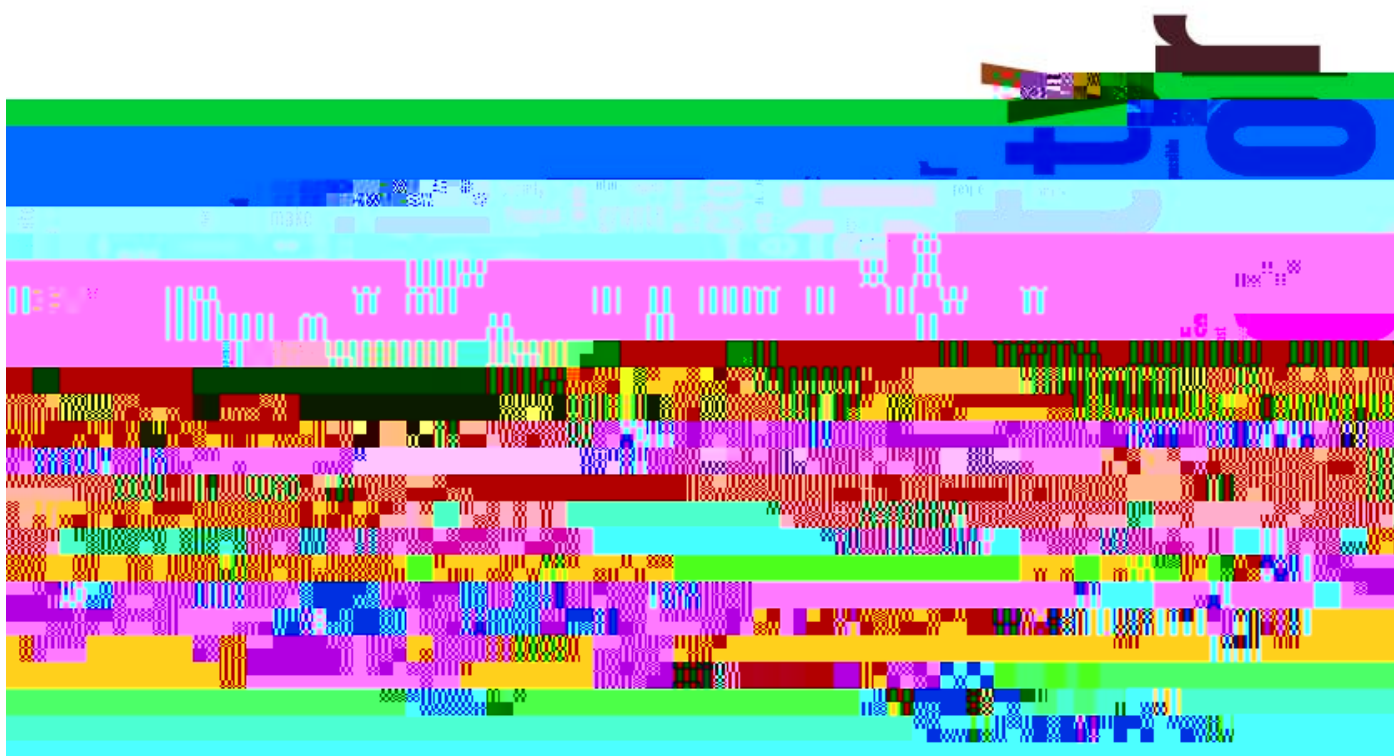




# Health of Birmingham's Third Sector



A report from Overview & Scrutiny





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# Health of Birmingham's Third Sector

Reports that have been submitted to Council can be downloaded from [www.birmingham.gov.uk/scrutiny](http://www.birmingham.gov.uk/scrutiny).

# Preface

**Councillor Majid Mahmood**, Chairman Partnership, Contract Performance and Third Sector Overview and Scrutiny Committee



This the first year any Birmingham Overview and Scrutiny committee has had a specific remit for looking at issues relating to the third sector. It was therefore important that the new committee's first inquiry should look at these in the context of partnership working. As soon as evidence gathering for our inquiry into the health of Birmingham's third sector began in earnest it quickly became clear how difficult it is to speak for the sector as a whole. In reality both locally and nationally the sector comprises a complex and diverse range of organisations.

