

COMMERCIAL IN CONFIDENCE



FORWARD**TOGETHER**

3 Year Business Plan

March 2013 to March 2016

**Version 1
01.03.2013**

Contents

	Page Number
Executive Summary	3
Introduction and Background	8
Operating Environment: Key Trends Analysis	11
Overview of the Market: Need, Demand and Supply Issues	22
Consortium Model & Operating Structure	26
How the Contracting and Sub-Contracting process will work	30
Consortium Vision, Mission, Policy Aims & Underpinning Values	36
Business Principles	44
Activities, Outcomes & Impacts	45
Risk Analysis	49
Approach to Quality Assurance	53
Resource Requirements, Cost Profile & Funding Prospects	54
Appendix 1: SWOT Analysis	57

Executive Summary

Introduction and Background

This document sets out the business strategy of the new Knowsley Third Sector Consortium – *Forward Together* (this is the working title of the initiative).

A working group has been set up to oversee the drafting of the business plan. This group is composed of representatives from the following Third Sector organisations:

Citizens Advice Bureau
Platform 51
Huyton Advice Centre
National Wildflower Centre
Home-Start Knowsley
Age UK Knowsley & West Mersey
Knowsley Disability Concern
Halewood Youth in Community Centre
Listening Ear (Merseyside)
ELECT
KUC
Knowsley CVS
Barnardos

The consortium will open up new contracting opportunities, promote joint working and encourage organisational learning and development.

Operating Environment: Key Trends Analysis

The ongoing trajectory of cuts in public sector finance presents both threats and opportunities for the sector. Third Sector organisations will need to be much more competitive and efficient to be able to survive in the new, more challenging operating environments. However, the sector could also be in a key position to benefit as more services, which hitherto were the exclusive domain of the public sector, are outsourced to non-state providers.

Overview of the Market

Knowsley's Joint Strategic Needs Assessment 2011 reveals a number of key issues facing the borough.

- The number of people aged over 50 is expected to increase by 7,500 in the ten year period to 2019, with the greatest proportionate increase occurring in the 85+ age group.

- The dependency ratio, which looks at the ratio of children and those of pensionable age as a proportion of those who are of working age is set to increase markedly over the next 20 years, rising from 61.8% in 2009 to 80.6% by 2030. The main reason for this is the expected increase in the elderly dependent ratio which is due to rise from 29.5% in 2009 to 45%.
- The rate of claim for Incapacity Benefit is almost twice the national average in Knowsley at 13% of working age people.
- The worklessness rate for Knowsley is 24% compared to a North West average rate of 16.3%.
- Knowsley is the 5th most deprived borough in the county. Significantly for its future economic prospects, public sector employment accounts for 32% of total jobs in the borough.
- Educational attainment at GCSE level is below the national average.
- Life expectancy at birth in Knowsley is more than 2 years below the national average.

The development of the consortium will put the local Third Sector in a strong position to respond efficiently and effectively to needs and demands within the borough and the wider Liverpool City region.

Business Model

Scope

The consortium will embrace all third sector organisations that demonstrate that they either already meet certain contract readiness criteria or have the capability to do so in the near future. These organisations will include charities, voluntary and community sector bodies and social enterprises. It will also include large, national bodies that can demonstrate local commitment working alongside small Knowsley-based groups as captured via the Membership Prospectus

This broad and inclusive approach to collaboration will enable the consortium to design new approaches, develop new service models and build wide-ranging, diverse and flexible supply chains.

In this way it will enable the consortium to harness the third sector's unique capacity to 'reach the parts that others cannot reach' and deliver cost-effective, high impact outcomes for local communities.

The consortium will bid for any relevant and appropriate large scale contract opportunities for the third sector and cover the whole of Knowsley. At a later stage it will bid for contracts beyond Knowsley.

Consortium Model & Operating Structure

The joint venture will be organised as a formal consortium. In other words, it will be established as a separate legal body with the provider organisations taking up membership of this body. The defining features of this model are as follows:

- Member organisations comprise (by clear majority) the consortium's governing body/Board, alongside representation from key external stakeholders and independent perspectives, including the local authority
- The consortium creates a single funding portal/point of contracting (i.e. the local authority and other commissioning bodies/funders commission/contract with the new legal entity which will be responsible for setting up and managing sub-contracts/SLA's with individual consortium members)
- It operates through a hub and spokes structure (the hub being the central infrastructure that acts as the executive engine of the consortium, including negotiating and sub-letting contracts [accountable to the Board and wider membership], and the spokes being the various individual member organisations/providers).

How the Contracting and Sub-contracting process will work

In order to deliver its vision of enabling local people to achieve their full potential, the consortium needs to secure resources and subsequently allocate those resources to member organisations in a way that ensures optimal service delivery. This will involve the consortium in negotiating a number of key stages in a cycle of service co-design, resource acquisition and resource allocation.

Consortium Vision, Mission, Policy Aims & Underpinning Values

The partners have developed a clear **vision** for the consortium:

Our vision is to work collaboratively and improve the quality of life and resilience for people and communities.

The **mission** of the consortium is to:

Sustain and strengthen a vibrant and effective third sector.

The consortium's **policy aims** are clustered under the following headings:

- Influence and Shaping Services
- Clients/service users
- Funding & Finance
- Strategy

- Member organisations (quality improvement and organisational capacity building)
- Contract/Information Management
- Governance arrangements

Activities, Outcomes & Impacts

The consortium will provide services to those most in need and its target 'reach' is 30% of residents.

Risk Analysis

A number of robust control measures have been formulated to combat the main risks facing the consortium (see p52).

Approach to Quality Assurance

Certain eligibility criteria will be set out in the consortium's Membership Prospectus as a condition of entry into the consortium. Eligibility criteria to be 'full members' of the consortium will mirror Knowsley MBC's PQQ requirements.

The consortium will also adopt a quality assurance policy that all member organisations will need to adhere to. This will include the requirement for member organisations to produce an annual Self-Assessment Report (SAR) that will entail providers identifying their current strengths and weaknesses and formulating an improvement plan to build on the former and address the latter. Members will be supported to engage with this process.

Hub Resource Requirements, Cost Profile & Funding Prospects

The hub resource allocation level will be aligned with the contract top slice percentage, which will be benchmarked at between 5 and 10%. The hub will need to be sufficiently flexible and responsive to expand and, if necessary, *contract* in line with fluctuations in the funding market.

As a contribution to pre-start costs, Knowsley MBC has committed some of its own funding, and commissioned ACEVO and Neil Coulson Associates to help support start-up. Once secured, delivery funding/contract income will be the lifeblood of the hub mechanism, operating via the minimal top slice facility.

The consortium will adhere to a number of business principles. It will:

- Apply business skills and commercial principles in order to flourish as a social enterprise operating within the independent sector
- Set clear business objectives

- ❑ Explore and take advantage of opportunities within a planned approach, drawing on the consortium's strategic position within the borough and beyond
- ❑ Create and use management information as an integral part of business and strategic planning
- ❑ Undertake short and long-range business and financial forecasting
- ❑ Focus on outcomes rather than inputs and outputs
- ❑ Streamline the consortium's management and back office functions
- ❑ Adopt a total, "whole organisation" approach to developing business awareness, skills and understanding; in other words, ensuring that business development capability is not just invested in a few individuals but embedded across the consortium
- ❑ Employ business and financial analytical tools (e.g. competitor analysis, break-even analysis etc) as a natural, routine function of maintaining the consortium
- ❑ Take decisions about areas of potential work/activity on the basis of sound business and financial analysis, as part of a continuous risk management strategy
- ❑ Review on a regular, systematic basis, existing areas of work for on-going viability, as part of a continuous risk management strategy
- ❑ Maintain strong internal research and development capacity to underpin analysis of the opportunities and threats within the business environment and to inform business development strategies

Introduction and Background

This document sets out the business strategy of the new Knowsley Third Sector Consortium “Forward Together”.

A key aim of the business plan is to provide a clear demonstration of the feasibility of the consortium venture by presenting a coherent and comprehensive business case that has explored the full range of possibilities, issues and challenges. In addition, the document seeks to:

- Set out a clear direction of travel for the consortium
- Plot the strategic and business objectives of the consortium so that these can form a frame of reference in steering the consortium’s development and future activity
- Represent a collective statement of intent for stakeholders
- Act as a key document to promote the consortium’s work and to support negotiations for development/working capital investment and bids for funds/tenders for contracts
- Enable effective communication between all stakeholders

Knowsley third sector has received support from ACEVO/ Neil Couslon Associates over the past two months to facilitate development of a consortium to act as a bidding vehicle for public sector contracts. This initiative has received backing from Knowsley MBC, which has invested some funding to engage specialist support. KCVS, the local infrastructure support organisation for the third sector¹ has been actively engaged for the last few months in bringing organisations together to discuss the potential for closer collaborative working. An initial scoping workshop held on 19th November 2012, was attended by approaching 30 local providers. This event was designed to introduce the concept of closer collaboration and, as a result, broad endorsement from the local third sector was secured for the idea of setting up a working group to drive forward the consortium initiative, including drafting this business plan.

