



North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

SUPPLEMENTARY AGENDA

for the consideration of
the Cabinet at its meeting on 17
January 2017

Business

9. Financial Inclusion - ESF/Lottery Tender

Submit report by the Executive Director (Economy and Communities) on the development of the North Ayrshire Council submission to the Big Lottery Fund/European Social Funds Financial Inclusion programme and seek endorsement of the councils approach to the funding (copy enclosed).

NORTH AYRSHIRE COUNCIL

Agenda Item 9

17 January 2017

Cabinet

Title: **Financial Inclusion - ESF/Lottery Tender**

Purpose: To update Cabinet on the successful outcome of North Ayrshire Council submission to the Big Lottery Fund/European Social Funds Financial Inclusion programme and seek endorsement of the councils approach to the funding.

Recommendation: That Cabinet :-

- Welcome the investment in financial inclusion services;
 - Endorse the approach being taken to the opportunities, risks and challenges associated with the funding;
 - Support the promotion of the Better off North Ayrshire services throughout council directorates.
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1. Executive Summary

- 1.1 This report informs members of the successful outcome of the North Ayrshire Council £3M bid to the Lottery/ESF Financial Inclusion programme (subject to 10 day standstill period). The background to the Lottery/ESF Financial Inclusion tender opportunity, the funding available and the types of services that could be funded, is outlined. The report highlights the opportunities this presents for North Ayrshire but also outlines the challenges and risks associated with the funding model. The shape of the North Ayrshire led bid is outlined and details provided on how the council proposes to approach the opportunities, challenges and risks associated with the funding.

2. Background

- 2.1 The Big Lottery first announced the financial inclusion funding in spring of 2015. On 27th October 2015 Cabinet approved a financial inclusion strategy for the area and approved the council to submit a tender as the lead contractor of a consortium of 3rd sector delivery agencies. The launch of the tender was then subject to delays for almost a full year.

- 2.2 An open procurement process was announced in September 2016 for five local authority areas. £17.3 million has been allocated to the five local authority areas. North Ayrshire was selected as one of the five local authorities with an allocation of £3M for 2017-2020. The contract is awarded to one delivery partner in each area and Big Lottery expect a partnership approach to be utilised which involves existing services, local expertise and access to those hardest to reach. This was a competitive bidding process with scoring based on 30% costs, 70% quality. The Big Lottery have stipulated that delivery should be primarily in the 3rd sector.
- 2.3 The invitation to tender (ITT) was released on the 30th September 2016 with a submission date of 7th November 2016. The contract is for a term of 3.5 years beginning on 20 February 2017. Service delivery will be for 3 years with the final 6 months for follow up of clients and evaluation. We received confirmation that our tender was successful on 12 January 2017. This is subject to a 10 day standstill period, which is standard procedure for large tenders. Following this standstill period, discussions with the Lottery will commence and contracts will need to be agreed during February.
- 2.4 Target beneficiaries (or 'eligible participants') are:
- Workless
 - Lone parent
 - Low income households
- 2.5 The Lottery has set out two overarching contract outcomes.
- Contract Outcome 1: Minimum number of eligible participants with improved money management skills.
- Contract Outcome 2: Minimum number of eligible participants no longer affected by debt as a barrier to social inclusion.
- 2.6 Eligible Participants are expected to receive intensive holistic support to deal with issues including but not limited to:
- Debt;
 - Fuel poverty;
 - Accessing affordable credit;
 - Accessing affordable products;
 - Lack of basic banking services
 - Lack of money management skills; and
 - Lack of IT/digital skills needed to manage money online.

Payment mechanisms

- 2.7 North Ayrshire was allocated £3M inclusive of VAT. The payment model can be broken down as follows:-

- 2.8 10% of the £3M has been set aside for central administration costs – i.e. to cover costs such as managing the contract, collecting performance data, reviewing progress, continuous improvement.
- 2.9 80% of the £3M has been set aside for support costs i.e. the services being provided on the ground by providers. These payments will be made when beneficiary action plans are 50% and 100% complete.
- 2.10 10% of the £3M has been set aside and will be paid based on meeting gender breakdown targets.
- 2.11 The structure of the funding bid is outlined below. It should be noted that the Lottery decision to tender this programme means that VAT applies and reduces the amount of funding available for delivery and administration.