The Partnership, Contract Performance, and Third Sector Overview and Scrutiny Committee members have endeavoured in this report to address openly some of the difficulties facing both the City Council and Birmingham's third sector organisations in the current economic climate and further challenges ahead. The overwhelming message we received in our evidence gathering was that the City Council needs to make clear its own priorities for work with the third sector which recognise just how diverse it is. We very much welcome the Executive's recognition that further work in this area is required.

The report contains a number of recommendations which respond to a range of issues we heard in evidence gathering and are intended to both support better City Council decision-making and value for money for Birmingham citizens. These include: gaining a clearer view of the full range of third sector activity in the city through mapping; the city council continuing to invest in small grant making; reducing burdens the City Council sometimes places on small community groups and sharing more detailed information on City Council third sector grants at District level via an improved Grants Management System.

Following this initial inquiry, members will continue to examine issues relating to City Council working with third sector organisations as part of the committee's work programme.

An inquiry is only as good as the evidence it receives and I would like to thank all the witnesses for their thoughtful contributions and the time they took to be involved in discussions. I was particularly impressed with analysis from the Third Sector Research Centre (based at the University of Birmingham) of the difficulties facing both local authorities and the third sector which have worsened under the current economic climate.

I would also like to thank Scrutiny Officers Jenny Drew and Baseema Begum for their commitment to the work and responsive approach in producing this report to a tight timeframe.

Finally I would also like to thank committee members Cllr Caroline Badley, Cllr Randall Brew, Cllr Ansar Ali Khan, Cllr Mike Leddy, Cllr Phil Parkin, Cllr Jess Phillips, Cllr John O Shea, Cllr Fergus Robinson and Cllr David Willis for their support, contributions, and most of all for their active participation in our (at times lengthy) evidence gathering sessions. I hope that this initial scrutiny work will contribute to increased



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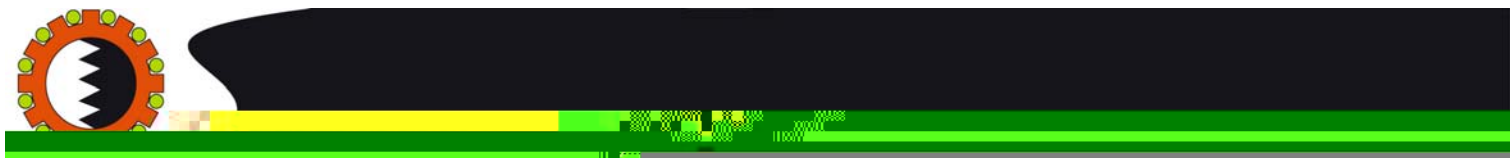
	Recommendation	Responsibility	Completion Date
	<p>emphasis on linking with small organisations who act as Community Anchors;</p> <p>ii) Supporting them to share learning more effectively across the City Council particularly relating to local knowledge, assets (people as well as property) and diversity and</p> <p>iii) Reviewing the Birmingham Local Compact to complement work proposed in Recommendation 1.</p>		
<b>R04</b>	<p>That the technical knowledge base of officers and councillors to meet the needs of smaller community organisations is supported by increasing knowledge sharing and learning opportunities in areas such as: Commissioning; Contracting; Governance and Community Asset Transfer.</p>	<p>Deputy Leader</p> <p>Cabinet Member for Commissioning, Contracting and Improvement</p>	September 2013


**R05** iiii -0.0006 Tw 0 Tr 4.13councDe7(oop-0.0006)7( th asPDRing )Tcess.0008 Tc -0.0003 Tw 21.868 7.227 Td(Deputy Improvement



	Recommendation	Responsibility	Completion Date
	recommendations to Cabinet on mainstreaming potential.		
R09	That as many barriers as possible to smaller community groups making a positive difference in the city are removed, for example in supporting groups to meet the Council's requirements for public liability insurance through making the most of its insurance contacts and expertise.	Cabinet Member for Commissioning, Contracting and Improvement	September 2013
R10	That work is undertaken with District Committees on the development of collaborative resourcing models which draw on successes in Erdington/Kingstanding in attracting external funding.	Leader and Executive Members for Local Services	September 2013

R11 That the current publicly available quarterly Voluntary and Community Sector Funding report is: September  
i) updated to include outputs and expertise. le .48 90.1(recTc 008 illo-0 )3(reb7( onvelop)8(iw T Cont7.787ng and Improvement





recognise that our original call for evidence suggested that there is a unified third sector with a shared set of purposes and values. In reality, and this was clear in our subsequent evidence gathering, both locally and nationally the sector comprises a complex and very broad range of organisations.

