services through community centres/hubs.

During the period 2008-2010 a total of £12.595 million (£6.47m in 2008-09 and £6.12m in 2009-10) has been allocated by the Inverclyde Alliance to services based on the following 4 target themes:

- **Alcohol and Drugs:** £1.2m awarded to services aimed at assisting alcohol and drug misusers overcome their addictions, assisting the families of drug misusers and working towards changing attitudes towards alcohol throughout the local community.
- **Health Inequalities:** £908k awarded to aid services aimed at increasing the provision of affordable healthy food options, smoking prevention, increased education on sexual health and breastfeeding, improved mental health and wellbeing, suicide prevention and affordable leisure facilities for people in areas of multiple deprivation.
- **Employability:** £3.9m awarded to a range of services aimed at specific target groups such as the long term unemployed, people for whom lack of skills or confidence acts as a barrier to employment, highlighting the financial benefits of working as opposed to unemployment and increased affordable childcare opportunities for people in target areas to remove childcare as a barrier to employment.
- **Community Engagement:** £2.9m awarded to services such as community centres, outreach youth programmes, community hubs (Auchmountain, Clune Park and Burns Square) and community advice.

FSF funding in this area is aimed at the SIMD target areas and includes Port Glasgow Community Regeneration Centre, Craigend Resource Centre in the East and Branchton Community Centre in the South West areas of Greenock. These centres will facilitate local voluntary organisations such as Credit Unions and advice services, as well as hosting events from other FSF funded services.

2. Desk –Top Based Research

In response to the brief issued by the Council's Economic and Social Regeneration Division, the consultant undertook the following tasks to assess FSF contractors' performance:

- Collation and analysis of data, documentation and materials relating to the processes applied by Inverclyde Alliance to prioritise the thematic allocation of Fairer Scotland Funding and the subsequent procurement processes applied to awarding contracts to service providers
- Analysis of FSF tenders submitted by contractors to develop the 44 approved services under the four thematic priorities. (Alcohol & Drugs, Health Inequalities, Employability and Community Engagement)
- Collation and analysis of monitoring and performance reporting information collated by the Accountable Body's FSF support team relating to the 44 services currently delivered by contracted service providers.
- Analysis of quarterly performance monitoring reports (covering the respective periods October – December 2008 and January – March 2009) submitted to the FSF Support Team by FSF contractors.
- Review of any summary information and specific management information data accessed through INMIS, including: data that identifies contracted services' progress against FSF outputs, outcomes and targets

In addition to the above desk top analysis, the consultant also sought the views of the FSF Support Team in relation to:

- The financial and performance management systems currently applied to monitor contracted service providers performance and progress against contracted outputs, targets and outcomes set out in FSF tenders
- The monitoring, reporting and validation mechanisms applied by the FSF Support Team to FSF service contracts to ensure that contracted outputs, targets and outcomes are being delivered by FSF contractors.
- The nature and quality of 'aftercare' provided by the FSF Support Team to successful FSF service contractors i.e. the level of advice and support provided by the FSF Support Team to contractors, frequency and nature of monitoring/verification visits

- The identification from an operational perspective, those FSF contractors who are on track to deliver contracted outputs or those FSF contractors who currently are not delivering contracted outputs.

3. Assessment of FSF Contractors' Performance (October 2008-March 2009)

On the basis of the desk top analysis of the information provided by the PMSU, the consultant has assessed individual contractors' performance against the FSF tender approved by the Inverclyde Alliance. The attached template provides an assessment of whether contractors are 'on target' or 'not on target' to deliver contracted outputs and provides recommendations in relation to the continuation or cessation of FSF allocated to individual FSF contractors.

APPENDIX 1a

***'REVIEW OF INVERCLYDE ALLIANCE'S PROCESS FOR THE
ALLOCATION, MANAGEMENT AND MONITORING OF FSF
EXPENDITURE AND DELIVERY'***

***FINAL REPORT
MCRC
JULY 2009***

Executive Summary

Introduction

This study has been commissioned by Inverclyde Council (Economic & Social Regeneration) to undertake a review of the process applied by the Inverclyde Alliance for the procurement of FSF services.

Background

In October 2008, following an extensive tendering process and a period of 'interim funding', Inverclyde Alliance contracted a total of 44 services funded from the Scottish Government's Fairer Scotland Fund. It is anticipated that through the targeted support provided, specifically aimed at areas of 'multiple deprivation', more citizens of Inverclyde will be assisted out of poverty through the provision of further education or skills development, assisting people dependent on alcohol or drugs to overcome their addictions and increasing access to services through community centres/hubs.