	Total available	NAC Bid	VAT	Total
Central costs	£300k	£248,907.32	£49,781.46	£298,688.78
Operational costs	£2.4M	£1, 920,000	£480,000	£2,400,000
Total costs	£2.7M	£2,168,907.32	£529,781.46	£2,698,688.78
<p>The operational costs will be paid on the achievement of completed action plans.</p> <p>A final 10% contract payment (up to £300k) will be paid on the achievement of gender breakdown targets.</p>				

Development of a North Ayrshire bid

- 2.12 Initial discussions with Big Lottery commenced in June 2015 and following a market testing event, North Ayrshire Council commenced discussions around developing a consortium bid.
- 2.13 A strategy was developed and approved by Cabinet and CPP Board in 2015, with a view that this would provide a sound basis not only for the Lottery bid but for driving a more coordinated approach across the public and voluntary sectors. Partners were then asked to submit expressions of interest detailing service proposals that would respond to the aims of the strategy and what we knew of the Big Lottery aims at this time.

- 2.14 At this point, there was no agreement that the Council would lead the bid and consortium, and expressions of interest were also sought on this leadership role. However as partners could see the challenges and risks of being lead, there was agreement that the Council were the only organisation with the capacity, experience and expertise capable of leading the bid.
- 2.15 Numerous delays followed, including the cancellation of the agreed process in June. Big Lottery announced a new single stage process which opened on 30th September 2016.
- 2.16 **The “Better off North Ayrshire” funding bid**
- 2.17 North Ayrshire Council has developed a strong consortium bid involving a range of local 3rd sector partners, with the Council as lead partner. The consortium have agreed on a partnership brand of “Better off North Ayrshire”.

Lead Partner/Deliverer of service:

North Ayrshire Council

Subcontractors:

- ANCHO
- CLASP
- North Ayrshire Citizens Advice Bureau
- Cunninghame Housing Association
- CHAP
- 1st Alliance Credit Union
- CentreStage

Wider partners not involved in delivery consortium but will form part of the overall partnership approach:

- 3rd Sector Interface
- Ayrshire College
- DWP

- 2.18 It should be noted that the consortium bid was submitted with the above agencies, however no sub-contracts have been agreed at this point, therefore the agencies involved could change if any organisation decided now that the arrangement were not suitable for them. North Ayrshire Council will be proposing sub-contracting arrangements to the partners during January.

- 2.19 The bid focuses on a holistic wrap around advice service, which will provide specialist services in order to achieve outcomes for customers. A model, customer journey and KPI's are outlined at Appendix 1.
- 2.20 Each eligible participant requires an action plan and all interventions require effective and efficient monitoring and evaluation in line with ESF requirements to ensure the outcomes are met and financial payment is made.

3. Proposals

Opportunities, Challenges and Risks for Council as Lead Bidder

Opportunities

- 3.1 The main opportunity lies in developing a coherent service response to raise incomes for our most deprived communities. Over 3000 people should benefit and if the model works as intended then people's financial issues should be dealt with in a holistic way which means we move from a crisis management response to building capability – reducing the need for repeat service provision.
- 3.2 The services on offer from Better off North Ayrshire can be categorised as completely new products or enhanced versions of what is currently available.

Completely new products

- North Ayrshire will benefit from a Community Development Finance Initiative (CDFI) for the first time. This will offer short term loans at more reasonable rates than available commercially. This would respond to a recommendation of the 2014 review of affordable lending;
- We will have an affordable furniture initiative, which will utilise the credit facilities of the CDFI to provide a low cost competitor to the likes of "Brighthouse", providing an alternative to high cost credit household goods;
- New approaches to digital engagement and access will be pursued;
- Our engagement will be innovative – with outreach being employed in the most deprived communities, and in frontline services such as health settings, job centres and Ayrshire College. Employers will also be targeted in order to engage the "working poor".