- 1.2.3 As the inquiry progressed, the diversity of third sector organisations featured prominently in Committee discussion as well as what the City Council might do differently in its partnership working with them. Our main interest in later sessions was on City Council working, given the limited time frame for our investigations, in order for us to gain a broad understanding of common issues and potential ways to begin to address these. Given the overview nature of our inquiry, there are a number of issues raised in the report that we would like to explore in further detail in next year's Committee work programme.
- 1.2.4 We conducted our inquiry via a short series of formal committee meetings between November 2012 and January 2013. We sought to obtain national, city-wide and neighbourhood-level perspectives from witnesses we invited alongside an open call for evidence. We heard evidence from a range of organisations, stakeholders and City Council staff, particularly commissioning leads. A full list of witnesses is



## 1.3 What do we mean when we talk about the third sector and third sector infrastructure?

1.3.1 The third sector is an inclusive term and often easiest to define by what it is not. Equivalent terms often used interchangeably, as is the case in this report, include the: voluntary sector; the community sector and non-profit or not-for-profit sector. In addition the government increasingly uses the term 'civil society organisations'. For the purposes of this inquiry we have taken a broad view and used the Third Sector Research Centre's (TSRC) definition which includes

...all organisations operating outside the formal state or public sphere that are not trading commercially for profit in the market. This means charities and voluntary organisations, community groups, social enterprises, cooperatives and mutuals. While these organisations are exceptionally diverse they share a broad common theme of being value driven.<sup>4</sup>

1.3.2 Although they are not specified here, this definition also includes faith groups engaged in voluntary or social action<sup>5</sup>, campaigning groups and individual volunteers.

1.3.3 The size of third sector organisati

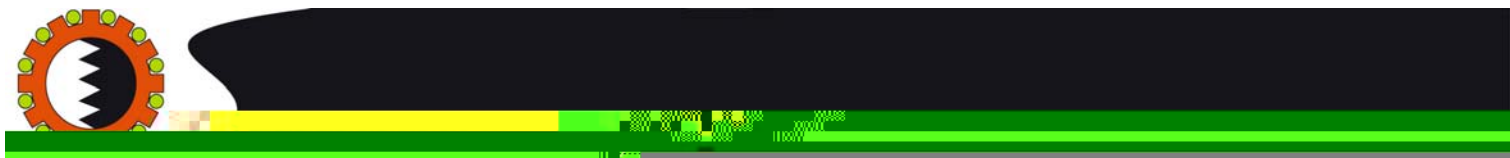




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- 1.4.2 One area of policy continuity was the Government's renewal and re-launch of the Compact in December 2010. The Compact is a voluntary agreement that sets out shared principles for effective partnership working between the Government (and associated agencies) and third sector organisations in England. It considers areas such as involvement in policy design and consultation, resources (including grants and contracts), promoting equality, ensuring better involvement in delivering services, and strengthening independence.
- 1.4.3 All government departments are signed up to it (with overall responsibility sitting with the Office for Civil Society, part of the Cabinet Office) and all local authorities have Local Compacts in place which are based on commitments from the National Compact but tailored to take account of differences between areas. Birmingham's Local Compact was also renewed in 2010.<sup>9</sup> The aim of the national renewal was to make the Compact easier to use and understand, provide more effective accountability and align it more clearly to the Big Society agenda.
- 1.4.4 Implicit in the idea of the Big Society is the view that communities will be the first port of call in responding to social needs, rather than the state. There are concerns that this will be much easier in some communities than others.<sup>10</sup> (Views Completed: 12/01/2011 13:02:00) (Views: 2) (Views: 0)











- 1.6.3 Third sector organisations have much to contribute to fulfilling the vision outlined in this year's Council Plan and Budget of "an inclusive city in which many more people can play their part – a fair chance for everyone in Birmingham".<sup>16</sup> Nevertheless the City Council has considerably much less scope than in previous years to fund them directly.