During the period 2008-2010 a total of £12.595 million (£6.47m in 2008-09 and £6.12m in 2009-10) has been allocated by the Inverclyde Alliance to services based on the following 4 strategic priority themes:

- **Alcohol and Drugs:** £1.2m awarded to services aimed at assisting alcohol and drug misusers overcome their addictions, assisting the families of drug misusers and working towards changing attitudes towards alcohol throughout the local community.
- **Health Inequalities:** £908k awarded to aid services aimed at increasing the provision of affordable healthy food options, smoking prevention, increased education on sexual health and breastfeeding, improved mental health and wellbeing, suicide prevention and affordable leisure facilities for people in areas of multiple deprivation.
- **Employability:** £3.9m awarded to a range of services aimed at specific target groups such as the long term unemployed, people for whom lack of skills or confidence acts as a barrier to employment, highlighting the financial benefits of working as opposed to unemployment and increased affordable childcare opportunities for people in target areas to remove childcare as a barrier to employment.
- **Community Engagement:** £2.9m awarded to services such as community centres, outreach youth programmes, community hubs and community advice services.

Key Study Objectives

The key objectives of the study were:

- Reviewing the existing financial and performance management framework.
- Undertaking a cost-benefit analysis of the existing financial and performance framework.
- A review of the FSF procurement processes.

Study Method

In response to the brief issued by the Council's Economic and Social Regeneration Service, the study has been completed using a variety of research methods:

Desk – Top Research and Analysis

- Collation and analysis of data, documentation and materials relating to the processes applied by Inverclyde Alliance to prioritise the thematic allocation of Fairer Scotland

- Analysis of FSF tenders submitted by contractors to develop the 44 approved services under the four thematic priorities. (Alcohol & Drugs, Health Inequalities, Employability and Community Engagement.)
- Review of the FSF Tender Assessment Forms and the assessment recommendations made by external consultants New Skills Consultancy to the FSF Appraisal Panel
- Review of correspondence between the FSF Support Team and successful and unsuccessful FSF contract bidders
- Collation and analysis of monitoring and performance reporting information collated by the Accountable Body's FSF support team relating to the 44 services currently delivered by contracted service providers.
- Analysis of quarterly performance monitoring reports (covering the respective periods October – December 2008 and January – March 2009) submitted to the FSF Support Team by FSF contractors.
- Analysis of correspondence arising from FSF Monitoring Visits to FSF Contractors
- Review of any summary information and specific management information data accessed through INMIS, including: data that identified contracted services' progress against FSF outputs, outcomes and targets.

Consultation Programme

Due to the lateness of the consultancy commission, a limited consultation programme was undertaken by the consultant to obtain comment and feedback on the development of the FSF Procurement Framework, the FSF Tendering Phase and the FSF Post Contract Award Phase. Semi-structured interviews were held with the FSF Support Team, a number of stakeholders and a small sample of organisations in receipt of FSF.

Interviews were held with senior members of the FSF Support Team in relation to:

- Their understanding of the rationale for introducing the FSF Procurement Framework and the implementation of the FSF Tendering Phase.(It should be noted that the senior members of the FSF Support Team were only appointed in September 2008 i.e. at the FSF contracts award stage.)
- The financial and performance management systems currently applied to monitor contracted service providers' performance and progress against contracted outputs, targets and outcomes set out in FSF tenders
- The monitoring, reporting and validation mechanisms applied by the FSF Support Team to FSF service contracts to ensure that contracted outputs, targets and outcomes are being delivered by FSF contractors.
- The nature and quality of 'aftercare' provided by the FSF Support Team to successful FSF service contractors i.e. the level of advice and support provided by the FSF Support Team to contractors, frequency and nature of monitoring/verification visits
- The identification from an operational perspective, those FSF contractors who are on track to deliver contracted outputs or those FSF contractors who currently are not delivering contracted outputs.

Consultation with Key Stakeholders

The objective of this task was to engage with the key stakeholders to obtain their views and perceptions about the process applied for the allocation, procurement of services, management and monitoring of FSF expenditure and the delivery of services under the four FSF thematic priorities (Alcohol & Drugs, Health Inequalities, Employability and Community Engagement). Due to the late commissioning of the study, combined with the holiday period, the consultant was only able to undertake 4 in-depth interviews with officers drawn from Inverclyde Council and NHS Inverclyde CHP.