Enhanced existing products

- CHA Fuel Poverty initiative LemonAid – additional capacity and better links to other services.
 - Advice services – Ancho, NACAS and CLASP will deliver these to specific geographic boundaries and will deliver in more joined up, holistic ways. They will attempt to deal with root causes of a person accessing a service and prevent them from needing repeat services.
- 3.3 We have the opportunity to develop and embed a brand for financial inclusion services. With a new brand and resources to engage in different ways – our aspiration is to reach those who have traditionally not engaged.
- 3.4 We have an opportunity to build a partnership approach which can outlast the lottery funding. We know the lottery resources will end in 2020 and sustaining services will be a challenge but we should be in a better place in terms of understanding which services have greatest impact and how we can target more effectively.

Challenges and risks

- 3.5 The main challenges and risks lie in the combination of EU funding and the Big Lottery approach to the contract. Big Lottery have adopted a unit cost model which presents challenges and risks both financial and in terms of impacting on service delivery. The risks are outlined at appendix 2, with some assessment of our capability to manage those risks.
- 3.6 The other main challenge is in managing a partnership of agencies who have limited experience of working together in the past and have their own aspirations from the fund. Based on Lottery feedback, there may be a need to revisit partnership structures and the delivery model. It may be that some partners will get less funding than they would have hoped for or on different terms.

4. Implications

Financial:	90% of the funding available will only be paid based on the achievement of outputs, so there is a clear risk to the lead contractor - in this case the council. However as outlined at appendix 2, we have assessed the risk and believe the benefits of the council leading this tender far outweigh the risks.
Human Resources:	10% of the fund is available to administer the programme. Our tender proposal set out our intention to recruit 2 members of staff - a Programme Manager and a Monitoring and Compliance Officer.
Legal:	Sub-contracts will be put in place during January, which will set out the funding model and the service spec we require to be delivered. These arrangements will be agreed with Legal Services and Procurement.
Equality:	The Better off North Ayrshire proposals present an opportunity to make a material impact on issues of inequality in North Ayrshire.
Environmental & Sustainability:	None
Key Priorities:	The Better off North Ayrshire proposals address Council priorities in relation to building stronger communities, ensuring people have the right skills for learning, life and work; and growing our economy.
Community Benefits:	None

5. Consultation

- 5.1 The bid has been discussed with Health and Social Care – as they are a current deliverer and funder of financial inclusion services. Health and Social Care are satisfied that the bid complements Money Matters future aspirations re service delivery and in the future will use their funding to fill any gaps in provision that Lottery funding cannot fill. Other council departments have been briefed on the bid as it developed, through the Welfare Reform Working Group. The financial inclusion strategy on which the bid had been built on was approved by Cabinet and the CPP Board during 2015. Through the development of the bid, experts in certain areas were engaged - for instance Carnegie Trust have been heavily involved in the development of the CDFI proposals.



KAREN YEOMANS
Executive Director (Economy and Communities)