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<sup>16</sup> Birmingham City Council (2013) Budget for Birmingham – Council Business Plan and Budget 2013+ p.10



## 2 Summary of key findings

### 2.1



## Limited possibilities from Open Public Services

- 2.1.5 The idea of the Government's Open Public Services agenda is that public services should be capable of being bid upon by any willing provider and that this, in turn, will drive a new way of thinking about what matters and what is possible when it comes to meeting the needs of the most vulnerable as well as the wider common good. Despite the potential, in principle, of third sector organisations to innovate in and benefit from Open Public Service plans, experience in the Employment Support Work Programme suggests that there are substantial difficulties in reality in smaller organisations being able to compete for contracts which are often let nationally or regionally through the Department for Work (DWP) and Pensions and the Skills Funding Agency (SFA). Moreover small third sector organisations have struggled to negotiate suitable sub-contracts with the so-called large 'Prime' contractors who have won the national or regional contracts.
- 2.1.6 We heard of local examples within the Work Programme and other Employment Support Programmes which have, in fact had an adverse effect on third sector sustainability and risk being replicated in other public service areas. The move to fewer or larger commissions and contracts and the conditions in Pre Qualifying Questionnaires/Invitations to Tender have, in effect, excluded small to medium voluntary organisations from the processes for bidding. Many of the selected Prime contractors have either chosen not to sub-contract the programmes they deliver because of contract terms or to restrict sub-contractual relationships to a small number of larger agencies, who themselves often have a regional or national remit rather than an explicitly local focus or track record. We were told that often engagement with more locally-focused third sector organisations is restricted to specialist or spot purchasing arrangements on a per capita basis at relatively low fees. There is little evidence from smaller voluntary groups of any 'trickle down' effect from Prime contractors.<sup>19</sup>
- 2.1.7 Payments by results (PBR) models which both the DWP and SFA programmes have employed, have also mitigated against smaller, particularly local third sector, delivery agencies winning and maintaining contracts due to risk and cashflow issues. The measures employed under these PBR regimes place no specific value on local engagement or targeting of services and therefore do not play to the strengths of smaller, community-based agencies. These effects have been compounded by the overtly price competitive nature of much of the commissioning. This means that Primes discount their prices in order to win contracts, to a point where significant up-front investment in





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corporate view of third sector organisations within the City Council. This dedicated team no longer exists following internal restructuring but Corporate Strategy and Corporate Procurement teams retain lead responsibilities for work with the third sector. Their work is supported by several key staff across all directorates (for example commissioners and champions) who are clearly

## BVSC

2.2.9 BVSC has drawn significant non-local government funding into the city for local groups (approximately £50 million in the last ten years). It also makes an important contribution to resourcing the City's infrastructure support.

2.2.10 Where we heard mixed views was on BVSC's ability to meet one of its core City Council contract conditions – that is to improve partnership working and engagement with the City Council. There was praise for BVSC's work in coordinating the Third Sector Assembly in its pro-active approach to issues and continuing flexibility in meeting the needs of very different organisations. Where concerns were raised (although these were not unanimous) they were primarily focused on two main themes:

- Perceptions of BVSC's limited connections to organisations representing Black and Minority Ethnic interests and smaller, local organisations (although the majority of BVSC members class themselves as "small" and many have incomes of less than £10,000) as well as its representational structures being dominated by larger organisations;
- 'Crowding out' other organisations in both existing partnership projects and potential future contracting as the organisation turnover requirement of contracts rules out many organisations often making BVSC the only prospective eligible bidder for larger contracts.