The aim of these semi-structured interviews was to cover the key questions outlined in the consultancy brief and build upon the desk research undertaken by the consultant.

Consultations with FSF Contractors

Consultations were held with a small sample of agencies and organisations that had been awarded FSF contracts to deliver services across Inverclyde. This involved both face-to-face and telephone interviews with service managers from the following Organisations: Branchton Community Centre; CVS Inverclyde; Community Renewal; Inverclyde Community Development Trust; Inverclyde Advice & Employment Rights; Inverclyde CHP and Inverclyde Community care Forum. The interviews were designed to elicit from contractors' operational experience their views on the design of the FSF Procurement Framework, the FSF Contract Tendering Phase (including feedback on successful and unsuccessful bids) and the Post FSF Contract Phase (including the management, monitoring and reporting arrangements applied to FSF contracts.)

Study Focus

The focus of the study was to review and assess the three distinct phases in the process applied by the Inverclyde Alliance to the allocation, management and monitoring of FSF expenditure. The three procurement phases assessed were:

- Design / Development Phase of the FSF Procurement Framework
- Tendering Phase
- Post Contract Phase

Background to the Development of the FSF Procurement Framework

At the meeting of the Inverclyde Alliance Board held on 27 October 2007, agreed to develop a formal policy in respect of procurement /commissioning of services particularly from the voluntary and community sectors.

The existing practice, in terms of the then Community Regeneration Fund (CRF), was to award CRF grants directly to projects. On the basis of legal advice, this practice was deemed to potentially breach ELI procurement compliance. The Alliance therefore identified the need to develop a policy on procurement/commissioning with supporting frameworks. The avowed aim of the Alliance was to establish a formal business relationship between the Alliance and public, private, community and voluntary sectors' service providers.

On 19 December 2007, the Alliance Board received and agreed recommendations relating to the future deployment and procurement of deprivation resources in Inverclyde. A particular recommendation, which required further development work, was in relation to the requirements to prepare a proposal and to appoint external consultants to develop a framework that would assist the Alliance in deploying the Fairer Scotland Fund.

On 27 February 2008 the Alliance Board agreed to appoint New Skills Consulting to ensure that for transitional and future FSF funding an "effective strategy, performance management and procurement/commissioning arrangements in place to enable delivery on national and local regeneration priorities and targets".

Within this overall aim four specific objectives were identified:

- To review the interim proposals and delivery arrangements relating to FSF funding for the period April and June 2008 and to inform the selection of appropriate interim projects.
- To prepare, consult upon, and agree a framework model to support a new ROA.
- To ensure the commissioning framework has the support of all community planning partners.
- To ensure the commissioning framework is underpinned by effective approaches to procurement, taking particular account of EC state aid and public sector procurement regulations.

A draft commissioning framework was subsequently produced in March 2008 by New Skills Consulting for consultation with community planning partners in March 2008.

At the Alliance Board on 27 February 2008, the Alliance made provision for transitional arrangements to be established to disburse funds to existing CRF projects to allow the introduction of FSF for the period April to June 2008.

During February 2008, existing CRF projects were invited to make applications for FSF based on performance specifications under the Alliance's four strategic thematic priorities. "In order to simplify the process, CRF projects which received funds from multiple sources or project lines were allowed to collapse their projects if they were able to demonstrate added value".

The outcomes of this exercise resulted in 69 CRF projects being reduced to 38 FSF 'transitional' projects. All of the 'transitional' projects were approved by the Alliance Board for inclusion within the transitional programme.

To oversee the implementation of the transitional programme an FSF Implementation Group was established with representation from Inverclyde Council, Inverclyde CHP, Third Sector Inverclyde, James Watt College and Scottish Enterprise.

In April 2008, New Skills Consulting were appointed to assist the Economic and Social Regeneration implement the new procurement procedures to be applied to the deployment of the FSF tendering phase.

During the period May to Mid-July 2008 briefing sessions, consultations with voluntary organisations and ICCF on the tender specification, procurement training and one-to-one surgeries were organised by the Economic and Social Regeneration. External consultants were employed to facilitate these sessions. The tendering procedure adopted by the Alliance to secure services that would utilise FSF and contribute to delivering strategic thematic priorities, outputs and outcomes was an 'open' procedure. The choice of an 'open' tender procedure was to encourage and develop a wider supply base for FSF services.