A person specification for working group membership was widely disseminated and resultant applications for membership were independently vetted, with a particular focus on evidence of commitment, leadership capability, social entrepreneurship and business acumen. Members were required to have delegated authority to make decisions on behalf of their organisations. The Consortium Working Group that emerged out of this process is composed of the leaders of a range of key organisations.

¹ Definition of third sector includes charities, voluntary and community sector bodies and social enterprises. It also includes large, national bodies that can demonstrate local commitment working alongside small Knowsley-based groups

These are:

Citizens Advice Bureau
Platform 51
Huyton Advice Centre
National Wildflower Centre
Home-Start Knowsley
Age UK Knowsley & West Mersey
Knowsley Disability Concern
Halewood Youth in Community Centre
Listening Ear (Merseyside)
ELECT
KUC
Knowsley CVS
Barnardos

These are all not-for-profit agencies working to tackle disadvantage and improve quality of life. Though the partner agencies share a lot in common, they are all separate, independent agencies with their own management and accountability structures and with their own unique ways of working. This difference and independence will be protected and strengthened under the consortium arrangement.

Between them the leaders from these organisations bring to the working group a wealth of experience and skills in strategic planning, business development and charity management, accumulated over a number of years at both a national and local level. This depth of experience and skills is matched by their commitment to working collaboratively to maximise the impact of frontline service delivery and create a step change in third sector capacity.

At the same time as securing broad endorsement from the sector, concerted work is also being done to keep commissioners informed of the process and to secure their buy-in to the consortium initiative. Concurrent with this, development opportunities have been identified within Advice Services and Children and Young People's services which are seen as possible candidates for consortium delivery.

As part of the business planning process, the working group is exploring the advantages and disadvantages associated with establishing a closer working relationship, with a particular slant on how such a relationship would impact on the long term stability of the organisations and their collective ability to deliver services across the Knowsley borough (and potentially beyond) that are efficient, effective and responsive to need.

The intention is to open up consortium membership in due course through a rigorous and systematic recruitment drive against a number of membership

eligibility criteria. It is envisaged that consortium membership will embrace about 50 organisations, and encompass a broad spread of small, medium and large locally rooted organisations and some national organisations.

The vision is that together third sector organisations can learn more, progress faster and provide better than they can apart and therefore they have a duty to collaborate for the benefit of those they serve. The result will be a thriving local community in which people are able to achieve their full potential.

Forward Together will embrace organisations across a wide spectrum of service sectors, such as health and wellbeing, children and young people's services, learning and skills, environmental services, social welfare advice, arts and culture etc.

In this way the consortium will be expressly geared towards providing services that map to the 'whole person' agenda. This would involve mobilising the full range and breadth of the consortium membership to provide seamless, joined up services, so that an individual can benefit from access to a range of services appropriate to her/his needs.

The consortium will work towards building the capacity of member organisations through opening up new contracting opportunities, promoting joint working and encouraging organisational learning and development.

.

Operating Environment: Key Trends Analysis

National Context

The operating environment is and will continue to be for the next few years dominated by the coalition government's deficit reduction plans:

“The most urgent task facing this Coalition Government is to tackle our record debts, because without sound finances, none of our ambitions will be deliverable” (The Coalition paper, *Fairness, Freedom and Responsibility; Our Programme for Government*, p33).

These deficit reduction plans were enshrined in the October 2010 Comprehensive Spending Review (CSR), which heralded significant cuts in both central and local government funding, alongside considerable reform of the welfare system.

Many local authorities are facing significant budget cuts of between 10 and 30% over the next three years. As a metropolitan authority whose revenue is disproportionately dependent on Revenue Grants the size of cuts faced by Knowsley (26% reduction in Revenue Grant) is above the national average.

Generally, the campaign of cuts in public sector finance presents both threats and opportunities for the sector. VCS organisations will need to be much more competitive and efficient to be able to survive in the new, more challenging operating environment. However, the sector could also be in a key position to benefit as more services, which hitherto were the exclusive domain of the public sector, are outsourced to non-state providers, framed by the Big Society agenda.

Pressures on services will be exacerbated by the continuing effect of demographic changes – primarily the impact of an ageing population, which was a source of concern even before the current economic difficulties became the overwhelming factor. Ageing populations mean that the demand for services will increase, at least in the short term, if services continue to be provided in the same way. For example in Knowsley between 2010 and 2015 the number of people receiving direct payments is predicted to increase by 609 people, equating to £5.1m (JSNA p19)

This concern is expressed in a report by the Audit Commission and Care Quality Commission “*Under Pressure - Tackling the financial challenges of an ageing population*”, which predicts that the biggest single financial impact for Councils will be on social care spending and it estimates a 3-4% growth per annum if services continue to be delivered in the same way.

Faced with these twin pressures of growing need on the one hand and diminishing resources on the other public bodies will need to look beyond their

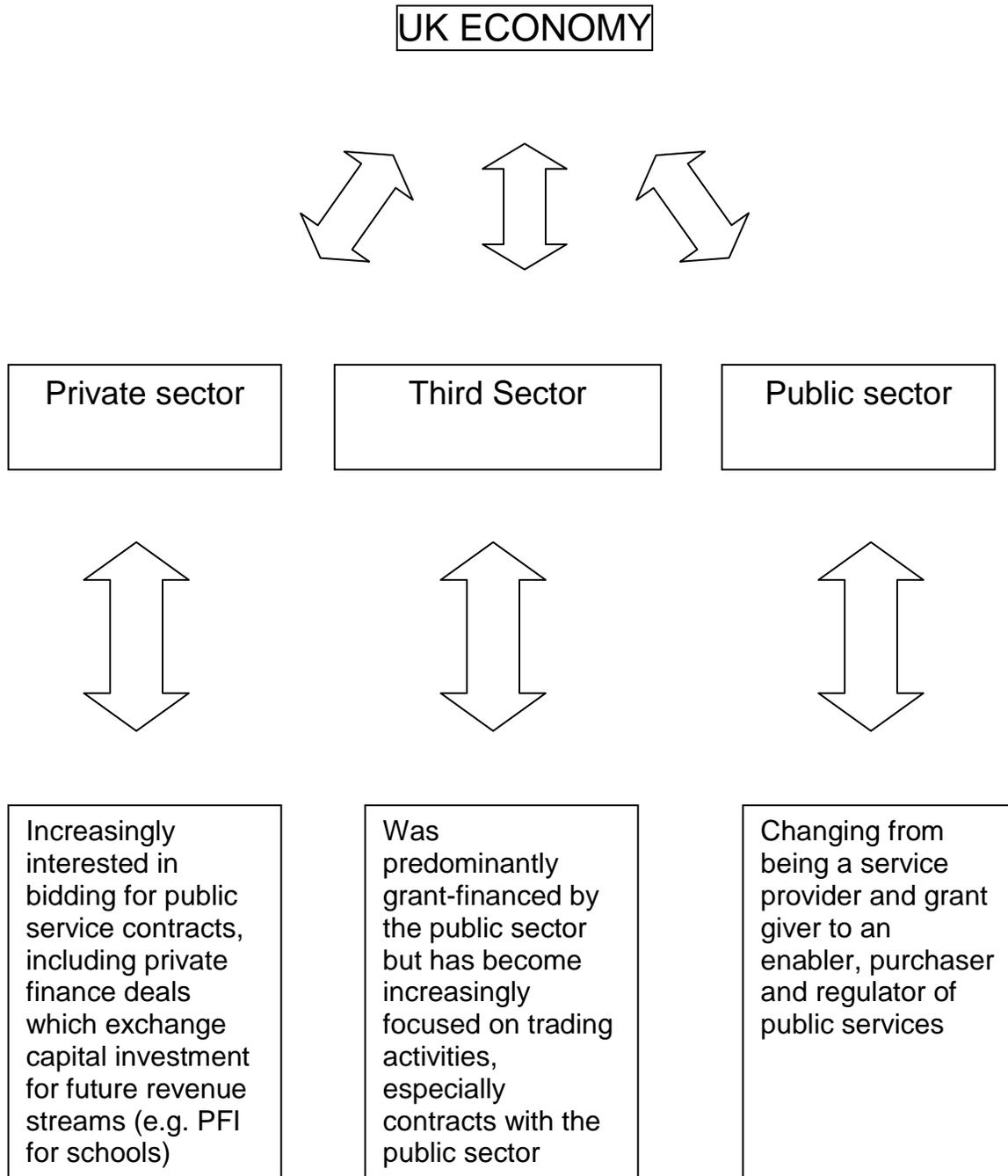
current means of provision at other ways of delivering outcomes that are better value and more cost effective. Commissioning more services to the third sector, as some councils are already doing more of, is one such way forwards. We have estimated that the consortium, once fully established, could be in a position to benefit around 30% of the local population.