2.2.11 On BVSC's position in the city, there was a perception that CVSs in other core cities were better at maintaining a strategic focus and promoting collaborative, consortium working including joint bidding and sub-contracting to ensure both value for money and support for wider sector sustainability. TLI partners who gave evidence spoke of narrow scope for active involvement in the programme, which is particularly concerning given the short timeframe for the scheme. Their view was that better links to other work where BVSC leads on the sector's behalf, notably on Multiple and Complex Needs, were needed to make the most of potential opportunities.

2.2.12 While we recognise that evidence overall on the outcomes from and impact of local infrastructure organisations overall is limited<sup>23</sup> we look forward to hearing how BVSC plan to address the negative perceptions outlined during the remainder of its third sector support contract with the City Council.

### Below the radar groups


2.2.13 Most witnesses highlighted the importance of below the radar groups, particularly in their local knowledge and links, and challenges for a large organisation like Birmingham City Council in connecting with them as their designation indicates. Small community groups may deliver on a range of local and national policy objectives (for example health and wellbeing) but this tends not

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<sup>23</sup> As outlined by, for example Dayson, C and Wells (2010) in their discussion of the impact of third sector infrastructure organisations.





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- 2.2.19 We heard that implementation of processes, procedures and internal protocols continues to be inconsistent. BVSC reported on behalf of its members experiencing very different contract negotiation processes – and in some cases, very different contract structures – from different directorates.
- 2.2.20 While commissioning in local government is quickly evolving to focus on outcomes and encompass the whole system of services, the sum of resources, and different ways of achieving improved outcomes, communication continues to be an issue. This is especially problematic in decommissioning or recommissioning exercises which are set to increase. For example, we were advised that during a 2012 exercise undertaken by the Adults and Communities directorate, several third sector organisations delivering key Adult and Communities services were informed of a City Council funding decision, only to be informed several days later that the wrong letter had been sent out and they were to receive significantly less funding. While the issuing of the letter was a genuine mistake and rectified as soon as possible a number of organisations had informed staff (wrongly) of their employment status as a result. Related concerns



disproportionate to their needs in applying for funding. One example was given of a grant for £400 from the Adults and Communities Directorate that required a community organisation to complete a 50 page form.

2.2.25 We note that an early action of the new Cabinet Member for Commissioning, Contracting and Improvement was to request a review of the GFFT in response to identified need to simplify the application process, make documents more user-friendly particularly for smaller organisations and to cover grants payable to non-third sector organisations. This was supported by most witnesses we heard from both within the City Council and externally. Cabinet approval of the revised GFFT will be sought in spring 2013. Once completed the framework and toolkit will be managed by Corporate Procurement Services.

2.2.26 In the spirit of a light touch approach to the giving of small grants, Chamberlain Forum outlined work that they had been involved in local areas, for example within Shard End's Neighbourhood Budget pilot, where residents were asked to d78r ex ervranl(-6(e)1(rvices. )In the spirit)(n)-5(t)1(0d(re

## Working in Partnership – Big Lottery Fund

- 2.2.30 We invited BIG Lottery Fund (BIG) specifically to give evidence as the largest of the Lottery distributors and a key, strategic funder of third sector organisations. It invests around £10m in the city annually – from smaller grants to larger grants that can last up to 10 years.
- 2.2.31 Birmingham has seen a significant improvement in successfully securing BIG funding in recent years. In 2009 the city was only achieving 65% of the grants BIG thought it should have been, as forecast by BIG indicative allocations weighted to population and deprivation - which was of real concern given the city's size. BIG had also been in correspondence with the Chief Executive to suggest that perhaps the City Council had not been acting in the stewardship and leadership role it might have done.
- 2.2.32 However, BIG now considers its level of investment to be broadly commensurate with the size of the city making its grant award performance to be on target, and its relationship with the City Council transformed, although there is more work to do. The forming of a Lottery Action Group (led by the Strategic Partnerships team and comprising key officers) has made a positive difference in improving the scope, quality and coordination of strategic bids, for example Birmingham is the only local authority represented in three tranches of the BIG Local programme namely:
- Birchfield;
  - Bromford and Firs; and
  - Welsh House Farm.
- 2.2.33 These BIG Local Partnerships, which include local residents, decide how to use at least £1m to make a positive, lasting difference in their local communities. This can include awarding grants but areas can also use the funds to make social investments such as personal loans, micro finance, small business and civil society loans or the commissioning of services. Apart from BIG Local, most BIG funding has a competitive element and BIG expressed concern about what happens when time-limited lottery monies cease. We were urged, even (and perhaps especially) at a time of such limited local government funding to really assess local lessons learned from projects and potential suitability for mainstreaming (in partnership with other public funders) what has been shown to work in BIG projects.