The invitation to tender (ITT) was advertised from 27 June 2008 on the Inverclyde Council's website and in the Glasgow Herald, Greenock Telegraph, and Regeneration and Renewal trade journals. A total of 112 ITT packs were issued to enquirers and 70 tenders were returned by the deadline of 23 July 2008.

The return tenders were evaluated in two stages, first by New Skills Consulting and secondly by the FSF Appraisal Panel.

The technical assessment undertaken by New Skills Consulting assessed tenders bids in terms of meeting the FSF tender specification and performance requirements.

The technical assessment of the 70 submitted tenders were undertaken in late July/Early August. Thereafter New Skills Consulting's assessments were forwarded to the FSF Appraisal Panel for their scrutiny and ultimate recommendations to the Alliance Board for consideration.

The Alliance Board on 27 August 2008 considered the FSF Appraisal Panel recommendations and agreed to which organisations would receive FSF contract awards.

The recommendations on FSF contract awards made by the Alliance Board were subsequently endorsed by Inverclyde Council's Policy and Performance Sub-Committee on 3 September 2008.

Key Findings

Inverclyde Council, as accountable body did attempt to apply 'good practice' procurement procedures to secure a range of FSF services. On the basis documentation analysis and interviews, the Council appears to have followed the majority of procurement steps advocated by the UK government in relation to procuring services from the 'third sector'. This approach was badly needed and is now perceived in Scotland as a model of best practice, however all processes can be improved.

- On the basis of a previous independent review of the Alliance's failings in the stewardship of Community Regeneration Fund (CRF), the Alliance Board recognised the need to develop a new effective approach to procuring services that would contribute to tackling the Alliance's 4 key strategic priorities: Employability; Health Inequality; Alcohol & Drug Misuse and Community Engagement.
- The 'open' procurement process applied by the Inverclyde Alliance to the deployment of FSF was an appropriate and necessary change of approach for the allocation and management of significant Scottish Government funding awarded to Inverclyde
- The timescale for developing and introducing the new FSF procurement process was with hindsight over-ambitious given the 'context of cultural change' required to address inherent weaknesses in previous funding regimes and the sequential steps required to be undertaken in a typical procurement process within the public sector.
- Comments from FSF contractors interviewed on their recent experience of the FSF procurement process introduced by the Inverclyde Alliance were mixed. Both the larger and smaller contractors felt that the indicative timetable issued by the Inverclyde Alliance for the implementation of the new procurement process was over ambitious. The inconsistency and lateness of process information provided by the 'Accountable Body' caused confusion amongst local 'third sector' organisations. Larger contractors appeared to adopt a more philosophical and pragmatic response to procurement "teething problems."
- The main complaints from a number of smaller FSF contractors regarding the FSF procurement process were:
 - the complex and bureaucratic tendering approach to FSF contracts
 - poorly managed processes for issuing tender information, informing bidders of the results of their tenders and delays in issuing contracts after a successful bid
 - lack of experience / capacity among the 'commissioning team' within the Council
 - slow or late decisions regarding transitional funding, that left grant recipients in uncertain positions regarding staff retention and service delivery
- The scale of the FSF procurement exercise was unprecedented and contributed to delays and slippages in the procurement phases. However, it does appear that internal and external communications between Council staff and potential bidders were inconsistent and led to uncertainties around the timescale for the continuation of