Third sector organisations are uniquely positioned to support and strengthen civil society by reaching and engaging with disadvantaged and vulnerable people and groups.

The shift that the public sector has been making under the previous government - away from being a direct provider of public services and more to being an enabler, purchaser and regulator of public services – will inevitably continue under the new regime, as more and more services get transferred to the independent market place.

It is important not to under-estimate the impact that this continuing shift is having on the operating culture of the third sector and on the structure of the economy as a whole – see figure 1.

Figure 1



As part of its commitment to Localism, the Coalition Government has enacted a number of provisions which are designed to put more power in the hands of local people and communities. Upon its election in 2010, the Government committed “to promote decentralisation and democratic engagement, and will end the era of top down government by giving new powers to local councils, communities, neighbourhoods and individuals.” (*Fairness, Freedom and Responsibility; Our Programme for Government*, p7).

The Localism Act (2011) gives ‘communities’ the right to bid to deliver services where they believe that they could deliver a better service than the current statutory provider. The act allows voluntary and community groups, parish councils and groups of local authority staff (referred to in the legislation as ‘relevant bodies’) to express an interest in taking over the running of local authority services. ‘Relevant authorities’ (county, district and London Borough councils and fire and rescue authorities) must consider expressions of interest and, where they accept an expression of interest, carry out a procurement exercise for the service. The purpose of the Right to Challenge is to provide local communities with more opportunities to assume responsibility for running local services, and to support the development of diverse, innovative local provider markets for service delivery

The Social Value Act which comes into force in January 2013 gives public authorities a duty to consider the wider economic, social and environmental well-being of an area when commissioning a service. In other words, if a provider offers community benefit beyond the contract specification then this must be taken into account by the public body in deciding whether to award a contract. The Act is designed to reinforce existing procurement legislation rather than replacing it.

Changes to the health service are also designed to deliver more accountability into the hands of local practitioners. The Health and Social Care Act 2012, abolishes PCTs and Strategic health Authorities and gives GPs/clinicians greater power to commission services directly. The first wave of 35 Clinical Commissioning Groups to receive authorization was signed off in December 2012, with the remainder expected to follow before March 2013.

The PCTs’ public health responsibilities will also be transferred to local authorities.

This notwithstanding, it is widely acknowledged that the health and well-being of our communities falls far beyond the scope of the NHS.

The Marmot Review (*Fair Society, Healthy Lives*, February 2010) evidenced the inexorable link between social conditions and health and demonstrated the incontestable case for combating health inequalities.

Building on this, *A Glass Half-full* (Improvement & Development Agency, March 2010) offers a fresh perspective on how to reduce inequalities in community health and wellbeing. It proposes assessing and building on the strengths and resources in a community to increase resilience and social capital, and develop better ways of delivering health outcomes. Mounting evidence shows that when practitioners begin with what communities have – their assets – as opposed to what they don't have – their needs – a community's ability to address those needs increases. So too does its capacity to lever in external assistance.

The significant scaling down of public sector funding, and the heightened drive towards public sector efficiencies is putting commissioners under pressure to reduce transaction costs by not only seeking to establish joint buyer syndicates, where they join together to combine their purchasing power, but also pooling existing multiple contracts into a single, aggregated commission.

This growing focus on economic restraint, increased efficiency and greater value for money within the contemporary operating environment forms the context for the proliferation of VCS consortium developments nationally.

The drive towards rationalisation is resulting in the emergence of what might be described as 'single points of contracting/fund management'. This is where a number of separate bodies consort together to form one contracting channel or funding pipeline designed to create economies of scale and efficiency gains.

Additionally, second tier commissioning, whereby the commissioning function is outsourced to a consortium or intermediary via a pipelining approach, is likely to grow.

The climate of financial stringency is likely to result in the following:

- Reduction in the overall number of contracts available, alongside an increase in the size/value of individual contracts as they get aggregated
- An increasing shift away from Service Level Agreements/negotiated commissioning and towards open and competitive tendering as part of the drive to demonstrate greater value for money
- Downward pressure on the price component of the value for money equation (with value for money being defined as 'the optimum combination of whole-of-life costs and quality [or fitness for purpose] of the good or service to meet the user's requirement [HM Treasury, 2006, Value for money guidance, p 7])
- Growing requirement for commissioning/buying decisions to be based on clear, quantifiable evidence that the services commissioned are capable of making a real, measurable difference to the quality of life of service users and wider communities (for the VCS it is envisaged that this will result in

greater adoption of impact measurements tools such as Social Return on Investment [SROI])

Local Context

The Knowsley MBC Corporate Plan 2012-2015 sets out the seven strategic drivers for the council that were developed for the Sustainable Community Strategy.

1. A diverse and prosperous economy
2. Increasing economic activity at all levels.
3. Raising attainment and skills.
4. Unlocking the potential and raising aspirations.
5. A well connected Knowsley.
6. Safer, more cohesive communities.
7. Improving the offer and quality of place

The Corporate Plan reaffirms these aspirations in the context of changes to the economic and political landscape that are beginning to bite as the impact of the cuts hits home. Knowsley is one of the councils hit hardest by the Government's public sector spending cuts with a 26% reduction in revenue grants and a 61% reduction in Capital Grant levels. .

In addition the ten outcomes that the Corporate Plan sets out for Knowsley are:

1. Empowered, resilient, cohesive communities.
2. Safe, attractive, sustainable neighbourhoods.
3. Quality infrastructure and environment.
4. More people appropriately skilled and able to work.
5. More Knowsley residents get into and are able to progress in work.
6. Improved outcomes for our most vulnerable young people.
7. Everybody has the opportunity to have the best health and wellbeing throughout their life.
8. People are protected from risks that can affect their health and wellbeing.
9. More people look after themselves and support others to do the same.
10. Children get the best possible start in life and have opportunities to reach their potential.

To demonstrate its commitment to delivering these outcomes, the Knowsley MBC Cabinet has set out specific intentions in "The Knowsley Plan - A Manifesto for our Communities Future". This contains six pledges, which will be monitored over the course of the next 3 years:

1. The Knowsley Centres for Learning will achieve national averages or better for 5 GCSE A* - C, including Maths and English (minimum of 50%).
2. We will put 10,000 Knowsley residents into long term jobs.

3. The Council will take a key leadership role for jobs, skills and tackling poverty in the Liverpool City Region, and ensure Knowsley benefits from the new investment and plans to create over 100,000 new jobs over the next decade.
4. We will invest in the development of 426 new affordable homes and make land available for up to 2,250 additional homes in the Borough.
5. Every resident will have access to free debt and money advice and affordable credit.
6. We will bring 5 new community owned businesses into the local economy to get local people into work and build capacity and resilience into our neighbourhoods.

How these priorities will be achieved

Knowsley council’s Corporate Plan says that over the next few years the council will “re-organise to become a strategic commissioning organisation, targeting resources and activity to meet our priority outcomes”.

Moreover Knowsley MBC has made a choice to embed the Social Value Act into its commissioning process – creating a ‘Social Value Model’ for Knowsley. The Social Value model ‘follows’ Knowsley’s definition of social value down into the procurement processes and in turn defines 29 outcomes measures that can be used to inform activity and the award of contracts.

Knowsley defines social value as “outcomes, measures and activity that will create strong and well-connected public, private and social sectors that enable communities to be more resilient”

The council has committed to future work to define the measures against which the 29 outcomes will be assessed. Its aim is to enable ‘social value’ to be a bankable asset, so that charities for example can be rewarded when they achieve socially beneficial outcomes.

The table shows social value outcomes across the 6 key domains Knowsley MBC has defined.

