
NORTH AYRSHIRE COUNCIL

1st May 2018

Cabinet

Title: **Better Off North Ayrshire – Progress Update**

Purpose: To update members with progress in delivering on the Big Lottery/European Social Fund contract for the delivery of financial inclusion services.

Recommendation: That Cabinet –

- Note the update and continuing approach to manage risk
 - Cabinet writes formally to Big Lottery Fund to seek written reassurances regarding changes to the funding model which would facilitate recovery of current financial deficit over the course of the 3 year programme.
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1. Executive Summary

- 1.1 The report is designed to update Cabinet on the progress of the Better Off North Ayrshire financial inclusion programme after 12 months of operations. It was previously agreed by Cabinet that 6 monthly reports be received on progress due to the financial risk inherent in the funding model. The report sets out progress in the first year of a 3 year programme.

2. Background

- 2.1 The Big Lottery Fund (BLF) first announced the financial inclusion funding in 2015 and North Ayrshire was one of five areas selected in Scotland to receive resources. Following significant delays, North Ayrshire Council submitted a tender in late 2016 for £3M of resources on behalf of a partnership of five 3rd sector providers. The tender was accepted in early 2017, with contracts signed with Big Lottery in February 2017. Services were operationalised between March – October, with a full press launch during Challenge Poverty Week in October 2017.
- 2.2 The Cabinet report in January 2017 set out the approach that was to be taken to the opportunities, risks and challenges associated with the funding. The main aspect of this was the output based payment model that means North Ayrshire Council will be required to make financial commitments to providers but will only be reimbursed by Big Lottery if certain targets are met. The report focused on how this risk would be managed and shared across the partnership.

- 2.3 The programme was launched in March 2017, using the branding “Better Off North Ayrshire”. Better Off North Ayrshire set out to deliver a different type of financial inclusion service – a more holistic approach that would attempt to get to the heart of individual’s issues and provide support to make them more resilient to financial pressures. Ambitious targets were set including the headline target to support 3036 people through a completed action plan.
- 2.4 The local partnership which formed to submit the tender and deliver the programme included:

Organisation	Type of service
North Ayrshire Council	Programme Management
North Ayrshire Citizens Advice	Case Management
CLASP	Case Management
Community Housing Advocacy Project (CHAP)	Digital Access/Skills Shared Tenancy Case Management
ANCHO Housing Association	Case Management
Cunninghame Housing Association	Lemonaid Fuel Poverty
Cunninghame Furniture Recycling Company	Affordable furniture (and consumer goods)
1 st Alliance Credit Union	Affordable credit

- 2.5 The first year of Better Off North Ayrshire has been challenging. Some of those challenges were expected but many of the contractual/funding elements have been unexpected and has resulted in resources being diverted away from driving the programme forward. Despite the challenges, a number of positives can be seen from Year 1.
- From a contract being agreed with BLF in February, most services were available in March/April, with the others available by October.
 - 823 people have been engaged and registered with the service – this is behind our initial target of 1003 but given the challenges experienced, we are encouraged by that figure.
 - 644 have signed up to an action plan against a target of 961, however sufficient evidence of eligibility is not held for 152 of these, meaning they will not be eligible for funding unless this evidence can be obtained.
 - A single point of contact has been established, creating an easy referral route into the services. Referrals from community link workers in GP surgeries have been particularly strong in recent months along with referrals from Employability delivery partners and over the last two months, referrals from Job Centres have increased substantially
 - Hub access points have been established in Ardrossan, Kilbirnie, Stevenston, Kilwinning and Irvine where customers are registered, but also on the same day, receive a number of services in one visit.

- The Better Off Website was launched in October and has been well received by residents and frontline workers.
- Digital skills support has been integrated across all provision. 186 people have accessed this service to date.
- 123 people have been awarded Affordable Loans and opened savings accounts with the credit union. In many cases, the loan has been for the purpose of paying off high cost debts and in all cases, has diverted the individual from approaching high cost lenders.
- 361 people have received energy advice and support.
- Financial gains for our clients totalled £374,544 to end February

2.6 Despite the above positives, much of the focus of the partnership has been on the paperwork and processes required to meet the funder's expectations and fulfil contractual requirements. This has not only been frustrating but has taken significant leadership and development resources away from driving forward the quality and reach of the service.