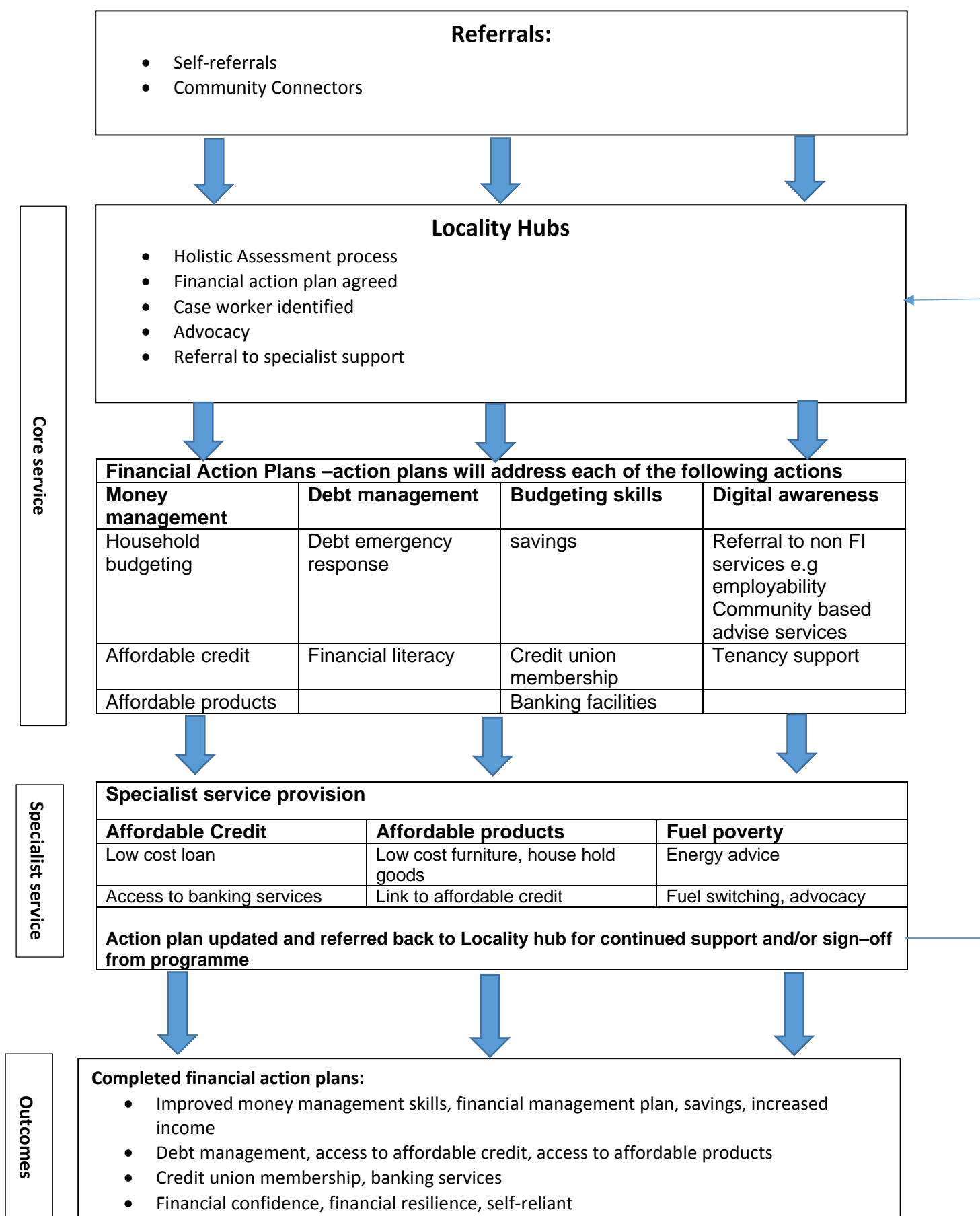
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For further information please contact Greig Robson, Senior Manager,
Employability & Skills on 01294 324951

Background Papers

none

Appendix 1: CLIENT JOURNEY



Appendix 1 – Key Performance Measures, Client Journey, Service Delivery Model

KPI		KPI target		Payment related KPI																		
		Male	Female																			
1	The number of Eligible Participants engaged/reached through the service provider’s engagement and promotional activities.	Year 1: 408 Year 2: 520 Year 3: 529 Total: 1457	Year 1: 595 Year 2: 799 Year 3: 792 Total: 2186	No																		
2	The number of Eligible Participants that sign up to a bespoke Action Plan.	Year 1: 391 Year 2: 498 Year 3: 507 Total:1396	Year 1: 570 Year 2: 766 Year 3: 759 Total: 2095	No																		
3	<p>Number of Eligible Participants that complete all activities in their Action Plan</p> <p><u>Note: Total target across the three years must not be below the minimum targets applicable to the Lot:</u></p> <table><tr><td>Area</td><td>Male</td><td>Female</td></tr><tr><td>Argyll and Bute</td><td>694</td><td>848</td></tr><tr><td>Inverclyde</td><td>671</td><td>1006</td></tr><tr><td>Dundee</td><td>856</td><td>1285</td></tr><tr><td>North Ayrshire</td><td>856</td><td>1285</td></tr><tr><td>Glasgow</td><td>1216</td><td>1824</td></tr></table>	Area	Male	Female	Argyll and Bute	694	848	Inverclyde	671	1006	Dundee	856	1285	North Ayrshire	856	1285	Glasgow	1216	1824	<p>Year 1: 340 Year 2: 433 Year 3: 441</p> <p><u>Total: 1214</u></p>	<p>Year 1: 496 Year 2: 666 Year 3: 660</p> <p><u>Total:1822</u></p>	Yes - payment mechanism C
Area	Male	Female																				
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Appendix 2 – Challenges & Risks