Social Value Outcome	Social Value Measures
1. Increase in Community Resilience	(1) Provision of working age population in work (2) Proportion of residents at skills levels 2,3,4 and with a formal qualification (3) Median weekly income of residents (4) Reduction in social isolation and specific increase in confidence of

	<p>individuals</p> <p>(5) Number of offenders who gain / retain employment</p> <p>(6) Number of offenders who gain / attend training</p> <p>(7) Number of new constituted groups</p> <p>(8) Number of young people achieving accredited awards</p>
2. Reduction in demand for public services	<p>(9) Number of people supported to live independently</p> <p>(10) Reduction in permanent admissions to residential or nursing care</p> <p>(11) Reduction in avoidable hospital admissions</p> <p>(12) Reduction in household waste and waste to landfill</p>
3. Impact of volunteers	<p>(13) Numbers of new volunteers</p> <p>(14) Number of volunteers placed with community groups</p> <p>(15) Number of offenders who gain / retain volunteer opportunities</p> <p>(16) Increase in the number of Friends of Parks Groups and as a result green space usage</p> <p>(17) Number of young volunteers</p>
4. Impact of Community Businesses	<p>(18) Number of new community businesses</p> <p>(19) Number of community businesses with their social purpose linked directly to geographical communities or communities of interest</p> <p>(20) Number of play activities led by volunteers</p> <p>(21) Number of constituted groups developing into community businesses</p>
5. Private Sector Investment in Communities	<p>(22) Level of private sector investment as part of their CSR</p> <p>(23) Reductions in fuel poverty by private sector investment in energy efficiency and residents behaviour change</p> <p>(24) Number of private sector companies including local community</p>

	businesses and constituted groups in their supply chain
6. Residents making socially responsible decisions	<p>(25) Increase in numbers of people in receipt of a direct payment or personal budget</p> <p>(26) Number of offenders who are engaged with mentors 6/12 weeks after release from custody</p> <p>(27) Increase in recycling rates for household waste</p> <p>(28) Number of services / assets that communities take lead responsibility for</p> <p>(29) Number of young people involved in peer education programmes</p>

‘Strategic Fit’ with Knowsley MBC objectives

The proposed establishment of a consortium of third sector agencies across Knowsley demonstrates strong strategic fit.

Benefits for commissioners	Benefits for the third sector
<ul style="list-style-type: none"> • Harnessing the sector’s long and successful track record of service delivery • Reduced transaction costs • Efficiency savings • Local knowledge and good connections to the local authority • Development of a commissioning-ready provider base • Quality assured providers via the consortium membership mechanism • Overcoming fragmentation within service delivery arrangements through better co-ordinated and streamlined provision • Single point of contracting • Effective channeling of any bundling of existing, small-scale, multiple contracts/SLA’s/grants through the consortium’s intermediary infrastructure • More effective management of escalating community demand, especially amongst disadvantaged and vulnerable service users • Strengthening localism by ensuring that local services are safeguarded and sustained • Capitalisation on the sector’s capacity for added value through, e.g. the ‘volunteer dividend’ and utilisation of wider charitable resources etc 	<ul style="list-style-type: none"> • Partnership working and networking. • Development of business capabilities (particularly benefitting smaller organisations) that currently fall outside Knowsley MBC’s thresholds for participating in procurement exercises. • Protecting and consolidating the unique selling points that small, independent and niche providers offer • Material net reductions in indirect/overheads expenditure within frontline providers • Driving up standards and continuously improving quality • Increased capacity to leverage social investment and community development finance • Overcoming the barriers to small local VCS organisations securing and delivering public service contracts by building critical mass and delivery capacity

The consortium is designed to combine the benefits of *large and small-scale approaches* – a rationalised borough-wide structure dovetailing with independent delivery units responsive to local or specific client group needs.

The consortium will champion the highest quality provision that generates wide ranging and far reaching social and economic impacts, in line with a ‘triple bottom line’ approach (social, economic and environmental). It will be constantly vigilant about the risks implicit within an increasingly competitive procurement environment. The consortium working group is acutely aware of the threats posed by proactive supply side management and the potential downward pressure on supplier costs.

Knowsley MBC has signaled its active support for the establishment of a third sector consortium by engaging ACEVO/Neil Coulson Associates to provide independent expert input into the consortium development processes. The council has provided £10k of match funding and has additionally committed to shifting its commissioning practice so as to be more amenable to consortium approaches. Through this exercise the council has identified two specific service areas – Welfare, debt and benefit advice services and Children and Young People’s services as possible candidates for Consortium delivery

Overview of the Market: Need, Demand and Supply Issues

Profile of Needs within Knowsley

The latest population estimates for Knowsley (2009) show that the resident population is 149,400. (Office for National Statistics: Registrar General's Mid-Year Population Estimates).

The Knowsley Joint Strategic Needs Assessment 2011 reveals a number of key issues facing the borough.

- The number of people aged over 50 is expected to increase by 7,500 in the ten year period to 2019, with the greatest proportionate increase occurring in the 85+ age group.
- The dependency ratio, which looks at the ratio of children and those of pensionable age as a proportion of those who are of working age is set to increase markedly over the next 20 years, rising from 61.8% in 2009 to 80.6% by 2030. The main reason for this is the expected increase in the elderly dependent ratio which is due to rise from 29.5% in 2009 to 45%.
- The rate of claim for Incapacity Benefit is almost twice the national average in Knowsley at 13% of working age people.
- The worklessness rate for Knowsley is 24% compared to a North West average rate of 16.3%.
- Knowsley is the 5th most deprived borough in the country. Significantly for its future economic prospects, public sector employment accounts for 32% of total jobs in the borough.
- Life expectancy at birth in Knowsley is more than 2 years below the national average.
- The top ten health and wellbeing priorities identified by the JSNA were alcohol, cancer, child and family poverty, children with disabilities, dementia, education, employment, heart disease & stroke, mental wellbeing of children & families and smoking & respiratory disease.
- Analysis of the 2009 North West Mental Wellbeing Survey shows that Knowsley has the third lowest mental wellbeing score in the North West.

According to the Index of Multiple Deprivation (IMD) 2007 Knowsley is one of the most deprived local authority areas in the country. Overall the IMD ranks Knowsley as the fifth most deprived in the Country - an improvement since the IMD 2004 where Knowsley was the third most deprived. Knowsley ranks second on the IMD 2007 for local concentration, a ranking which is based on the number of localized hot spots of deprivation.

While clusters of deprivation are a concern, there is also a range of communities in the locality that are experiencing disadvantage that do not necessarily have a geographical focus. These communities of interest will be targeted by the consortium and include:

- Young people not in education, employment or training (NEETs)
- Looked-after children and young people (children and young people in the care of social services)
- Older people experiencing isolation and poverty
- Homeless individuals and families
- People experiencing mental ill-health
- People from the most disadvantaged black and minority ethnic groups
- Refugees and asylum seekers
- People with physical or sensory impairment
- People with learning disabilities
- Teenage parents and their children
- Women and children experiencing domestic violence
- People who experience sexual violence
- Adults who are long-term unemployed or economically inactive
- Carers
- Ex-offenders

How the consortium will address needs

The consortium will not be involved in the direct delivery of services. Specifically, the consortium will meet identified needs by:

- Undertaking pioneering, innovative work focused on preventative or early interventions, building on the sector's unique capacity to detect problems as they emerge within the communities it serves and to intervene quickly and flexibly
- Delivering specialist, niche provision that is beyond the scope of larger, more mainstream providers
- Focusing on building local capacity to establish collective and mutual self-help mechanisms, which support and bolster the role of the family and wider community in broad-ranging civic activity
- Encouraging disadvantaged and vulnerable people to take more control over their lives and influencing them to change lifestyles and behaviours, as part of a person-centered delivery strategy
- Targeting those social groups and communities of interest who are most excluded and in greatest need
- Implementing neighbourhood-based approaches that draw on local networks to reach and engage with disadvantaged people who fall outside of the radar of mainstream institutions and initiatives
- Focusing on the wider determinants of social and economic problems that fall outside of the reach and capacity of the local authority and other key statutory agencies to address
- Delivering training, education and awareness-raising activities in order to add to the professional expertise available through mainstream institutions; this pedagogical dimension to the consortium's strategic

approach will be aimed at mobilising local resources and distributing know-how, effort and expertise across disadvantaged communities and households

- Delivering to the triple bottom line: social outcomes and environmental sustainability alongside economic benefits
- Developing and transferring best practice

These approaches embody the consortium's practice values (see section on *Consortium Vision, Mission, Policy Aims & Underpinning Values*).

It is widely acknowledged that third sector organisations, since they specialise in working with traditionally underserved communities, can 'reach the parts that others cannot reach' (the so-called 'heineken effect'), i.e. provide important points of access to services for the most vulnerable and marginalised people.

The consortium will bring a comprehensive range of local agencies into a formal, unified contract management and delivery structure. Such a development is unprecedented within the borough-wide sector and will provide a beacon for others to follow nationally. It will mean that the sector can add dramatic increases in strategic capacity and influence to its already significant and unrivalled reach.