Financial position

Spend

2.7 At this point spend is slightly below where expected at this stage, with year 1 spend of -

£62k on Programme Management against an expected £80k
£582,159 on services against an expected spend of circa £700,000. .

The majority of underspends in year 1 are associated with delays to recruitment being experienced by partners and the council's programme management team. Underspends will be re-allocated across the next two years of delivery and full spend of the programme is planned for.

Income

2.8 Programme Management costs i.e the costs the council incur in managing the programme are reimbursed quarterly in full by Big Lottery Fund and as such there is no issue with recovery of costs. To date income of £85,125 has been received to cover these costs, so there is surplus cash flow of £23k at the moment.

2.9 Cost recovery for the service delivery aspects of the programme operate on a unit cost model, paid when outputs are achieved. As such there is a risk that if outputs are not achieved, then income required to cover costs will not be achieved. The payment model is such that Lottery will pay a fixed amount for 100% complete and 50% complete service user action plans and specific evidence must be held on file. This payment model has caused the local partnership significant difficulties in terms of securing payment while delivering a service that fits with the partnerships ethos. At end of year 1, no income had been received from the Big Lottery Fund as a compliant claim had yet to be submitted and approved for payment.

2.9.1 North Ayrshire Council's 17/18 budget allocated an additional £500k to enhance services, with £100k allocated to a Better Off web service, £100k to enhance the digital access

project and £300k to build capacity to support people with health issues. At year end, drawdown of £149,780 of these funds will take place to reflect spend on these areas.

- 2.9.2 With spend on services of £582,159 and drawdown of council allocation of £149,780, this leaves a funding gap at this stage of £432,379. While the gap is concerning, we fully expect the gap to narrow in the coming months.
- 2.9.3 Submission of claims has been subject to delays due to uncertainty of what would be accepted for payment and also 100% of files are being audited by BLF for initial claims. A small selection of files have recently been audited and approved for payment in the last week. This claim will generate income of £39,105. Further claims are planned in the coming months subject to BLF audit. The estimate of income that will be achieved through these claims is £194,725. This would narrow the funding gap to £198,549 at that point.
- 2.9.4 As will be noted in the rest of the report, different funding models are being pursued but have not yet been agreed. If the proposal to pay a 20% fee for action plans commenced was approved, we believe we have 200 additional compliant action plans which could be submitted for payment in relation to Year 1 activity. This would generate income of £31,284 and narrow the funding gap again to £167,265. However it should be noted that this change to the funding model has not been approved.
- 2.9.5 A significant cash flow issue was always expected due to the nature of the model but the lack of income is a concern and addressed in the following sections.

Challenges in meeting contractual targets

Challenges faced by the partnership in meeting targets and generating income can be grouped under 5 main headings –

- Eligibility and compliance
- Action Plans that qualify for payment
- Engagement in order to achieve KPIs
- Local partnership issues
- Resultant challenges meeting KPIs and generating income

Eligibility and compliance

The delivery partnership has experienced difficulties in evidencing eligibility of service users. Service users present at a time of crisis and obtaining compliant paperwork has not always been possible. ESF compliance rules are often complex and difficult to adhere to.

Action Plans that qualify for payment

There has been significant doubt and subsequent debate about what would constitute an action plan that would qualify for payment. A year from starting the programme, consensus appears to have been reached with BLF but there are two consequences of the lack of upfront clarity -

- Many earlier produced action plans will not now be compliant and therefore not generate an outcome payment.
- Moving forward, it will be far more difficult to produce action plans for payment than originally assumed, making original KPIs difficult to achieve.

The objectives of the BONA partnership has not always proven to be a perfect fit with the requirements of the funding model with levels of tension around wanting to provide a service to anyone in need, understanding that those in crisis regularly disengage from the support and therefore don't complete a fundable action plan. An example of this would be the Lemonaid project which has supported 361 people during Year 1, with energy issues including self-disconnection. While these customers have obviously received a vital service, it has proven difficult to convert this single service into a holistic journey for the customer involving several services. In instances where a single service is provided, payment has not been approved.

2.9.6 Engagement in order to achieve KPIs

Although overall numbers engaged has not been too far behind expectations, it is now clear that the funding model will mean we will need to engage significantly more residents in the service in order to meet KPIs and achieve income; as there will be always be a proportion of cases that will not generate payment.

