Health of Birmingham's Third Sector

A report from Overview & Scrutiny

Contents

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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

understanding of issues and better links particularly between the City Council and 'below the radar' small community groups.

Majid Mahmood

Summary of Recommendations

	Recommendation	Responsibility	Completion Date
R01	That a thorough and detailed mapping exercise of all third sector provision is undertaken within Birmingham to better ascertain: i) Third sector activity on a geographic and thematic basis; 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; 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 reducing demand, recognising its influence on the commissioning of other partners; iv) What future City Council third sector support contracts might look like, including geography and proposed Key Performance Indicators which emphasise outcomes over outputs, given the budget constraints of the City Council.	Leader Deputy Leader Cabinet Member for Commissioning, Contracting and Improvement	March 2014
R02	That consideration is given to investing jointly with partners in a new form of annual State of the Sector report (currently coordinated by BVSC) which: i) Forms a sector audit and gives a more rounded, strategic assessment of need; i) Recognises both national expertise available locally from the University of Birmingham's hosting of the Third Sector Research Centre and the importance of community 'bottom-up' evidence in understanding community potential.	Cabinet Member for Commissioning, Contracting and Improvement	September 2013
R03	That the essential role many officers and councillors undertake in acting as 'skilled connectors' with third sector organisations and the potential to develop this by is actively recognised by: i) Reframing and clarifying the role of existing City Council Third Sector Champions with an	Deputy Leader	September 2013

	Recommendation	Responsibility	Completion Date
	emphasis on linking with small organisations who act as Community Anchors; 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 iii) Reviewing the Birmingham Local Compact to complement work proposed in Recommendation 1.		
R04	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.	Deputy Leader Cabinet Member for Commissioning, Contracting and Improvement	September 2013
R05	That all City Council staff undertaking commissioning, contracting and grant-making roles are supported to be up-to-speed with work on Social Value including the Social Value Commissioning Framework for their respective areas/localities through the Performance and Development Review (PDR) process.	Deputy Leader Cabinet Member for Commissioning, Contracting and Improvement	September 2013
R06	That the 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
R07	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
R08	That the lessons learned and successes from City Lottery projects are drawn together by the City Council's Lottery Action Group along with	Leader	September 2013

	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: 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 Commissioning, Contracting and Improvement	September 2013
R12	Progress towards achievement of these recommendations should be reported to the Partnership, Contract Performance and Third Sector Overview and Scrutiny Committee no later than October 2013. Progress reports will be scheduled by the Committee from then on until all recommendations are implemented.	Cabinet Member for Commissioning, Contracting and Improvement	October 2013

1 Introduction

1.1 Why we undertook this Inquiry

1.1.1 The Partnership, Contract Performance and Third Sector Overview and Scrutiny Committee is a new City Council Scrutiny Committee with a broad, cross-cutting remit that can potentially cover most aspects of the City Council's work. The Committee is also the first in Birmingham's structures for overview and scrutiny to have a specific remit to look at issues relating to third sector organisations. This is our first inquiry report.

1.1.2 We chose the health of Birmingham's third sector as a broad, inquiry topic in response to views that cuts that affect voluntary sector organisations are taking place amid a "growing scrutiny deficit"[1] and to fears that cuts to voluntary sector resources will worsen, in relative terms, over the coming years. Towards the end of our evidence gathering, the Communities Minister, the Rt Hon Don Foster MP, wrote to all local authorities to emphasise that cuts to voluntary and community sector budgets should be made fairly and proportionately.[2]

1.1.3 We recognise that, alongside direct reduction in local government funding to third sector organisations, the scale of public sector cuts means that significant, additional knock-on effects to third sector organisations are likely. As a result, we wanted to probe how far both the City Council and sector are able to work more effectively to mitigate these especially as third sector organisations are seen increasingly as a route for delivering services.

1.2 Terms of Reference

1.2.1 Our opening key questions for the inquiry were:

- What is the health of Birmingham's third sector infrastructure and how can the City Council best support its development?

- How mixed is Birmingham's third sector economy?

- Will the current infrastructure enable the city to meet likely significant changes in funding, delivery and need?

- How can the third sector and City Council work together better to deliver services for Birmingham citizens?

1.2.2 We wanted to understand more about third sector infrastructure in particular given its strategic role in supporting the sector as a whole and we focused on this in initial inquiry sessions. We

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[1] Sir Stephen Bubb, Head of ACEVO quoted in *Third Sector* online, 10 May 2012.
[2] DCLG (2013) http://www.compactvoice.org.uk/sites/default/files/don_foster_letter_to_local_authorities.pdf

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 set out in Appendix A and we are grateful for their time and contributions.

1.2.5   In producing this report we have also noted the findings and recommendations from the following Birmingham City Council Overview and Scrutiny reports which relate to Birmingham's Third Sector organisations:

- Economy and Jobs Overview and Scrutiny Committee (2012) *Closing the Skills Gap*

- Districts and Public Engagement Overview and Scrutiny Committee (2013) *Devolution: Keeping It Real*

- Social Cohesion and Community Safety Overview and Scrutiny Committee (2013) *Birmingham: Where the World Meets*[3]

1.2.6   BVSC's (Birmingham's Centre for Voluntary Action) annual State of the Sector reports provide information on national and local third sector issues and trends and gave helpful context to our discussions. We have not sought to duplicate equivalent data gathering undertaken in BVSC's reporting in our work and indeed are not in a position to. This report is very much a reflection of discussion we heard in looking to gain a snapshot view of issues for the City Council in its working with third sector organisations and make associated recommendations for action.