Patterns of Demand

Due to the current economic conditions at a macro level the levels of demand on frontline services are increasing significantly, a trend which is particularly manifesting itself amongst Knowsley's more disadvantaged social groups and those in need of services

The third sector organisations that make up the membership of the consortium, and which are located at the heart of disadvantaged communities of place and interest, will be at the forefront of meeting this increased demand head-on, buffering statutory, mainstream service providers from the heightened strain on resources and capacity.

The agencies that are pioneering the consortium development are already beginning to witness first hand this increasing demand as usage of frontline services expands and waiting lists inevitably extend.

The consortium itself is a vital mechanism for inter-connecting strategic and delivery resources and co-ordinating and, where necessary, re-shaping patterns of frontline supply in order to respond most effectively and efficiently to the significant challenges posed by this new service delivery dynamic.

Supply

Knowsley has a vibrant voluntary sector, with a wide range of voluntary organisations, community groups and social enterprises, large and small, delivering services to their members and local communities.

A small number of organisations deliver services primarily funded through larger grants and contracts, mostly on behalf of Knowsley Metropolitan Borough Council or NHS Knowsley. Many of these have volunteers delivering services in addition to paid staff. Many are charities and voluntary sector agencies unique to Knowsley whilst others are branches of national charities, some of which are independent charities in their own right with their own boards of trustees.

Organisations can be grouped or 'clustered' around three main dimensions, which are:

- Activity profile – e.g. personal care, advocacy and support, befriending, advice, provision of housing, counselling, training, support with finding work etc.
- Client group focus – e.g. older people, children, young people, families, disabled people, people with learning disabilities, Black and Minority Ethnic (BME) communities, refugees and asylum-seekers etc.
- Geographical remit – e.g. borough-wide, specific neighbourhood remit, Knowsley and beyond

The consortium will build on the strong traditions of collaboration and networking within the sector to construct a comprehensive consortium umbrella structure that is capable of harnessing the full diversity of the local VCS and its collective provision.

This joined up approach will add enormous value to the work of organisations on the ground, creating opportunities for joint working, cross fertilisation and innovation, at the same as effecting greater efficiencies through the establishment of a joint service design and fund management mechanism.

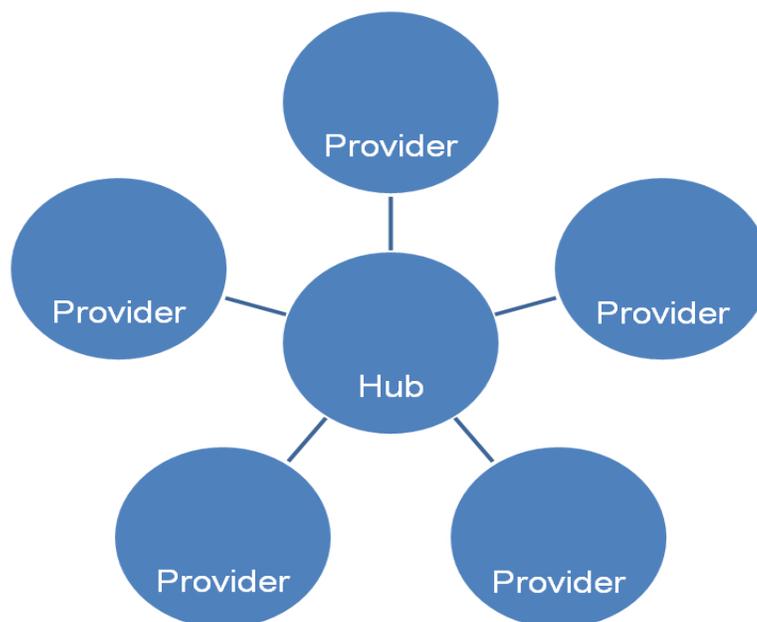
Consortium Model & Operating Structure

Following an extensive and in-depth appraisal of options it has been determined that the joint venture will be organised as a formal consortium.

It will be established as a separate legal body with the provider organisations taking up membership of this body. The defining features of this model are:

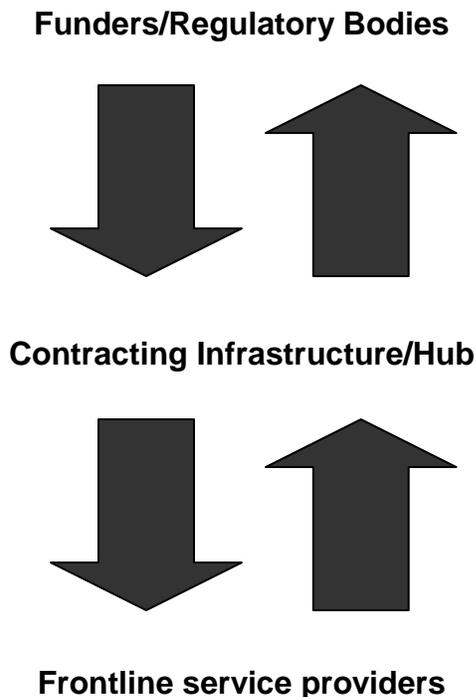
- Member organisations comprise (by clear majority) the consortium's governing body/Board, alongside representation from key external stakeholders and independent perspectives, including the local authority
- The consortium creates a single funding portal/point of contracting (i.e. the local authority and other commissioning bodies/funders commission/contract with the new legal entity which will be responsible for setting up and managing sub-contracts/SLA's with individual consortium members)
- It operates through a hub and spokes structure (the hub being the central infrastructure that acts as the executive engine of the consortium, including negotiating and sub-letting contracts [accountable to the Board and wider membership], and the spokes being the various individual providers/member organisations [both full and associate] – see figure 2). The Board will have the option of outsourcing central management/technical functions to agencies both internal and external to the membership, as befitting the consortium's business strategy and operating needs.

Figure 2



Through the hub infrastructure the consortium will be able to act as the executive interface between funders/regulatory bodies and the third sector organisations providing frontline services – see figure 3.

Figure 3

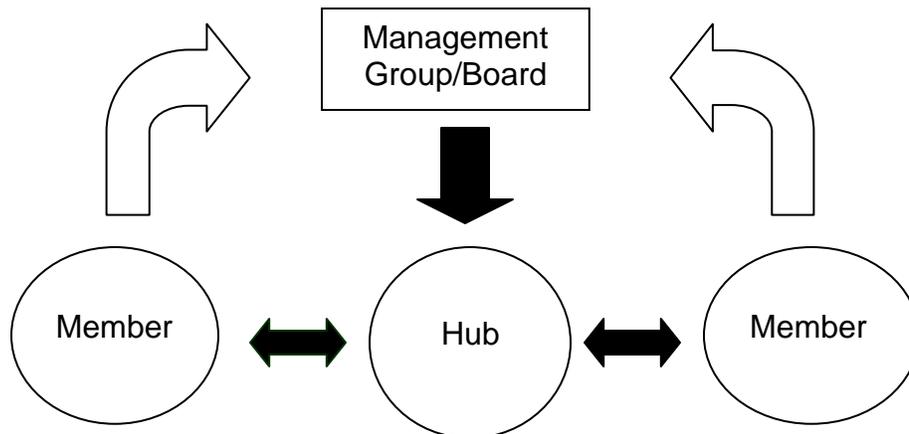


The hub will have a range of technical and secretariat duties: marketing, negotiation, service design, tender writing, contract management, resource allocation, quality improvement and organisational capacity building (within the specific context of public service delivery). The hub will ensure smooth and efficient fund/contract management and proactively seek out new opportunities on behalf of the membership.

As well as its financial/business development brief, the hub will be tasked with building the capacity of member organisations so that they are better able to meet the requirements and thresholds of the commissioners/procurement agencies. This could range from arranging informal networking opportunities through to organising formal training for members. This capacity building brief will be delivered in partnership with Knowsley CVS and other support organisations, where appropriate.

The hub and its work will be managed by the consortium Board, which will be composed primarily of representatives from member organisations (see figure 4).

Figure 4



The Consortium board will be based on a 'thirds structure', with two thirds being drawn from the consortium membership and reflecting an appropriate balance of full and associate members, and the remaining third being composed of independent stakeholders from other sectors.

In conclusion, the consortium represents a new way of operating within Knowsley for the third sector, bringing together agencies delivering a comprehensive and diverse range of services to form a single point of fund management/contracting, and pioneering innovative approaches to frontline service delivery.

Cluster Formation

Within the overarching consortium structure a number of clusters will be formed. These could be organised along service sector or targeting strategy lines, for example, health and well-being, children and young people's services, learning and skills, environmental services etc.

Clusters will differ in terms of delivery remit, client/beneficiary groups, targeting methods, ways of working and, crucially, the profile of activities and services; however, it is recognised that there will be important linkages and overlap between them (see below).