- With the FSF Support Team now established the Post Contract Phase communication and liaison between the Accountable Body and FSF contractors has improved. Appropriate systems have been established to monitor and review the financial and performance management of FSF contractors.
- A criticism voiced by most interviewees and acknowledged by the FSF Support Team was the tight timescale imposed for the submission of tenders. Less experienced and smaller organisations found the time to prepare the bid document and collate associated compliance documents onerous. It was suggested by some interviewees that a pre-qualification stage could have been useful for both the commissioner (filtering the number of eligible providers and reducing the number of tenders that required to be assessed) and potential providers(gaining an insight into what the Alliance’s requirements are and what will be expected in order to secure the contract/s).Whilst it is a recognised stage in complex higher-value processes, it was viewed by Council staff as adding another task to an already exacting procurement timetable.
- However, it is evident that the Council’s Economic & Social Regeneration recognised the inexperience of potential contractors by organising and funding training events around procurement/tendering and one-to-one advice surgeries from external consultants. Feedback from participants attending the training sessions and individual organisations that received consultancy advice was mainly positive. One issue identified by the recipients of the advice and training sessions was the unavailability of a finalised specimen tender document. This was seen as an omission and a *“missed opportunity for walking through the real process with the consultants”*
- In terms of the ITT document, apart from the length and the completion of excel spreadsheets, interviewees felt that the document did not provide sufficient detail in relation to the evaluation criteria, in particular the scoring weighting.
- Despite the award of transitional funding to grant recipients, the delay in formally awarding FSF contracts has resulted in a compressed timescale (October 2008-March 2010) for FSF contractors to deliver outputs and outcomes set in the original tender submissions. Subsequent negotiations between the FSF Support Team and individual contractors were required to amend/revise phasing of FSF expenditure and contracted outputs/outcomes
- As a consequence of the delay in awarding FSF contracts a number of service providers have had problems with retaining staff (uncertainty over funding) and recruiting staff to short-term contracts (18 months or less).These staffing issues have consequently impacted on service delivery performance and meeting of output targets for a number of contractors across the 4 strategic thematic priorities
- Despite assertions by Council staff that clear guidance on contract management was issued as part of the tender documentation. contractor interviewees stated that clarity on contract management arrangements has only evolved through dialogue and liaison with the FSF Support Team.
- Overall, the Accountable Body did attempt to apply ‘good practice’ procurement procedures to secure a range of FSF services. On the basis documentation analysis and interviews, the Council appears to have followed the majority of procurement steps advocated by the UK government in relation to procuring services from the ‘third sector’.

The checklist below was developed by the Office of Government Commerce. From the study findings the consultant has highlighted the procurement steps that the Council introduced/undertaken or did not apply to the FSF Procurement Framework.

Good Practice Procurement Checklist

Developing the provider base

- √ Consider “Meet the Buyer” events
- X** Produce a “how to do business with.” guide providing potential suppliers with information they need to bid effectively for contracts (and place the guide on commissioners website)
- √ Do not make assumptions about the capabilities of the voluntary and community organisations, smaller service providers/suppliers
- √ Publish a named contact for enquiries from potential suppliers
- √ Encourage new suppliers to join your supplier base, by responding promptly and positively to their enquiries
- √ Consider offering training to potential providers, outside of any particular tender, to enable them to improve tenders

Establishing purchasing policy

- √ Ensure early provider involvement to gain a provider perspective when shaping purchasing policies and programmes
- √ Informal consultation is to be encouraged provided nothing is done to give a provider an advantage in later competition
- √ Give a signal to the market that smaller suppliers, voluntary and community sector involvement would be welcomed
- √ Give careful attention to optimum length of contracts and consider having provision in your contract terms to allow you to extend the life of the contract if wanted
- √ Base each purchase on a sound business case, approved budget and stakeholder buy-in to avoid aborted or delayed tenders
- √ Consider whether there would be advantages in dividing contracts into smaller lots.
- X** Encourage and permit sub-contracting, consortia or partnership suppliers
- √ Give careful consideration (if possible) to the optimum length of the contract

Pre-Tender Phase

- √ Provide early notice of forthcoming contract opportunities and publicise opportunities widely
- X** **Encourage key providers to publicise opportunities for sub-contracts**
- N/A Ensure that pre-qualification procedures are proportionate

- √ Chose pre-qualification criteria carefully to ensure they do not rule out small or inexperienced but otherwise competent providers e.g. request only 2 years accounts
- √ **Involve relevant stakeholders in drawing up specifications and avoid jargon and paper overload**
- √ Focus specifications on outcomes to encourage innovation

Tendering Phase

- X **Ensure that invitation to tender documentation is clear, concise and jargon free and proportionate to the size and complexity of the contract. Avoid paper overload**
- √ Explain the procurement process and timetable and what will be required from potential suppliers at the outset
- X **Set a realistic timetable informed through appropriate consultation with potential suppliers. Avoid slippage as this introduces additional, unplanned costs and uncertainty amongst suppliers**
- √ Consider offer training to potential suppliers who may be unfamiliar with the public sector tendering process to assist them prepare a competitive tender
- √ Use contract terms which are proportionate to the scale and complexity of the contract – standard ones wherever possible
- √ **Explain the evaluation process to tenderers at the outset, including how tenders will be evaluated, the assessment criteria to be used and, where appropriate, the weighting or relative importance of those criteria to the contracting authority**
- √ Let tenderers know that feedback can be provided to both successful and unsuccessful contract bidders
- X **Whilst feedback, where requested, is a requirement under EC procurement directives, there is no legal right for feedback to be given for lower value contracts. However, provide feedback to both successful and unsuccessful that is as helpful as possible and designed to promote future improvement.**