2.9.7 Local Partnership issues

North Ayrshire Citizens Advice Services (NACAS) withdrew from the partnership in February due to core funding issues and have subsequently announced their complete closure. Another deliver partner CLASP has withdrawn due to concerns with their core funding, making their commitment to the programme not viable. These withdrawals have caused short term issues where the partnership have had to reallocate resources to replace this service provision.

Resultant challenges in meeting KPIs and generating income

All of the above challenges have made it extremely challenging to meet KPIs and generate income. North Ayrshire Councils difficulties are shared by other lead contractors across Scotland – only in the last month have a number of small claims been processed for payment.

- 2.9.8 BLF have recognised the difficulties and are working with the lead contractors to seek solutions that will address the year 1 issues. Assurances have been given by BLF that new approaches to the funding model will be put in place with the dual aim of ensuring the financial viability of the project for all and achieving the core objectives of the programme. We expect in the coming months, a change to introduce a different structure to the payments, which will reward providers for people signing up to an action plan. We also expect contractual KPIs to be amended at some point during the first part of Year 2 due to the fact that across all areas progress towards KPIs has been far more difficult than expected.

- 2.9.9 In addition, the Council and partners are learning the lessons of year 1 to improve eligibility and compliance while ensuring that we are able to deliver the service that we set out to deliver. At the end of year 1, reviews were carried out with all service providers. It was clear that improvements were required in terms of engagement, paperwork and action plans. Whilst two providers left the partnership, this has also freed up resources to fill gaps in new ways.
- 2.9.10 In summary, if the Better Off North Ayrshire programme had been in receipt of standard grant funding, then Year 1 would have been considered challenging but successful for a first year. However as the programme is funded through an output based funding model, the situation has been far more challenging. Due to the problems experienced in Year 1, the financial risk to the council is significant and will require significant management. There is a risk that the Council may deliver services which we do not receive the income to reimburse. In managing this risk, we believe we need the commitment of the funder (BLF) to support us to make changes to the contract to ensure financial viability and we believe we have that commitment, albeit not formally at this stage. And we believe we need local providers who are committed and willing to learn from Year 1 – again we are confident we now have this in place. Full details of the challenges faced and the mitigation measures which have been put in place are detailed at appendix 1.

3. Proposals

- 3.1 It is recommended that Cabinet:
- Note the update and continuing approach to manage risk
 - Cabinet writes formally to Big Lottery Fund to seek written reassurances regarding changes to the funding model which would facilitate recovery of the current financial deficit over the course of the 3 year programme.

4. Implications

Financial:	<p>The Better Off programmes funding model is output based and as such there is a risk if outputs are not achieved. This risk is continually monitored and the funders are committed to working with us to reduce this risk in Year 2 of the programme.</p> <p>The funding gap is expected to narrow to £198,549 in the coming months subject to BLF audits.</p>
Human Resources:	<p>It is proposed the councils programme management team is augmented with an engagement officer to increase capacity and generate more referrals in order to support the achievement of KPIs. This would be funded through underspends on programme management costs due to delayed recruitment.</p>
Legal:	<p>All service delivery providers operate through annual sub-contracts. Year 1 sub-contracts have now been reviewed and year 2 contracts now agreed with the remaining providers.</p>
Equality: Children and Young People:	<p>Better Off North Ayrshire is a key initiative in attempts to reduce financial exclusion in the area.</p> <p>Reducing financial exclusion is a key task in reducing child poverty and its impacts on young people. The programme has a key focus on supporting lone parents.</p>
Environmental & Sustainability:	<p>None</p>
Key Priorities:	<p>Better Off North Ayrshire supports the delivery of the Council Plan 2015 – 2020.</p>
Community Benefits:	<p>None</p>

5. Consultation

- 5.1 North Ayrshire Council have used the Better Off North Ayrshire Steering Group to consult on the issues raised during Year 1 and to agree appropriate responses, however as lead contractor final decisions rest with the councils programme management team. Discussions have also taken place with a range of stakeholders including council services,

NHS, DWP among others. Approaches to managing the financial risk and the inclusion or not of VAT costs, have been discussed with colleagues in Finance.

A handwritten signature in black ink, appearing to read 'Karen Yeomans'.

Karen Yeomans
Executive Director, Economy and Communities

For further information please contact **Greig Robson** on **01294 324951**.