The rationale behind clustering is that it allows for these specialist approaches to be reinforced and developed further. Critically, it should enable greater scope for 'joined up' working between organisations operating in the same field. A primary focus will be on increasing the capacity for innovation at the frontline.

Although the clusters will implement their own specific targeting strategies and focus on their own particular fields of service delivery, there will be significant inter-working and cross-fertilisation between them. This is in recognition of the need to adopt an holistic approach in response to the increasingly important 'personalisation' agenda.

A cluster member would not be allowed to sub-contract to other cluster members for service delivery. Sub-contracting will be the exclusive function of the consortium, via the hub, so as to avoid '2 step sub-contracting', which would add an unnecessary link into the supply chain and would be counter-intuitive within the current climate of supply-side rationalisation

There will be flexibility in the way that clusters form. Some will have a short lifespan, forming in response to a short-term or transient need and subsequently disbanding once that need has been met, while others will endure for longer.

Similarly, there will be flexibility in how the clusters are organised. For instance, a given cluster may determine that the most appropriate and effective way for it to be organised is for the consortium hub to take a lead role. Alternatively, the partners may opt for the cluster to be self-co-ordinating, with either one agency adopting the role of organising or co-ordinating body or a system of rotating/sharing the co-ordinating functions between the cluster members, as appropriate.

In either scenario, the respective roles of the cluster members and co-ordinating body/hub would be set out in a memorandum of understanding. Clustering should be done in a spirit of building transparency and confidence within the overall consortium membership.

Clustering, organised in the flexible way described, would allow for differentiation and diversification within the consortium membership network, and would help to increase the vitality and dynamism of the consortium structure overall.

How the Contracting and Sub-Contracting process will work

In order to deliver its vision of improving the life chances of disadvantaged and vulnerable client groups, the consortium needs to secure resources and subsequently allocate those resources to member organisations in a way that ensures optimal service delivery. This will involve the consortium in negotiating a number of key stages in a cycle of service co-design, resource acquisition and resource allocation (see figure 5).

Shared Information & Intelligence

By bringing a significant number of organisations together into a unified structure the consortium will be able to accelerate and expand the sharing of information and intelligence about what local communities actually need, building on third sector providers' unique capacity for early detection of problems within the communities they serve and unparalleled experience of delivering locally rooted, user-led services. This intelligence-gathering, facilitated by the development of standardised data collection, recording and reporting systems, will feed directly into co-design and tender framework-shaping activities.

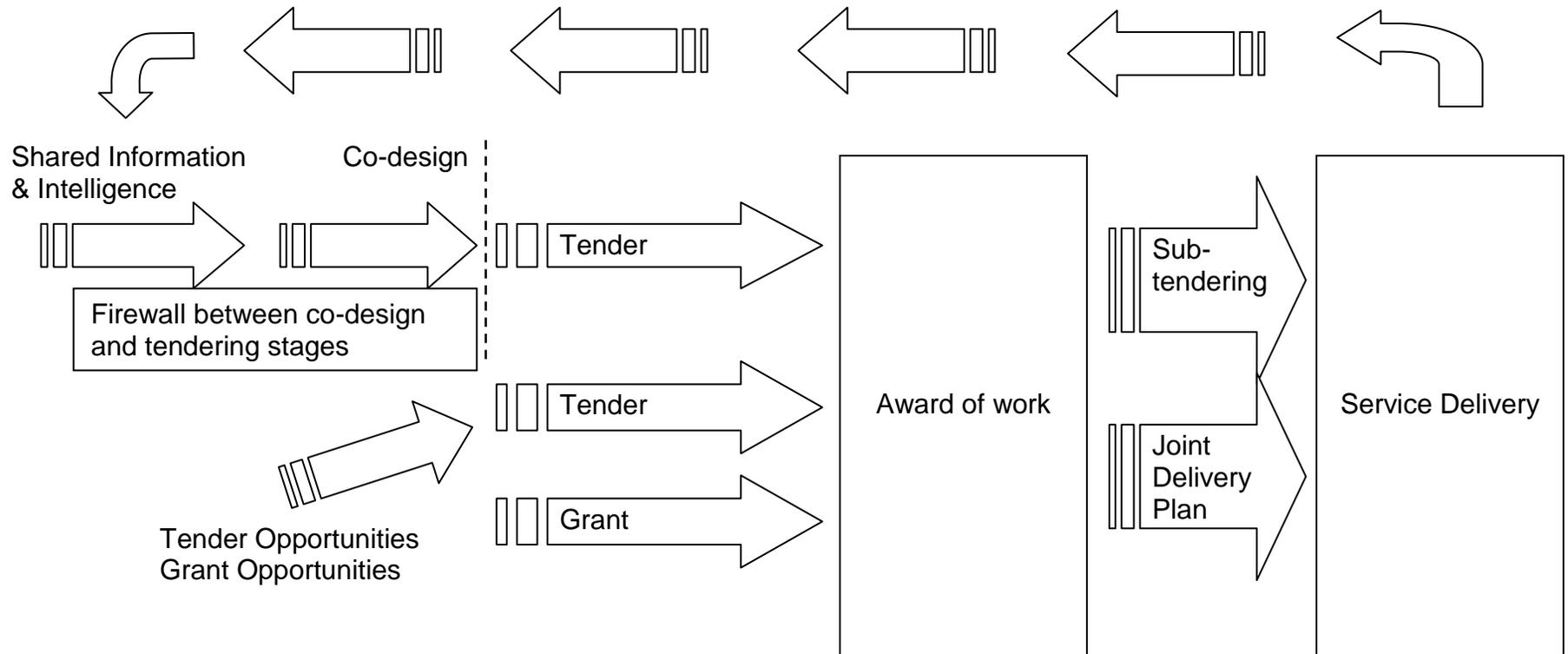
Co-design

A central objective of the consortium is to work with commissioners to influence the shape of future services that are commissioned through a co-design process, thus bringing to bear the knowledge that third sector providers possess about user needs, and paving the way for better and more responsive services. This would entail the consortium and working together to set out the shape and framework for service delivery.

The consortium is developing a strategy for influencing co-design processes and for how service user perspectives can be integrally linked into this and is seeking buy in from the local authority to work with the consortium to engage in co-design processes.

Generally, the consortium will seek to shape proactively tender and contracting frameworks so that they are fit for purpose in terms of meeting the needs of the clients/beneficiaries. In this way the consortium will endeavour to play a central role in the whole strategic commissioning cycle.

Figure 5



Identifying opportunities

The consortium, via its hub infrastructure, will undertake regular and routine prospect research to identify appropriate tender and grant-aid opportunities – and other opportunities such as the Big Lottery - to pursue, scouring appropriate websites and information bases, forging direct links with procurement officers etc. It will be responsible for negotiating relevant PQQ (Pre Qualification Questionnaire) processes as a lead-in to the ITT (Invitation To Tender), as appropriate.

By the same token, the consortium hub will be constantly open to groups of member organisations (facilitated by internal clustering arrangements) coming forward with their own identified opportunities, where there is an aspiration to route any potential contract through the consortium's accountable body/intermediary infrastructure. In fact, a core task for the consortium Board, once established, will involve developing a model for consortium members (as opposed to the hub) driving the PQQ and tender submission process.

This model will relate to defined clusters of member organisations, perhaps with one of these organisations taking on a central co-ordinating role, leading on the submissions relating to the PQQ and ITT stages of the tendering process, with the consortium (via its central hub infrastructure) being deployed for fund management/accountable body purposes, strategic co-ordination, area-wide overview and connectivity etc. This approach would necessitate predetermination of specific supply chain links.

As well as identifying and responding to the opportunities that already exist, the consortium will be proactive in creating new opportunities, building on its market intelligence to generate new project ideas and innovative approaches to service delivery and presenting these to statutory agencies and funders for financial investment. The Right to Challenge legislation could be a route whereby the consortium proactively brings forth delivery offers to the statutory sector.

Submitting consortium tenders

Once an appropriate tender opportunity has been identified, the hub will disseminate the tender specification across the membership network and canvass opinion on what sorts of activities/interventions might be delivered in line with the given opportunity. The information gleaned through this consultation will form the foundation for drafting the ensuing tender proposal.

The consortium may task its hub infrastructure to take on direct, unaided responsibility for the drafting of the tender proposal or a designated tender writing/reference group may be established, driven by the relevant cluster and with representation from the consortium's membership. Either way, the substantive content of the tender proposal will be designed to reflect closely the delivery ambitions and capabilities of the provider network. Specific (and, where feasible, bespoke) advice will be sought directly from the procurement/commissioning body so as to strengthen the proposal.