Post Contract Phase

- √ Keep post tender negotiations to a minimum
- √ **Make arrangements for contract management clear in the tender documentation so that tenderers can allow for the costs and resources involved in their tender price.**
- √ Include arrangements for reporting, regular monitoring verification meetings, change control & dispute resolution procedures, and any mechanisms/incentives for the supplier to propose improved ways of working.
- √ Focus performance management reporting on measuring key outputs / outcomes.
- √ Make reporting proportionate to the size, complexity and value of the contracted service

Key: √ **On the basis of study findings, actions that have been introduced or undertaken by the E&SR FSF Support Team during the FSF Procurement Process**

X **On the basis of study findings, actions that have not been applied or fully developed during the FSF Procurement Process**

N/A **On the basis of study findings, actions that were not considered for implementation by the E&SR**

Conclusions

Design and Development of the FSF Procurement Framework

- The Inverclyde Alliance's FSF procurement process was introduced to implement an effective, objective, fair, open and transparent process for obtaining competitive tenders from suppliers, designed to meet the Alliance's four strategic thematic priorities
- The main drivers that influenced the Inverclyde Alliance's decision to introduce an 'open' procurement procedure for the deployment of FSF were: the need to improve service delivery: compliance with EU and UK procurement law; delivery of effective public services that run alongside regeneration programmes and the duty of Best Value
- The introduction of an 'open' procurement procedure was viewed by the Alliance Board as a major, but necessary, 'sea change' in the manner by which the Inverclyde Alliance allocated funding programmes. Evidence from the previous review of the application of the Community Regeneration Fund (CRF), indicated that the commissioning of CRF projects had been disjointed, confusing to project sponsors and did not provide evidence of delivering 'value for money services
- Although there was no evidence drawn from Inverclyde Alliance documentation that there was opposition to the proposed 'open' procurement of FSF services, study interviewees indicated that a number of community and voluntary sector organisations were, *'suspicious of the move away from grant funding to procurement'*.
- Interviewees felt that the Alliance's objective to improve and enlarge the supply chain for the delivery of thematic services through 'competitive tendering' processes would place local, smaller and less experienced organisations at a disadvantage when competing with larger, experienced public, private and voluntary sector organisations.
- However, the current portfolio of FSF contracts indicates that 27 out of the 44 FSF contracts had been awarded to community and voluntary organisations operating in Inverclyde. Inverclyde Community Health Partnership had been awarded 4 FSF contracts and Inverclyde Council had been awarded 13 FSF contracts.
- From documentary tender evidence competition for FSF services appeared to have occurred between larger voluntary organisations and public sector agencies for larger contracts. Smaller community and voluntary organisations appear to have faced competition from within the Inverclyde 'third sector'.
- Although most of the community and voluntary organisations awarded FSF contracts appeared to have no strong ideological objection to competing for service contracts, some had some practical concerns including:
 - providing services under contract could force organisations to *"compromise their goals and autonomy"*
 - tightly defined contracts may make them more risk averse and less innovative

- greater use of service contracts with competition reinforced fears about “less experienced smaller organisations’ inability to compete with the ‘big boys’”

Tendering Phase

- Despite the Alliance’s early statements of intent to introduce a new procurement process for the allocation of FSF, the pace and impact of changes to established funding practices was underestimated by all participating parties.
- The tendering phase appears to have been a fraught experience for a number of organisations inexperienced in competitive tendering procedures. However, a number of interviewees stated that while the tendering process was “challenging” they have learnt from the experience and would be better equipped to compete for wider contracted services.
- Contractor interviewees felt that insufficient evaluation detail was provided in the tender document explaining the scoring matrix and weighting that was to be used to assess the FSF tenders
- The technical assessment by New Skills Consultancy of the 70 tenders received by the Council was comprehensive, robust and provided objective recommendations for consideration by the FSF Appraisal Panel.
- The composition of the Appraisal Panel was agreed at the Alliance Board and had members from all partners. However, the Voluntary Sector were unable to confirm a suitable representative on the Appraisal Panel due to potential conflicts of interest.
- The communication with successful and unsuccessful bidders could have been better to avoid ‘Chinese whispers’ circulating as to which organisations had been approved bidders and would be recommended for FSF contracts. There appears to have been an underestimation of the impact locally of being an unsuccessful bidder. Sensitive feedback to all FSF bidders should have been undertaken to maintain productive relationships with organisations after the award of FSF contracts. Despite obvious issues of commercial confidentiality, a one-page succinct summary of the decision to award or not award contract could have been introduced to coincide with the public announcement of FSF contract awards