Background Papers

Insert titles of any background papers or N/A

Appendix 1

Challenges and Mitigation Measures for Better Off North Ayrshire

Challenge	Mitigation measures
Evidencing eligibility of customers and general paperwork compliance issues	<ul style="list-style-type: none">• A programme delivery support officer is now in place within the Programme Management Team and she will be able to audit files and paperwork as they are produced, eliminating the opportunity for issues to be identified at a later stage• Where evidence has not been obtained at the time of the service being provided, the programme management team are seeking to get evidence from elsewhere. Discussions have taken place with the Councils Revenue and Benefits team about evidence that may be available in housing benefit claims, that could be utilised (data protection issues allowing)• Learning from year 1 is allowing partners to be far more effective in collecting sufficient evidence at the time of service delivery. There is now a massive focus on this given the income implications.• A recent audit of files by BLF staff has highlighted strengths and weaknesses with paperwork and compliance, which has given more certainty and knowledge to partners moving forward.<ul style="list-style-type: none">○ Quarterly Development Days for frontline workers – the second is taking place on 23 March.○ A new Programme Delivery Support Officer who is now in post which will support a more proactive compliance and audit regime○ A Standardised format for Better Off case files has been circulated along with a

	<p>Checklist for internal delivery partner audits of their own files</p> <ul style="list-style-type: none"> ○ more proactive audit of files by the Programme Management team as they are produced and highlighting issues that occur, ○ new and substantial operational guidance has been produced and issued to partners ○ significant BLF negotiations and clarifications has taken place and are ongoing ○ compliance requirements will be reinforced in year 2 sub contracts.
Engaging significant customers in order to achieve KPIs	<ul style="list-style-type: none"> • A new engagement plan to increase registrations and throughput • A mailshot to 14,000 Housing Benefit claimants in April • increased presence in job centres • a new staffed Information resource/drop-in facility at the Michael Lynch centre in Ardrossan.
Producing action plans which qualify for payment	<ul style="list-style-type: none"> • Much of the year has been spent working with partners and BLF to understand and develop action plans which will qualify for payment. The partners are now much clearer on what is required moving forward. • Various changes have been made to the model, with underspends being reallocated to improve conversion of cases to payable action plans. The locality hubs which have been developed are a key part of ensuring people always get more than a single service provided and as such qualify for payment. • Big Lottery Fund have relaxed some previous stipulations in terms of the

	<p>language and format of action plans, which is allowing us to move forward more confidently.</p>
<p>Local Partnership Issues</p> <p>Withdrawal of NACAS and CLASP</p>	<ul style="list-style-type: none"> • This has caused short term difficulties in terms of replacing provision, however resources have been reallocated across the partnership and we are now confident a more streamlined and effective offer is in place. • New arrangements are being put in place to ensure where possible, continuity of service where sub contracts have ended. This includes increasing resources made available to the remaining sub-contractors. Better Off North Ayrshire in partnership with the councils Money Matters team will form the core of the Council response to the closure of NACAS, particularly in relation to debt advice. Whilst it is not a like for like service, Better Off will be able to respond to financial issues for those most in need.
<p>Achievement of KPIs and associated income</p> <p>All of the above challenges make it highly unlikely that the original target to produce 3036 100% complete action plans over the 3 years is possible, given the time and resources that are having to go into producing a compliant action plan and case file.</p>	<ul style="list-style-type: none"> • Discussions have been taking place between North Ayrshire Council and Big Lottery Fund for some months on this matter and we have received assurances that the Big Lottery Fund is committed to finding ways to ensure the financial viability of the programme for providers. We are seeking to have these assurances formalised. • A variation to contract request has been submitted to BLF which will seek approval for various changes to our partnership and model. In addition, we have received new advice on the

	<p>treatment of VAT and HMRC have confirmed that VAT is not payable. If approved as indicated, this would increase the unit cost payment and release more resources for frontline delivery.</p> <ul style="list-style-type: none">• Changes to the payment model have been developed and are being submitted to the EU Structural Funds division for approval – these changes would reduce the financial risk for the council.• We also expect a more realistic position to be taken on KPIs, which would see a reduction at some point in Year 2. This again would reduce the financial risk to the council• It should be noted that there is shared financial risk between Big Lottery Fund and each of the Lead contractors and as such we have confidence that solutions will be developed.
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