Challenges, risks	The issue	Level of risk/mitigation measures
ESF compliance	Although the contract will be between North Ayrshire Council and The Big Lottery it is very clear that ESF processes and principles will apply. The Council has previous experience of this within Economic Growth however almost none of the sub-contractors have experience.	<p>Low/Medium</p> <p>The council have experience and systems in place to manage this risk effectively. We will use the MI system being used for ESF employability activity and paperwork developed for that, which we know is compliant. The employability and skills team have experience and a track record of managing compliance effectively – our major concern is with the very tight funding for central administration, which limits our capacity somewhat.</p> <p>It should be noted that the Big Lottery will require extensive input from council staff prior to contract commencement in Feb 2017. There will also be a need to develop complex sub-contracts with providers during Dec/Jan/Feb which will put further pressure on the Employability and Skills team.</p> <p>Not many of the sub-contractors have experience of ESF however all are now aware that if paperwork is not compliant, we won't get paid and in turn they won't get paid.</p>
Financial risk	Other than the 10% that the council will receive to manage the programme, all other aspects of the funding are dependent on meeting targets. If we do not achieve over 3000 ESF compliant	<p>Medium</p> <p>In the development of the bid we have done several things to minimise risk of non-performance which would lead to financial risk for the council.</p>

	<p>completed action plans, with the apt gender splits, then we will not receive the full funding.</p> <p>The contract with the lottery will require the Council to develop back to back contracts with all subcontractors to ensure there is a clear understanding of roles, remits and expectations regarding delivery of KPI's and monitoring and funding.</p> <p>.</p>	<ul style="list-style-type: none"> • We have shared the main target for completion of action plans across 3 providers, meaning that if one provider was for instance to start slowly, then other providers could take up the slack and keep overall progress to target. • The three providers are already established and delivering in the area and therefore should be ready to start delivering in February. • We have submitted targets for action plans which we believe are ambitious enough for the lottery but do not present us with anything that is not achievable. Our providers all submitted targets way in excess of the overall target we subsequently submitted. Based on the experience of what providers currently deliver, we believe the partnership could easily delivery upwards of 4000 action plans. <p>Despite our confidence about meeting the overall targets, there is an understandable nervousness amongst partners. We need now to ensure two things.</p> <ul style="list-style-type: none"> • That we develop subcontracting arrangements which balance sharing risk with providers with contracts that 3rd sector orgs can sign up to.
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Cash flow	Cash flow is always an issue with ESF programmes as it often takes months if not years to get claims into Government, checked and approved. We expect the lottery to pay us as we achieve KPI's but	<p>Low</p> <p>As noted above, we are confident about meeting our overall targets over the 3 years, however it is clear that cash flow is very unlikely to be positive until the later stages of the programme. Initial projections suggest the council could have negative cashflow of</p>

	<p>the nature of the funding model means we will inevitably be in deficit from some time.</p> <p>We will be paid circa £400 for every 50% completed action plan and a further £400 for every completed action plan.</p> <p>We will then have an additional £300k which we can claim when we meet gender specific targets. We may only get this towards the end of the programme.</p>	<p>between £200-£500k for much of the programme, even if meeting targets.</p> <p>We do not believe cash flow in itself is a major issue, as this is a normal consequence of EU funding and something we manage. The main risk is around performance and the impacts on payments, which are outlined in section above.</p>
Service delivery risk	<p>We believe the funding model which has inherent risks for providers, could incentivise unhelpful behaviours or lead to poor quality provision not in the ethos we would desire.</p>	<p>Medium</p> <p>Our sub-contracts should minimise this risk. They will specify:</p> <ul style="list-style-type: none"> • The service we expect to see on offer • The paperwork standards we expect to be met • The targets we expect to be met • That we expect all spend declared to be fully auditable <p>And the sub-contracts will be offered on an annual basis, and will include options to cease funding or renegotiate with providers if contractual stipulations have not been met.</p>