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[3] Copies are available from the Reports Library section of www.birmingham.gov.uk/scrutiny

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.[4]

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

1.3.3 The size of third sector organisations varies significantly too from the largest, national charities to so-called 'below the radar' voluntary groups. The latter are very small community-based groups which, in the main, do not appear on the records of regulatory bodies (for example the Charity Commission) and do not employ staff. In some instances they may involve just one or two people operating from a volunteer's home and so may not be well-known by either local authorities or indeed larger voluntary organisations. For example research in one Birmingham postcode indicated that there were 19 registered charities – but over 300 groups could be identified as active (by meeting on a regular basis).[6]

1.3.4 As a result, estimates of the number of third sector groups active in Birmingham vary, usually between 4000 and 6000. It is estimated that below the radar groups make up to 65% of the sector nationally.[7] Activity is however unevenly distributed both nationally and within the city with lower levels of activity evident, for example, on peripheral estates.

1.3.5 Third sector local infrastructure organisations (LIOs), exist in many forms but their common purpose is to ensure that local third sector organisations get the advice, support and representation they need to improve the circumstances of the people they serve. Local infrastructure organisations can do this in a number of ways:

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[4] Third Sector Research Centre (2010) from http://www.tsrc.ac.uk/About/tabid/347/Default.aspx
[5] 'Voluntary Action' describes the activities undertaken to make a positive contribution to society by individual volunteers, active citizens, activists and the wider voluntary and community sector – as outlined in BVSC's Strategic Plan 2009-2014
[6] Third Sector Research Centre (2012) Evidence Submission
[7] Dayson, C and Wells, P (2010) Measuring the impact of third sector infrastructure organisations from http://www.ncvo-vol.org.uk/sites/default/files/Sheffield_Hallam-_Measuring_the_impact_of_third_sector_infrastructure_organisations1_0.pdf

- Identifying and filling the gaps in existing provision by monitoring the services provided by the third sector in a local area, and working with new and existing groups to address unmet needs in their communities;

- Raising standards through giving access to information, advice and support to local groups and organisations to improve their knowledge, skills and resources;

- Supporting better communication and collaboration through for example establishing forums for networking and sharing good practice as well as forming partnerships through which new activity can be developed;

- Providing voice through which the varying views of local groups and organisations can be represented to public sector bodies as well as a means for public sector bodies to work with a diverse range of groups on developing projects, policy and decision-making and

- Promoting strategic involvement in local policy making and planning, ensuring that the sector is represented in local decision making bodies and up-to-date with relevant issues.[8]

1.4 Policy context

1.4.1 The relationship between Birmingham City Council and the city's third sector is set against the backdrop of a profound change of emphasis in Government policy towards voluntary and community organisations. Central to this is the concept of the 'Big Society', which, when first articulated, was intended as a counterpoint to 'Big Government'. This was based on the idea that Government has been historically too prescriptive and controlling about the relationship with the third sector. There are three key parts to the Big Society agenda:

- **Community empowerment**: giving local councils and neighbourhoods more power to take decisions and shape their area. The Localism Act introduced in 2012 a range of rights for voluntary and community groups including the right to bid for assets of value and to have more say in neighbourhood planning.

- **Opening up public services**: with the intention that reforms such as the right to challenge local decisions about who should deliver public services will enable charities, social enterprises, private companies and employee-owned mutuals to compete to offer people high quality services for example in DWP's work programme.

- **Social action**: persuading and enabling people to play a more active part in society by volunteering through schemes such as, National Citizen Service (for young people), Community Organisers and Community First with an increased emphasis on the role of philanthropic giving.

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[8] Adapted from Dayson, C and Wells, P (2010).

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.[9]   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.[10]   Views on whether the drive towards the Big Society has been a success are mixed and some organisations have argued that there is an inherent tension between the agendas of reducing state funding and ability to achieve the vision of the Big Society.[11]   At the same time, while it is too early to assess the impact of changes introduced in the Localism Act, we heard some scepticism in our evidence gathering about the likely effect it will have.

1.4.5   What is certain is that the idea of the Big Society has been accompanied by a withdrawal of major long-term national funding initiatives, the abolition of a number of supporting Non Departmental Public Bodies (NDPBs) or 'quangos', and a withdrawal from the partnerships at strategic level between national government and national third sector bodies which had been developed by the previous government.   Many of the national funding streams upon which voluntary organisations had come to rely were withdrawn or phased out, often replaced with much more restricted, time-limited schemes like the Community Organisers programme, let nationally on a competitive contract basis.   At the same time, local authorities, as the other major funders of local third sector activity, face one of the most difficult funding settlements from Government in recent history, and considerable pressure to move their funding arrangements away from grants and towards service contracting and commissioning (a trend begun under the previous Labour government).

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[9] See http://bit.ly/X6PDbO

[10] Mohan, J (2011) Mapping the Big Society – Third Sector Research Centre Working Paper 62 - http://www.tsrc.ac.uk/LinkClick.aspx?fileticket=izLuarcAwMs%3D&tabid=500

[11] For example, New Economics Foundation http://www.neweconomics.org/blog/2011/08/04/the-comprehensive-spending-review-one-year-on

1.5   Birmingham's third sector infrastructure

BVSC – Birmingham's Centre for Voluntary Action

1.5.1   BVSC covers the largest single local authority area of any Council for Voluntary Services (CVS) in the country. Other comparable organisations work with a number of related subsidiary or district CVSs. It is Birmingham's largest, although not only, third sector infrastructure organisation.