Post Contact Phase

- The incremental establishment of the FSF Support Team has improved the quality and application of robust financial and performance management systems applied to the stewardship of FSF expenditure and the performance monitoring of FSF outputs and outcomes.

Recommendations

Based on the findings of the review, the consultant would make the following main recommendations:

Continued Use of Procurement Processes

Despite the criticisms of a number of FSF contractors in relation to the overambitious timescale for the implementation of the FSF procurement process and how the procurement process was managed by the ‘Accountable Body’, the Inverclyde Alliance should continue to use procurement processes and contracting for the future deployment of FSF, rather than grant funding.

The Inverclyde Alliance should continue to develop contracting processes that are transparent and fair, facilitating the involvement of the broadest range of suppliers, including considering sub-contracting and consortia building where appropriate e.g. provision of employability services. The focus should continue to be on outcomes and the delivery of contracted services. Whilst this may not be applicable to all functions of the 'third' sector, the process for procuring service provision should be consistent with the processes applied to the private sector.

The Inverclyde Alliance should assess the impact of their procurement practice on the size and diversity of the local supplier base and the consequent prospects of delivery of improved value for money. The Inverclyde Alliance should seek feedback from service beneficiaries, users and providers in order to review the effectiveness of the commissioning process in meeting local needs and strategic priorities

Proportionate Monitoring

Monitoring of service delivery should be outcome focussed, on the basis of contracts that make commissioner expectations clear. For example, an established and reliable service deliverer may require less intensive monitoring than a less established organisation. Wherever possible, monitoring requirements should be joined up to match those of other funders, e.g. ESF, Big Lottery, so as to reduce the bureaucratic burden on the delivery organisation.

The Inverclyde Alliance should ensure that FSF performance monitoring arrangements continue to be appropriate to the service provided and the level of funding. Monitoring requirements should be applied consistently across all service providers, including all Inverclyde Council FSF contractors.

Selection of Appropriate Funding Channels

In terms of selecting the most appropriate funding channel for future funding programmes, it is recommended that the Inverclyde Alliance should apply the following principles;

- **Focus on outcomes:** do not focus unduly on the process of awarding funds. The primary concern should be achieving the outcomes desired
- **Empathy:** if the Alliance and funded third sector organisations understand each other's needs and requirements, this should help to avoid contractual problems and achieve outcomes
- **Simplicity and proportionality:** make the contracting process as simple as possible. Controls over payments, information requirements, monitoring, evaluation and internal inspection should be in proportion to the level of, and risk to, the funds involved
- **Well managed risk taking:** the 'Accountable Body' should not be overly risk averse. They should manage risk: tailor it to achieve the most effective and appropriate balance of risk between the Alliance and funded organisations
- **Timelines:** allow realistic time for planning, decision making and action
- **Commonality and co-ordination:** where possible, the Alliance should seek to join up or standardise the elements of the selected funding channel (procurement, grant or grant – in –aid) with other funding models, such as those used by other Government funders in allied policy areas or in funding the same organisations
- **Transparency and accountability:** the Alliance should take funding decisions on a basis that is open to all interested organisations

To apply the above principles, the Alliance needs to improve its current commissioning practice. Greater and timeous involvement of Inverclyde Council's legal services and procurement unit would have reduced the delays in awarding FSF contracts.

Involvement of External Stakeholders

In future deployment of funding programmes, the Inverclyde Alliance should devise appropriate methods to involve external stakeholders. Lessons can be derived from the meaningful engagement with potential beneficiaries and providers of programmes. Whilst this may raise expectations among external stakeholders, these expectations can be managed if the process is fair and outcomes are seen to be paramount in the process of engagement.