The whole process of compiling and submitting tenders, as well as negotiating the funding pipeline, will be supported by the development of a comprehensive centralised database of services and activities that consortium members are in a position to deliver. This database will capture what might be described as the consortium's 'combined portfolio of services' or 'joint service offer'). The Consortium will use data captured via its membership application form to gather data from members to inform its joint service offer. The consortium hub will be able to utilise this database to assist with the collation of information for tender submissions.

Award of sub-contracts

Depending on circumstances, the specific process of awarding sub-contracts will involve either a joint delivery planning arrangement or a more open and competitive approach. The consortium Board will be responsible for deciding the most appropriate approach to adopt in each circumstance.

Joint Delivery Planning

Wherever possible, a collectively agreed approach to contract delivery will be adopted. This will involve the consortium members agreeing collective objectives and targets, enshrined within a joint plan for delivering a particular contract. This plan will be formulated prior to submission of the consortium tender proposal/funding bid. If the tender is won, funding will be distributed according to the patterns of supply inscribed within the pre-agreed delivery plan. Any award of a sub-contract will be subject to fulfillment of certain contract compliance criteria, these being set out in the global contract/funding agreement and mirrored in the sub-contract.

Open and competitive sub-tendering

In certain circumstances it may not be possible to adopt joint delivery planning as an appropriate and viable approach to awarding sub-contracts. Such circumstances might include, for example, situations wherein:

- The commissioner/procurement agency itself insists on 'second tier commissioning' through a 'fund manager'-type approach
- Competition for a particular tranche of contract funding within the consortium exceeds the amount of funding available
- There is not sufficient available time within the tendering framework and associated timescale to arrive at a pre-agreed plan

In such scenarios, the Board will have the contingency option of pursuing a more open and competitive process. The parameters of this process will be defined by a number of key principles, including:

- A strong value base, including a commitment to ethical decision-making
- The Board (as opposed to the hub) being in control of the decision-making process
- Decisions being driven by a commitment to serving the needs of the ultimate beneficiaries/service users rather than the prerogatives of providers

The following process is intended to illustrate how these principles will be put into practice:

- Establishment of an appraisal panel or technical committee (operating as a sub group of the consortium Board), composed of individuals independent of the consortium membership (e.g. independent Board members, staff from local infrastructure organisations, representatives of external agencies etc) and non-tendering consortium members (where available), especially where such individuals can input relevant service sector-related understanding and experience; with appropriate technical and logistical support from the hub
- Invitation to consortium members to submit individual delivery plans, along with briefing on the requirements within the contract specification
- Appraisal of individual delivery plans by the appraisal panel, against a framework of objective scoring criteria
- Highest scoring delivery plans recommended for approval by the consortium board
- Open and competitive sub-tendering process subjected by the Board to the moderating principles of fairness and transparency (i.e. where all contract compliance criteria are satisfactorily met, funding should be distributed to providers on a fair and transparent basis, in proportion to deliver capacity)
- Board takes the final decision on the award of sub-contracts, addressing potential conflicts of interest in the process
- Sub-contracts will be legally binding
- Subsequent payment schedules would be in line with the consortium's risk management strategy and reflect an appropriate balance of risk between the consortium and its members

Where there are gaps within the delivery profile of the membership base, the consortium Board will have the option of sub-contracting to external agencies outside of the membership. However, this option will only be pursued where there are material and clearly identifiable gaps within the membership and where there is a parallel plan in place to build the consortium's internal delivery capacity to ensure that such gaps can be plugged by the membership in the future.

Monitoring arrangements

In terms of the monitoring of sub-contracts, contract management arrangements within the hub will require sub-contract holders to supply accurate and up-to-date monitoring information on a regular, timely basis – via simple online feedback portals where possible.

As a way of reducing duplication and consequently minimising the bureaucratic burdens on both the consortium and its members, the hub will seek to influence and encourage funders/commissioners to adopt common, unified systems for monitoring and reporting purposes.

The on-going performance of sub-contractors in terms of quantity of outputs/outcomes, achievement of designated project milestones and attainment of the requisite standards of quality will be monitored at key census/evaluation points (this will include visits to providers to carry out provider reviews). These processes will trigger early warning signals where sub-contractors are under-performing, in line with the consortium's risk management systems.

Wherever feasible, under-performing providers will be given the opportunity to re-profile their schedule of activities and outputs and to put in place measures relating to quality improvement. Such an approach will reflect the consortium's support and capacity building remit.

However, continuing under-performance will inevitably entail the suspension of the sub-contract and ultimate transfer, if practicable, to another organisation within the membership network. In this way the consortium will be able to guarantee overall or prime contract compliance.

Further, the consortium will operate with a claw back policy as an integral part of its risk management strategy. This means that it will seek to recover funding from sub-contractors in instances of under-performance. This will mirror its own position as a prime contractor, wherein it will be a legally binding requirement to repay funds to the procurement body/commissioning agency in the case of failure to deliver the global, overarching contract.

The key principle behind the consortium's rigorous and robust approach to contract management and monitoring will be to improve standards of frontline delivery across the third sector supply network.

Consortium Vision, Mission, Policy Aims & Underpinning Values

Vision & Mission

The consortium will have 2 main kinds of beneficiary. Primarily, it will help *individuals* – the service users who will benefit ultimately from the services on offer through the consortium members. Through improving the quality of life of these individuals the consortium will also have a significant impact on disadvantaged communities of both place and interest.

Additionally, and in order to achieve the primary objective above, the consortium will support its member *organisations* to build their capacity and increase their effectiveness.

This is reflected in the inter-connection between the consortium's *vision*, which centres on the difference it will make to the lives of individual service users, and the consortium's *mission*, which is focused on improving the fortunes of the member organisations.

The partners have developed a clear ***vision*** for the consortium:

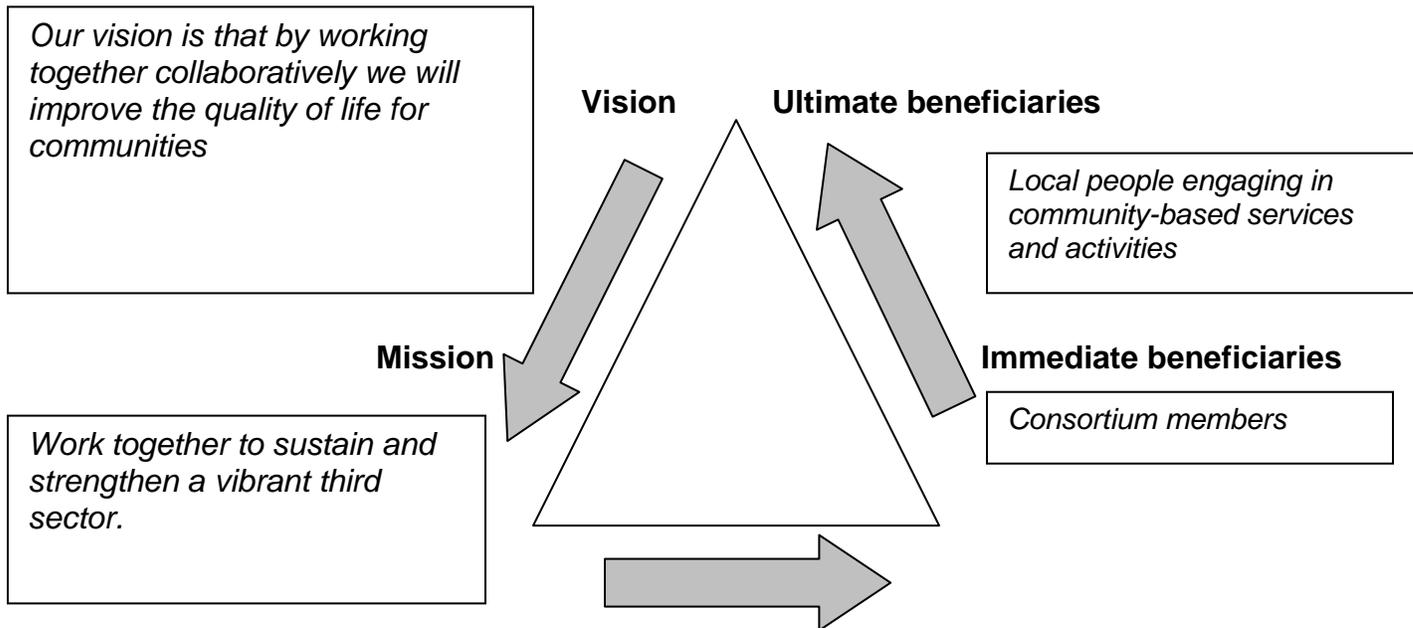
Our vision is to work collaboratively and improve the quality of life and resilience for people and communities.