1.5.2   It has four key aims. These are to ensure that:

i.   "Active and empowered citizens have diverse opportunities to make a positive difference;

ii.   Independent, effective and sustainable voluntary organisations have the skills, knowledge and resources to achieve their aims;

iii. The third sector is influential as a force for positive change; and

iv.   BVSC is an independent, effective, inclusive and sustainable organisation."[12]

1.5.3   BVSC established and coordinates the city's Third Sector Assembly which now has approximately 1500 members, and which fields accountable Third Sector Champions to key strategic and operational bodies in the city, in the areas of:

- Health and Social Care
- Community Safety
- Arts & Culture
- Housing
- Children & Young People
- Learning, Training and Employment
- Volunteering
- The Environment & Sustainability

Third sector support contract with BVSC

1.5.4   The City Council has a longstanding relationship with BVSC as a:

- Contractor (BVSC is contracted to deliver third sector support on behalf of the City Council);
- Strategic partner and
- 'Critical friend'.

1.5.5   The City's contract with BVSC for third sector support runs from April 2012 to March 2015 with investment tapering over the three years. BVSC is responsible for increasing financial contributions

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[12] BVSC (2012), Written Evidence to the Inquiry

from other sources during this time and it already receives much of its funding from other organisations. Currently, BVSC generates 30 percent of its income through traded activities including its training and conference centre.

1.5.6   The objectives of the contracted service are to:

- Deliver an increase in overall volunteering, to support and develop third sector organisations and Birmingham City Council;

- Improve partnership and engagement with the Council and

- Improve sustainability by assisting third sector organisations to identify alternative 'business' models and sources of funding.

1.5.7   At the time of evidence gathering the City Council had assessed contract performance as being on target.

Transforming Local Infrastructure work

1.5.8   As a result of the city's size, BVSC depends on partnership working with a range of other local infrastructure agencies in order to ensure Birmingham's third sector is adequately served. This includes leading the Transforming Local Infrastructure Partnership (TLI) of which the City Council is one of 20 members. The work of this partnership is resourced, following a successful bid by BVSC in 2012, by the Office for Civil Society via the Big Lottery Fund.

1.5.9   We heard from several members of the TLI partnership in our evidence gathering: BRAP, Castle Vale Community Regeneration Services, Chamberlain Forum and The Digbeth Trust. All of these offer forms of development support, access to professional and technical expertise and fundraising advice.

1.5.10   The partnership has secured government investment of £600,000 from the Transforming Local Infrastructure programme (delivered by Big Lottery Fund). Birmingham is one of about half of upper tier local authority areas where the programme is in place and no further central government's investment in local third sector infrastructure is earmarked yet. Until September 2013 the partnership is looking at how infrastructure support can be rationalised, streamlined and made more sustainable in Birmingham. The group is exploring five strands of activity:

i.   Encouraging voluntary groups to support themselves and each other through peer support activities;

ii.   The establishment of locally-based Support Hubs in the centre and four quadrants of the city;

iii. Encouraging voluntary groups to explore sharing their back office services and premises;

iv.   Migrating easy-access support materials onto an interactive online portal and

v.   Working with local businesses to encourage them to support voluntary sector infrastructure through their Corporate Social Responsibility priorities.

1.5.11   In addition to TLI work, BVSC is leading the following cross-sector strategic partnership activities which also involve the City Council and prospective funding from Big Lottery Fund:

- **Talent Match** – a potential £7.5m investment for Birmingham & Solihull between 2013-2018, designed to tackle long-term unemployment of 18-24 year olds through better voluntary-public-private sector partnership working.

- **Multiple & Complex Needs** – a potential £10m investment for Birmingham between 2013-2021, designed to improve the delivery of services to support those with multiple and complex needs (including homelessness; mental health; substance misuse and risk of reoffending).

1.6   City Council funding to Birmingham's third sector organisations

1.6.1   In the financial year 2012-2013, as of September 2012 (the most recent date for six monthly reporting) Birmingham City Council had awarded £16,037,301.50 to third sector organisations through its grants management system.[13] This includes small Community Chest grants awarded to local projects and usually decided at ward level. Regrettably it is not possible to make direct comparisons with grant funding in previous years due to changes in financial reporting and the implementation of the new grants management system detailed in section 2. Not all third sector spend is captured yet on the system and we were unable to obtain third sector investment information across all directorates. However, as an indication of the value of wider City Council spend beyond grant funding, the Children Young People and Families Directorate shared summary third sector investment information for 2012/13 totalling over £18 million.[14]   This ranges from contributing to intensive children and family support offered by well-known charities such as Barnardos and Birmingham and Solihull Women's Aid to grants to playgroups.

1.6.2   In terms of future funding, the City Council, like all local authorities, is facing an enormous financial challenge in the years ahead. It is estimated that by 2017, grants to the City Council will have fallen by £300m from their 2010/11 level. The City Council is also faced with increased spending pressures from inflation, the changing needs of the city's population, legislative changes and borrowing costs. It is estimated that these will add around £315m to the bill for maintaining current levels of service provision. The total gap between what the City Council needs to spend and the income it receives will rise to around £615m by 2016/17.[15]   This requires a radical review of the City Council's role including the decommissioning of some services altogether.

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[13] See www.birmingham.gov.uk/opendata for published data of Birmingham's third sector funding or voluntary and community sector funding information as well as the context for the data.
[14] Written evidence to inquiry session 2
[15] Birmingham City Council (2013) Budget for Birmingham – Council Business Plan and Budget 2013+

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".[16]   Nevertheless the City Council has considerably much less scope than in previous years to fund them directly.