## Community Asset Transfer

- 2.2.34 In 2007 a government inquiry looked at the case for community assets transfer (CAT). Community assets, in this sense, are buildings and pieces of land that are an essential part of the social fabric of the area and further social well-being. Where they are in existing use, they are assets that if lost to community use, would significantly affect that community's well-being. The inquiry found that community groups often create social benefits when they manage and own public assets that more than outweigh the costs and risks of transferring assets to them. Under the new Community



Right to Bid set out within the Localism Act, local authorities are now required to maintain a list of land and buildings (with nominations made from local voluntary and community groups) which meet the definition of an 'asset of community value'.

- 2.2.35 Local authorities are usually required to dispose of land and building on the basis of the best 'consideration' reasonably obtainable. However, best consideration means achieving maximum 'value' from the disposal, not just maximum price. Disposal at less than market value must contribute to the 'promotion or improvement of the economic, social or environmental wellbeing of the area'.
- 2.2.36 In Birmingham, Community Asset Transfer was the spur to finding ways of valuing the worth of community action in joint public-community initiatives which resulted in the 'valuing worth' methodology.<sup>27</sup> This is a bespoke City Council toolkit (developed with contributions from an action learning set comprising other local authorities), to measure the social value of third sector organisations, associated impact of asset transfer and set the basis objectively for any discount to offset actual rent costs. The approach differs from some other local authorities who take a more general view of wellbeing when disposing of assets at less than market value.
- 2.2.37 Development work on community asset transfer has been ongoing in Birmingham since 2008 and Cabinet agreed a protocol for CAT in spring 2011 which was subsequently overseen by a cross-directorate and cross-sector group. Since then further transfers have been completed or are now underway on the basis of buildings/land being leased (usually up to 25 years) rather than sold and responsibility for managing CAT resting with each directorate. The greatest successes are considered to have been where there has been a group already using a building who were looking to extend their occupation and to carry out improvements, for example the transfer of Perry Common Community Hall to Witton Lodge Community Association. There are currently 9 live active CAT cases ongoing in the city predominantly within the Local Services directorate.
- 2.2.38 We heard that the City Council has improved its approach to CAT since the protocol and



communities. Property functions need to be linked with community development work to make the most of this.

## Local views

2.2.39 We sought views from three Birmingham's Neighbourhood Level Community Based Budget (NCB) pilot areas, Balsall Heath, Castle Vale and Shard End given their new approach to place-based commissioning on potential in third sector organisations. The guiding principles of the pilots are: prevention, collaboration, innovation and participation. Each of the three areas has its own distinct priorities it is progressing to submit final pl



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organisations interviewed for the report were not necessarily representative of the city's sector. Sound evidence for the development of approaches that are more preventative and more cost effective can only improve the basis for any future investment the City Council is able to make including joint commissioning.

	Recommendation	Responsibility	Completion Date
R01	<p>That a thorough and detailed mapping exercise of all third sector provision be undertaken within Birmingham to better ascertain:</p> <ul style="list-style-type: none"><li>i) Third Sector activity on a geographic and thematic basis;</li><li>ii) Strategic priorities for work with third sector organisations which recognise local diversity and can form the basis for developing improved relationships, genuine partnership working and greater co-efficiency;</li><li>iii) Strategic priorities for informing a clear basis for the city's investment in and through the Third Sector whether through commissioning or decommissioning on the basis of need, community potential, social value, value for money and</li></ul>		





## 3.2 Enabling City Council staff

3.2.1 Public services already face changed circumstances increasingly frequently and local government's financial settlement is forcing further transformation. Real, sustainable efficiency for local authorities depends on their staff and councillors being able to be sensitive to complexity and learning about change as it happens. However, it



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in-house learning seminars. We look forward to seeing future National Commissioning Academy<sup>29</sup>



## 3.3 Grant funding

3.3.1 Despite the substantial reduction in local government funding all local authorities must manage, we are clear that the City Council must retain some provision for community grant-making,




mainstream all projects which are currently funded, it is important to identify the mainstreaming potential from project activities.