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[16] Birmingham City Council (2013) Budget for Birmingham – Council Business Plan and Budget 2013+ p.10

2   Summary of key findings

2.1   Current issues for third sector organisations

2.1.1   Two broad areas of concern stood out in evidence we heard on the financial problems currently facing the city's third sector. Firstly the cumulative effects of significant policy changes and much less money being available in all public services beyond direct cuts in local government funding to individual third sector organisations were made clear. Secondly we heard of the limited possibilities for alternative income streams or diversification for many third sector organisations from the government's Open Public Services agenda despite the policy's recognition that the third sector is well placed to improve both the design and delivery of many public services.

Beyond direct cuts

2.1.2   Third sector organisations delivering front-line services such as advice services and support for complex needs such as addiction and homelessness emphasised increased demand for their services in the last two to three years as there are 'fewer doors for people to knock on'. As well as a reduced diversity of provision and less provision overall in some areas, there was a strong view that the government's Digital by Default strategy[17] with its emphasis on channel shift, or moving face-to-face or telephone contact in the public sector to online enquiries, is increasing in-person enquiries to voluntary organisations.

2.1.3   They saw stresses on already stretched services escalating with further government cuts, particularly relating to welfare reform. There was consensus that organisational reserves had been depleted to precarious levels. Birmingham Citizens Advice Bureau advised that they are using 20% of their reserves to get through this financial year, further reducing their reserves below the Charity Commission's guidance of retaining 6 months worth of reserves, which is unsustainable.

2.1.4   Smaller organisations, broadly with an income of between £50k - £200k per year, were seen as being at particular risk of disappearing. There is emerging evidence[18] that some small community groups (particularly those that have been able to access small grants in the past) are suffering from a compound disadvantage in the face of the recession, local authority and other funding cuts. The impact of the loss of small grants is being compounded by, for example, reduced access to free or low cost venues, reduced access to pro bono advice and support and increasing difficulties in some areas in recruiting volunteers or new active members.

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[17] Cabinet Office (2012) Government Digital Strategy http://www.publications.cabinetoffice.gov.uk/digital/strategy/
[18] Third Sector Research Centre (2012) Evidence Submission

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.[19]

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 clients is increasingly difficult and where they either choose to retain value by delivering directly rather than entering into sub-contracts with locally-based agencies, or seek to sub-contract/spot purchase at inadequate fee rates, rather than on a prescribed volume basis. The latter can involve, what has been termed, 'parking' the clients with most complex needs with charities since they are the clients who find it most difficult to secure employment and so least likely to generate outputs or corresponding fees for Prime contractors.

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[19] Third Sector Research Centre (2012) Evidence Submission

2.2   How the City Council works with third sector organisations

2.2.1   Towards the end of our evidence gathering, Chamberlain Forum set out for us a view of how public services work effectively when they are able to work 'with the grain' of the communities that they seek to serve. The ability to do this depends on the ease with which they can be aligned; the extent of 'friction' between them also called a 'co-efficiency'.[20] The more 'co-efficient' an approach to delivering public services is, in relation to local communities, the better the outcomes of it, and the value for money achieved by it, will be.

2.2.2   When asked to describe, broadly, the City Council's working with third sector organisations, unsurprisingly witnesses' views varied significantly. While this is perhaps to be expected in thinking about relationships, given the sector's diversity and the range of interests of witnesses we heard from, the need for more clarity and consistency in processes was clear for joint working to be more co-efficient.

2.2.3   In summary, there were a number of positive and negative messages - the overarching themes were the importance of trust and honesty in relationships, as uncomfortable as this can be at times, as well as the need for the City Council to work with third sector organisations from the outset of any project as genuine partners. Most third sector witnesses we heard from shared the view

> Many times it feels like the Third Sector come to the table after decisions have been formulated. We would like to be involved from the start...

and made the request

> Allow us to be part of ideas generation to be partners in formulating action.

2.2.4   We see a need here for the City Council to revisit its Local Compact where both themes are already highlighted as key partnership values. We also see a need for all directorates to be mindful of their duty under statutory Best Value Guidance 2011[21] to be responsive to the benefits and needs of voluntary and community sector organisations of all sizes (honouring the commitments set out in its Local Compact) along with small businesses and to actively engage organisations as early as possible before making decisions on the future of services.

Relationships

2.2.5   Effective partnership working requires mutual understanding, commitment and a positive working alliance. We heard from third sector leads that siting a (small) corporate third sector team within the City Council's Corporate Strategy and Policy function had enabled a broader and more

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[20] Chamberlain Forum (2012) http://www.chamberlainforum.org/?p=1664
[21] DCLG (2011) https://www.gov.uk/government/publications/best-value-statutory-guidance--4

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 committed to supporting the third sector and improving City Council relationships.

2.2.6   We also heard that the recent establishment of joint structures and working arrangements have improved communications by being a definite statement of City Council commitment to improving joint working. These arrangements also recognise that not all third sector organisations are BVSC members. Changes have included:

- City Council meetings with third sector Chief Executives (chaired by Cllr Anderson, when Cabinet Member for Adults and Communities prior to June 2012 and latterly Cllr Stacey as Cabinet member for Commissioning, Contract Performance and Improvement);

- Establishing a Corporate Third Sector Group (comprising City Council Third Sector Champions and invited representatives from the Third Sector Assembly);

- Third Sector Assembly roundtable discussions (to which City Council commissioners have been invited and most recently in December 2012 hosted extensive discussions on the City Council's budget consultation)[22]; and

- Direct links between key City Council commissioners and Third Sector Assembly Champions (facilitated by BVSC).

2.2.7   While some witnesses spoke positively about using Third Sector Champions to support work (for example in streamlining the Grant Funding Framework and Toolkit – as outlined in section 2.2.22) there was a lack of clarity overall on the current role of both champions and the Corporate Third Sector Group. Insufficient "ownership" of some projects involving third sector organisations was cited as an occasional reason for slow project progress. It was felt that there was greater scope for the Corporate Third Sector Group to extend its remit to include sharing good practice examples of joint working and creative collaboration.

2.2.8   Towards the end of 2012, Councillor Stacey took the decision to end the series of dedicated meetings with Third Sector Assembly leads/Chief Executives and instead attend meetings arranged and chaired by BVSC when invited to avoid duplication. Several Third Sector leads saw the decision to end the arrangement without wider consultation as unfortunate saying

> It seems hard to hold onto regular meetings which are the cornerstone of effective working together.

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[22] Most wider quarterly Third Sector Assembly events have an invited Birmingham City Council presence, usually as speakers – the Leader of the Council has addressed two recent sector events - and workshop facilitators.

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 is 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[23] 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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[23] As outlined by, for example Dayson, C and Wells (2010) in their discussion of the impact of third sector infrastructure organisations.

to be the primary purpose of such groups. Groups are interested in the issues that impact on their community and influencing (rather than managing) local services.

2.2.14   We were reminded that there is little appetite within such groups to 'scale up' or professionalise to take on the management of public services or substantial local assets. To thrive, the greatest need of these groups is access to low or no cost premises which are often City Council-owned and potentially at risk in City Council reconfiguration of services.

Commissioning, Contracting and Grant-Making

2.2.15   All City Council witnesses emphasised the importance of opening up commissioning and contracting as far as possible to enable as broad a range of third sector organisations as possible to help to support the delivery of City Council priorities. We heard positive examples of directorates undertaking preparatory work with organisations prior to grant applications being made, for example in Arts and Culture, and recognition that there was more work to do this within the constraints of increasingly limited staffing resources.

2.2.16   Although witnesses voiced concerns about public sector expectations of the potential of social enterprise for third sector organisations, as service user needs and business aims do not always align, they welcomed recent City Council consultation on building social value into future procurement and commissioning. We look forward to hearing how revising City Council processes can encourage this. One theme in evidence gathering was the potential to widen the scope for more collaborative tenders and bidding from consortia in order for third sector organisations to achieve the collective scale and resilience required to compete for larger contracts and to be able to negotiate and sustain effectively sub-contractual arrangements.

2.2.17   Birmingham's Budget statement[24] highlights (section 2.2) a number of areas for development for staff relevant to future third sector partnership working. These include: the importance of staff skills, for example in working with volunteers; taking an area-based approach to working and how to develop shared priorities and joint investment with third sector and statutory partners. However, external witnesses as well as City Council officers emphasised in their evidence that what they saw was the need for knowledge development over skills development for example in organisational governance and new not-for-profit business planning.

2.2.18   All organisations wanted commissioners to have a better understanding of the organisations they are commissioning services from and so a clear appreciation of their potential in supporting City Council priorities. CAB specifically criticised the commissioning of advice services for being too narrowly focused on a limited number of outputs. It was felt that this limited the flexibility of services offered and delivered poor value for money for the City Council.

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[24] Birmingham City Council (2013) Birmingham Council Business Plan and Budget 2013+ available from http://www.birmingham.gov.uk/budgetviews

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 were raised about how the remodelling of Children's Centre and Integrated Family Services had been communicated. Lack of clarity in the timetable for decision-making and late notice of decisions had increased difficulties for organisations in managing redundancies. We are aware that lessons learned are being discussed with BVSC but progress on this was not advised during evidence gathering.

2.2.21   The Corporate Third Sector team have made significant efforts to support the implementation of the Grant Funding Framework and Toolkit (GFFT) supported by a new Grants Management System[25] launched in April 2012 – through internal training and wider briefings across the sector (supported by BVSC).   We heard that the GFFT, a comprehensive set of policy and procedural guides, was a corporate response to address risks and poor practice identified in grant giving as set out by both internal and external audit. There were positive views of City Council officers and third sector leads' engagement in developing the GFFT, and several third sector organisations have reported finding it a great improvement.

2.2.22   However, the GFFT has not been implemented consistently across all directorates notably in Local Services. There may well be valid reasons for this, one witness described the toolkit as 'a bit of a sledgehammer to crack a nut'.   And there was a perception that as a result some City Council teams have sought to circumvent GFFT requirements.

2.2.23   Compliance with GFFT requirements now rests with Corporate Procurement Services. It is estimated that around £8m of City Council spend is not compliant with the GFFT or registered on the Grants Management System.

2.2.24   We also heard that problems have not been communicated clearly internally or externally to organisations affected. Some third sector organisations still report finding the GFFT

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[25] A SAP based internal grants and database and payment system linked to the City Council's Voyager financial system designed to ensure transparency of payments across the organisation.

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 decide where monies could be spent that would make most difference. There was a sense that by bringing decision-making much closer to citizens additional value for money could be achieved as it becomes easier to spot potential duplication from local knowledge. We supported their view that grant-giving needed to be clearly framed as an investment with an identifiable, anticipated return which could, for example, be as simple as a small grant to a local Scout group for equipment requiring that the kit be shared more widely with other local groups.