	<b>Recommendation</b>	<b>Responsibility</b>	<b>Completion Date</b>
<b>R06</b>	That City Council commits to: i) Retaining some provision for community grant-making; ii) Proportional grant award processes for small community organisations through working with the sector on streamlining the existing Grant Funding Framework and Toolkit (GFFT); and iii) Continuing to monitor the GFFT's implementation across the City Council for consistency through the Performance and Development Review (PDR) process.	Cabinet Member for Commissioning, Contracting and Improvement	September 2013
<b>R07</b>	That the City Council's Grants are proactively managed and include information on anticipated and actual outputs and outcomes from organisations who have received funding within the Grants Management System to inform future planning, grant-making and commissioning.	Deputy Leader  Cabinet Member for Commissioning, Contracting and Improvement	September 2013
<b>R08</b>	That the lessons learned and successes from City Lottery projects are drawn together by the City Council's Lottery Action Group along with recommendations to Cabinet on mainstreaming potential.	Leader	September 2013

## 3.4 Making life a little easier

3.4.1 The importance of reducing red tape is often-cited in discussions of public sector working with small businesses. Similarly regulatory requirements and at times complex bureaucracy can also be a significant obstacle to voluntary and community organisations doing more to support City Council priorities in their local area and reducing them is a government aim.

3.4.2 One example we heard where changing City Council practice could make a real difference to smaller third sector organisations was in supporting such groups to meet its requirements for public liability insurance whenever groups are involved in City Council projects. While the City Council is unable to purchase insurance or broker deals for other organisations directly, it is well-placed to share its contacts and expertise. We see a role for the City Council in working with BVSC and other members of the TLI partnership on how it can use these, potentially linking to Buy for



Good's work<sup>30</sup>, to help to minimise the burden on organisations and reduce costs. City Council legal services also cited their offer to Birmingham's third sector organi



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	Recommendation	Responsibility	Completion Date
R10	That work is undertaken with District Committees on the development of collaborative resourcing models which draw on successes in Erdington/Kingstanding in attracting external funding.	Leader and Executive Members for Local Services	September 2013
R11	That the current publicly available quarterly Voluntary and Community Sector Funding report is: i) updated to include output and outcome information; and ii) disaggregated to District level and circulated to councillors to be considered at District Committee meetings as appropriate to share local intelligence and support decision-making based on achieving value for money.	Cabinet Member for	

## Appendix A: Witnesses

Osaf Ahmed	Adults and Communities Commissioning, Birmingham City Council
Professor Pete Alcock	Third Sector Research Centre, University of Birmingham
Mashuq Ally	Equalities, Birmingham City Council
Shilpi Akbar	Assistant Director, Employment Projects, Birmingham City Council
Dick Atkinson	Balsall Heath Forum
Suwinder Bains	Strategic Partnerships Team, Birmingham City Council
Val Birchall	Culture Commissioning, Birmingham City Council
Karmah Boothe	Shard End Neighbourhood Budget project, Birmingham City Council
Alex Boyes	BIG Lottery Fund
Brian Carr	BVSC
Karen Cheney	Selly Oak District, Birmingham City Council
Tony Clabby	The Digbeth Trust
Mark Cook	Anthony Collins
Yvonne Davies	Birmingham Citizens Advice Bureau
Cheryl Garvey	BRAP
Maria Gavin	Adults and Communities Commissioning, Birmingham City Council
Cath Gilliver	SIFA Fireside
Chris Glynn	Children, Young People and Families Commissioning, Birmingham City Council
Kevin Hubery	Corporate Strategy Team, Birmingham City Council
Ifor Jones	Local Services, Birmingham City Council
Jan Kimber	Birmingham Community Safety Partnership
Nigel Kletz	Corporate Procurement, Birmingham City Council



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