Birmingham Compact

2.2.27   We were encouraged by all Directorates stated commitment to the principles of Birmingham's Local Compact and hearing that in some areas awareness has increased, for example through Adults and Communities Joint Commissioning process and the Third Sector Team's recent programme of briefings. However there seemed to be consensus among witnesses that there is more work to be done on increasing understanding of and adherence to Local Compact commitments and values both within the City Council and among smaller voluntary organisations where it was felt views of the Compact are one-sided.

2.2.28   Specifically there was also consensus that local authorities cannot meet the concept of full cost recovery[26] in the current financial climate and that the Birmingham Compact has yet to be adjusted to reflect this national change. Some witnesses saw a separation between the Compact and City Council commissioning.

2.2.29   However despite its limitations the Birmingham Compact was still seen as a useful framework with all partners adhering to better awareness and implementation. As both the public and third sectors undergo difficult change it was viewed as one way of helping to manage some of its most difficult aspects for example in negotiating timetables for decommissioning services.

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[26] where third sector bids or grant applications reflect the full cost of projects and include a legitimate portion of overhead costs

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.[27] 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 methodology have been agreed with a greater recognition of assets being more than property. Improvements have been hard-earned from lessons learned in what is a complex and demanding process for all partners with not all proposed CATs coming to fruition for a variety of reasons not least the fundraising required by organisations to take on a building. Nevertheless there is more work to do. For example there could be potential to the City Council in taking a more flexible view of CAT by transferring a very small number of its assets with minimal value to the local authority on a freehold basis where organisations can demonstrate suitable viability. We were also advised that the City Council with its new role in public health needs to be aware of other potential assets in the city such as NHS buildings and those owned by central government such as former DWP sites. Most of all we were urged to remember that CAT is much more than changing the management of buildings/ asset but with real potential to build relationships and strengthen

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[27] Available for download from http://communityassettransfer.com/valuing-worth

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 plans to government in March 2013 that fit with core areas of work that the Department for Communities and Local Government has identified including: community involvement; resource mapping; cost benefit analysis and governance.

2.2.40   While the pilots were not without problems, not least the very tight timescale for submitting plans and difficulties in cost benefit analysis, initial findings from pilots were broadly positive with reports of clearly identified cost savings and potential improvements to outcomes as well as increased resident and organisation engagement. The main issues identified in discussion were the impact of geography and differences in existing third sector activity or infrastructure on undertaking work. Work in Castle Vale and Balsall Heath was more advanced than in Shard End for a variety of reasons including much more clearly defined neighbourhood boundaries in which to work and historic funding legacy having allowed a more easily identifiable third sector to grow. Third sector organisations were viewed as being fundamental to shaping and supporting capability within the pilot areas and where there were a limited number active, as in Shard End, a placed-based approach to development was restricted from the outset.

3 Conclusions and Recommendations

3.1 Clear priorities for working

3.1.1 Against the backdrop of austerity we have outlined earlier in the report it is vital that local authorities, as one of the key economic and place making forces are clear about their relationship with the third sector, as varied as it is, and are positioned to secure the best possible value out of the money they invest with non-profit organisations. A consistent theme from witnesses in their evidence was that there is still little clarity about the City Council's view of what the third sector is for and how it wishes to engage with it. Most organisations we heard from said that they and their members can have very different experiences of this, depending on which councillor or officer they are dealing with. This has been amplified by City Council restructuring in the last two years which is set to continue and has meant organisations have lost many of their historically key contacts.

3.1.2 Previous attempts to devise a 'Third Sector Strategy' have stalled but all witnesses who commented on this said that they would welcome a coherent statement of priorities which recognises both the recent change in City Council administration and changing financial environment, not just for third sector organisations but local government. The City Council's Leader's stark statement that "we are facing the end of local government as we know it"[28] on the City Council's most recent financial settlement requires a view across policy areas on what is envisaged next and there was a strong sense of untapped potential in third sector organisations that the City Council (and wider public sector) can be much smarter at using.

3.1.3 A new strategy will clearly not prompt further change in itself. Nevertheless, making clear where City Council priorities which relate to the sector lie is an essential element for the kind of relationship building from the City Council most organisations we heard from hoped to see. Witnesses emphasised that this was about the City Council ensuring a mutual recognition of issues and resources, rather than handholding organisations, at a time when much of the sector, like local government is undergoing fundamental changes. It is our view and that of all third sector organisations we heard from that it is not the City Council's role to support organisations that are unsustainable.

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[28] See http://www.bbc.co.uk/news/uk-england-birmingham-20038979

3.1.4 The only caveats from witnesses were that who the strategy was for and who has been involved in devising it should be clear and that priorities need to recognise the importance of very small community organisations, the so-called below-the-radar groups, as well as larger ones. As one witness said, in discussing the importance of informal community hubs such as neighbourhood shops

> I would love a City Council Third Sector Strategy that starts to talk about these bits of the Third Sector as if they're important.

3.1.5 Given the lack of previous progress in developing an all-encompassing Third Sector strategy, our view is that a pragmatic approach is needed with an initial emphasis on mapping of current third sector provision on a geographic and thematic basis in order to underpin the necessary strategic priorities for the City Council in its future working with the sector. We see these priorities setting out as a minimum the City Council's:

- Understanding of the sector in the city which recognises its diversity;

- Intentions in working with the sector about what it wants its investment to achieve, notably its view of how third sector organisations can support City Council priorities (while recognising the importance of the sector's independence); and

- Definitions of key terms that have acquired increased weight in funding terms such as 'impact', 'added value' and 'social value'.

3.1.6 The City Council has a core responsibility to address need not wants, it also needs to look at how to use increasingly limited public resources where they will have most effect. In the case of any future third sector support commissioned, we wish to see a much clearer focus on outcome-based rather than the output-based performance indicators (as at present) and that these be based on a clear assessment of the outcomes of BVSC's current contract with the City Council as well as Transforming Local Infrastructure project findings. We are minded that community based support hubs (established in existing premises in partnership) in the four quadrants of the city would best support city devolution goals.

3.1.7 The other central theme of discussion was the importance of City Council investment, be that in the form of grant-funding, commissioning or contracting, needing to be made more consistently on the basis of evidence. As well as greater evidence of need or deprivation we would like to see more attention being paid to valuing 'bottom-up' evidence of the potential within communities to improve neighbourhoods in an asset-based approach.

3.1.8 We see a relatively modest contribution to reformulating State of the Sector reports (currently coordinated by BVSC) to look at both aspects as a way of using local expertise to improve the City Council's ability to be an intelligent funder, commissioner and contractor. Although previous State of the Sector reports have been useful in indicating capacity, need and views in the sector, research for them has been based primarily on BVSC's Third Sector Database. As a result

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	That a thorough and detailed mapping exercise of all third sector provision be undertaken within Birmingham to better ascertain: i) Third Sector activity on a geographic and thematic basis; 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; 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 reducing demand, recognising its influence on the commissioning of other partners; iv) What future City Council Third Sector Support contracts might look like, including proposed Key Performance Indicators which emphasise outcomes over outputs and geography, given the budget constraints of the City Council.	Leader Deputy Leader Cabinet Member for Commissioning, Contracting and Improvement	March 2014
R02	That consideration is given to investing jointly with partners in a new form of annual State of the Sector report (currently coordinated by BVSC) which: i) Forms a sector audit and gives a more rounded, strategic assessment of need; i) Recognises both national expertise available locally from the University of Birmingham's hosting of the Third Sector Research Centre and the importance of community 'bottom-up' evidence in understanding community potential.	Cabinet Member for Commissioning, Contracting and Improvement	September 2013

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 is clear that there are many fewer City Council staff attempting to balance increased demands. The impact of year-on-year "efficiency savings" and associated City Council restructuring has, among other things, the potential to limit the kinds of relationships with communities and associated smaller organisations that are so important in making the most of community potential. In order for the City Council to be an intelligent funder or investor requires generating closer relationships with, among others, third sector organisations in order to influence wider practice.

3.2.2 Several witnesses talked about the ability of many councillors and City Council officers to act as 'skilled connectors' – using local knowledge to link people together in similar situations in a light touch way who can support each other in informal networks as well as develop City Council learning. They also emphasised the importance of supporting groups as they wish to be rather than seeking to 'professionalise' or even control organisations unnecessarily.

3.2.3 Where organisations do wish to take on responsibilities that require formal structures and which support City Council priorities we need to ensure that the City Council is able to advise organisations correctly and be able to identify potential problems. One witness commented that he was struck by City Council officers who were well-motivated but lacking essential knowledge about what makes voluntary organisations work that he regarded as basic (although technical) knowledge, for example understanding different forms of organisational governance. Good governance is an essential part of organisations being able to provide quality and sustainable services.

3.2.4 Witnesses emphasised the importance of increasing City Council understanding rather than highlighting any specific skills gaps that needed to be closed. We are also aware that City Council staff and councillor learning and development plans need to fit available resources and so in our recommendation we propose a focus on increasing internal knowledge-sharing and informal learning opportunities in areas such as Commissioning, Contracting and Governance. In the spirit in which we have already identified in this report of making the most of existing assets, we also support enabling staff and councillors to learn from and better support each other. Witnesses highlighted possibilities from initiatives where the main cost is time over money including shadowing and mentoring. We also believe that there is much professional development potential from social media that the City Council is only just beginning to use and similarly more scope for

in-house learning seminars. We look forward to seeing future National Commissioning Academy[29] learning shared widely across City Council commissioning functions.

3.2.5   One way of addressing the issue, identified in section 2.2.17, of consistency of implementation is to ensure that satisfying City Council Social Value Commissiong Framework requirements and the necessary support to achieve this is included within the PDR process of those staff with responsibilities for commissioning, contracting and grant funding.

	Recommendation	Responsibility	Completion Date
R03	That the essential role many officers and councillors undertake in acting as 'skilled connectors' with third sector organisations and the potential to develop this by is actively recognised by: i) Reframing and clarifying the role of existing City Council Third Sector Champions with an emphasis on linking with small organisations who act as Community Anchors; 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 iii) Reviewing the Birmingham Local Compact to complement work proposed in Recommendation 1.	Deputy Leader	September 2013
R04	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.	Deputy Leader Cabinet Member for Commissioning, Contracting and Improvement	September 2013
R05	That all City Council staff undertaking commissioning, contracting and grant-making roles are supported to be up-to-speed with work on Social Value including the Social Value Commissioning Framework for their respective areas/localities through the Performance and Development Review (PDR) process.	Deputy Leader Cabinet Member for Commissioning, Contracting and Improvement	September 2013

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[29] The Cabinet Office launched the National Commissioning Academy on 31st January 2013 see http://www.cabinetoffice.gov.uk/news/trailblazing-academy-help-transform-public-sector-services for details

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, however reduced. Some grant funding will always be required and is appropriate. Grants can be effective in developing and piloting new ways of working and new services. We want to ensure that the City Council is able to provide small-scale, time limited 'seed corn' grants to smaller community organisations and groups given the potential payback from small-scale investment identified in supporting below-the-radar groups. This needs to be within a structured framework to ensure that funding clearly supports City Council strategic priorities. We wish to avoid the City Council being seen as a funder of first and indeed last resort, that is of routinely supporting projects which could be funded elsewhere or where the likely return on investment is unclear.

3.3.2   We were encouraged to hear that the Grant Funding Framework and Toolkit is already in the process of being reviewed for user-friendliness. Although we heard reports that both have been valued by a number of larger third sector organisations and it has increased overall compliance with City Council funding requirements so reducing risk, there is scope to make it easier and clearer to use. Valid concerns have been raised about the consistency with which it has been implemented; its size and relevance to small community organisations. A lighter touch approach for small-scale grants, suitable for first-time applicants or very small organisations would support new activity where the level of investment (for example under £5k) does not represent a significant risk to the City Council. We welcome member as well as officer involvement in the review process. Given concerns from witnesses about City Council understanding of the sector it is important that reviewers also work closely with third sector organisations in the review to ensure that the final product is fully fit-for-purpose by meeting grant applicant as well as City Council needs.

3.3.3   We were pleased to see that summary information on third sector grants is publicly available via the City Council's Grants Managements System which meets the minimum requirements of the Government's Code of Recommended Practice for Local Authorities on Data Transparency on grants to the sector. However we were surprised that given the City Council's commitment to becoming more transparent in its funding and significant delays in establishing the new Grants Management System that no functionality has been included in the system database to record anticipated and reported outputs and outcomes. It is our view that this significantly compromises aims to invest in grant funding or commission and contract against clear evidence of either need or potential benefit and see updating the system as a priority.

3.3.4   We would also like to see the Birmingham officer Lottery Action Group having a role beyond coordinating funding bids, as successful as this work has been, in drawing together lessons learned for lottery projects. There is scope for it to widen its membership to bring in relevant third sector organisations, in order to increase awareness, grow skills and experience and strengthen cross-sector relationships. While it is not possible, or indeed desirable, for the City Council to

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

	Recommendation	Responsibility	Completion Date
R06	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
R07	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
R08	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[30], to help to minimise the burden on organisations and reduce costs. City Council legal services also cited their offer to Birmingham's third sector organisations in, for example, enabling closer joint working with law firms in the city.

	Recommendation	Responsibility	Completion Date
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

3.5   Supporting work at District level

3.5.1   We note that the Executive are currently exploring ways in which Birmingham can continue to make the most of external funding opportunities to invest in communities and improve neighbourhood outcomes including those delivered via third sector organisations. We are particularly interested in TLI project findings on the establishment of locally-based Support Hubs in the centre and four quadrants of the city and the potential these offer to strengthen connections between the City Council District structures and third sector organisations and would like to see any City Council plans build on this work. One related City Council option, recommended in the City's Green paper on Social Inclusion[31] included the development of a Neighbourhood Trust. We support the detailed exploration of the feasibility and options for this over the next few months.

3.5.2   The benefits that have been achieved in Erdington/Kingstanding from funding a central bid coordinator (providing quality control over funding bids and helping in joining up different teams and potential partners) are a good example of how the City Council can invest to save. We were encouraged by BIG's view that this success could potentially be repeated across the City although with a tailored approach. We heard from the Local Services Directorate that one possibility is to reframe the role of remaining Ward Support Officers, who are also well-placed to evidence need and assets and alignment with strategic priorities in bringing together funding applications. Again we welcome the detailed exploration of options over the next few months providing there is an emphasis on joint working across Districts.

3.5.3   Avoiding duplication was a particular priority for Committee members who wish to see more information made available to them at District level on which organisations are in receipt of funding, from where and to what end. This is seen as overdue and essential to support the best use of resources at Corporate and District level in planning and decision-making.

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[30] See http://www.buyforgood.org.uk/

[31] Birmingham Social Inclusion Process (2012) Giving Hope Changing Lives Making Birmingham An Inclusive City Green Paper available from http://fairbrum.podnosh.com/download-paper/

	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 Commissioning, Contracting and Improvement	September 2013

3.6 Progress with implementation

3.6.1   To keep the Partnership, Contract Performance and Third Sector Overview and Scrutiny Committee informed of progress in implementing the recommendations within this report, the Executive is recommended to report back on progress periodically. This will be carried out through the established tracking process.

	Recommendation	Responsibility	Completion Date
R12	Progress towards achievement of these recommendations should be reported to the Partnership, Contract Performance and Third Sector Overview and Scrutiny Committee no later than October 2013. Progress reports will be scheduled by the Committee from then on until all recommendations are implemented.	Cabinet Member for Commissioning, Contracting and Improvement	October 2013

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

Dr Rob MacMillan	Third Sector Research Centre, University of Birmingham
Lisa Martinali	Castle Vale Community Regeneration Services
Angus McCabe	Third Sector Research Centre, University of Birmingham
Nimmi Patel	Birmingham City Council
Tony Philips-Jones	Children, Young People and Families, Birmingham City Council
Paul Slatter	Chamberlain Forum
Mike Smith	Corporate Procurement, Birmingham City Council
John Taylor	Big Lottery Fund
Joy Warmington	BRAP
Emma Wright	BRAP
John Wynn	Legal Services, Birmingham City Council