The ***mission*** of the consortium is to:

Sustain and strengthen a vibrant and effective third sector.

The interface between consortium vision/mission and beneficiary focus is depicted in figure 6.

Figure 6: The Relationship between Vision and Mission



Policy Aims

The consortium has a number of overarching policy aims, which fall under the following headings:

- Clients/service users
- Funding & Finance
- Strategy
- Member organisations (quality improvement and organisational capacity building)
- Contract/Information Management
- Governance arrangements

Influence and Shaping Services

To:

- Work in partnership with appropriate agencies to shape the strategic direction of local public service policy and, where necessary, influence policy change
- Engage with commissioners on Joint Service Planning exercises at early (pre ITT) stages of the commissioning cycle.
- Help commissioners to designate 'social value' aspects of a tender, and incorporate these within contract award criteria (as per Knowsley Social Value model)

Clients/service users

To:

- Provide local clients/service users, especially those who are disadvantaged or vulnerable, with ready access to consistent, high quality and well resourced third sector services by increasing delivery capacity and establishing comprehensive coverage across the area
- Ensure all relevant services are compliant with national and local safeguarding standards and procedures
- Provide an essential voice for service users so that they can express their needs and help shape service delivery within the consortium

Funding & Finance

To:

- Maximise financial investment levels within the local third sector

Take advantage of the increased bargaining power generated by providers working together
- Access investment finance (e.g. social investment) on behalf of the third sector, where doing so will increase the sector's capacity to engage with contracting opportunities, and/or deliver services at scale.
- Increase collective capacity to undertake research into contracting/funding prospects
- Develop rapport with statutory agencies, procurement bodies and potential funders
- Ensure that services delivered represent excellent value for money

- Support members to develop co-ordinated services in response to the 'personalisation' agenda

Strategy

To:

- Establish a co-ordinated, strategic overview of third sector service provision across the locality
- Undertake joint needs analysis
- Undertake joint strategic planning
- Develop systematic and sustainable research, development and intelligence-gathering capability
- Operate as a strategic interface/intermediary between funding and regulatory bodies and individual purchasers, on the one hand, and frontline providers, on the other
- Develop strategic alliances with emerging and established third sector consortia in other parts of the country
- Develop strategic alliances with other key bodies at a national level

Member organisations (quality improvement and organisational capacity building)

To:

- Develop and safeguard standards and quality in relation to the consortium overall and to the service provision of individual member organisations in order to ensure that internal and external quality assurance frameworks and requirements are fully met
- Work with Knowsley CVS and other agencies, deploying a range of methods, including training, mentoring etc, to build the capacity of member organisations
- Exploit networking opportunities to share information, knowledge and skills amongst member organisations
- Develop new ways of joint working and pilot innovative approaches, including, where appropriate, joint referral systems
- Develop shared approaches amongst member organisations to involve (and strengthen the voice of) users in shaping frontline service provision and to enable them to input effectively into the management of those organisations

- Adopt consortium-wide approaches to marketing and public relations to raise the profile of all member organisations

Contract/Information Management

To:

- Create an efficient, streamlined and cost-effective contracting framework/infrastructure that is 'fit for purpose' for the delivery of a comprehensive range of contracted services, and which harnesses any existing secretariat capacity within the sector.
- Generate economies of scale and therefore efficiency savings in the management of bureaucracy through the creation of a centralised point for information management
- Harness IT capacity to optimise the efficiency of contract management systems and processes
- Ensure that consortium members operate within a common framework of monitoring, evaluation and reporting
- Use appropriate tools to capture the outcomes and wider added value generated by the members

Governance arrangements

To:

- Create a democratic governance framework through which the member organisations can own and control the consortium
- Balance the principle of member ownership and control with the input of independent perspectives within the governance process
- Manage effectively conflicts of interest within the consortium
- Develop ways for clients to input meaningfully and effectively into the consortium governance structure and arrangements

Underpinning Values

Consortium members' practice values

The consortium will operate with a number of what might be described as 'practice values'. These will underpin the services that will be delivered through the consortium and member organisations will be expected to adhere to them.

They are summarised as:

- Working collaboratively and for mutual benefit
- Addressing social and economic inequalities
- Offering holistic, person-centered services
- Championing and promoting social justice
- Championing environmental sustainability
- Inter-linking locally-based services/interventions and wider community regeneration practice
- Using locally-delivered initiatives and projects to generate added value by promoting social cohesion, developing local social capital and building sustainable community capacity
- Ensuring a commitment to self-empowerment – enabling individuals to take control over their own lives and to be the originators and catalysts of their own personal development and self-improvement strategies
- Supporting individuals to discover and fulfill their own potential
- Encouraging co-operation and mutuality through collective approaches to self-help
- Ensuring non-judgmental, anti-discriminatory practice
- Ensuring respect for persons
- Delivering culturally sensitive services attuned to the needs of people from different cultures
- Ensuring empathic understanding of beneficiary needs
- Providing free or affordable services at the point of need
- Committed to creating social value and working to Knowsley MBC's Social Value Model.

Critically, what will guide and govern the consortium's work throughout will be an unwavering commitment to the needs of the clients or end-users of the services and initiatives provided through the borough-wide network of agencies. All decisions about consortium strategy, financial objectives, joint working etc will be taken from the standpoint of ensuring that clients' or beneficiaries' needs are effectively met.

The consortium will engage with and meet the needs of hard to reach groups within disadvantaged communities of both place and interest.

The consortium's core operating values

The consortium will also adhere to a number of what might be described as 'core operating values', which will inform how it will conduct itself in its day-to-day business and define its ethos. These values are as follows:

Third Sector focus

The consortium is a collaboration of agencies operating in the third sector.

What binds the collaborators is a clear commitment to individual user and community benefit, the intention being to build on the values-driven approach of the not-for-profit sector to deliver the shared consortium vision.

Objectivity and impartiality

The consortium will be focused impartially upon the objective needs of all the member organisations. All of the member organisations will be equal in status. It will not be dominated by the particular self-interests of certain organisations or individuals.

Consortium members will need to strive at all times to be open, honest and transparent in their involvement in consortium affairs. Representatives of the consortium will be required to operate with integrity and to work for the good of the whole consortium.

Where there are a number of member organisations that can demonstrate that they can provide activities/services in line with relevant commissioning criteria, any associated contract income secured will be sub-contracted to those organisations on a transparent and fair basis, proportionate to delivery capacity and subject to appropriate quality and monitoring/reporting thresholds.

These values of objectivity and impartiality are informed by Nolan's seven principles of public life²

Influencing patterns of supply

Through creating a unified delivery mechanism, the consortium will seek to influence the strategic direction of third sector-sponsored service provision across the locality. The consortium will give the sector the capacity to co-design, plan and co-ordinate resource allocation in the most efficient and effective way, ensuring optimal patterns of provision across the area.

Protecting autonomy and strengthening organisations

² The Nolan Principles are the cornerstone of governance within public organisations. These are Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership. See http://www.public-standards.gov.uk/About/The_7_Principles.html

The consortium is designed to promote individual organisations' autonomy rather than merging or subsuming their independence into a larger structure.

The organisations that make up the membership base will each have their own ways of working designed in specific response to a particular set of circumstances and conditions in which they are operating. The consortium will be sensitive to this diversity in implementing the strategy to standardise systems, processes and methods across the provider network.

The consortium will respect the special strengths and particular approaches of different member organisations and build their capacity to become more effective as independent, locally accountable bodies, including bidding for and managing their own funds and managing their own quality improvement strategies.

□ ***Inherent dynamism and responsiveness***

The consortium will be constantly open to the potential for new members to come on board rather than operating as a closed circle of collaborators. This commitment to 'ensuring contestability' will promote and safeguard vitality and dynamism within the provider network.

Levels of support within the consortium structure will evolve over time, adapting to the changing needs of member organisations and their respective stakeholders. Moreover, the consortium will actively encourage member organisations to establish and maintain partnerships and networks outside of the consortium so that they can develop their potential further.

Business Principles

The consortium will adhere to a number of business principles. It will:

- Apply business skills and commercial principles in order to flourish as a social enterprise operating within the independent sector
 - Work with the private sector and organisations outside of the consortium's membership.
 - Set clear business objectives
 - Explore and take advantage of opportunities within a planned approach, drawing on the consortium's strategic position within the borough and beyond
 - Create and use management information as an integral part of business and strategic planning
 - Undertake short and long-range business and financial forecasting
 - Focus on outcomes rather than inputs and outputs
- Streamline the consortium's management and back office functions
- Develop a commitment to continuous improvement including sharing of best practice
 - Adopt a total, "whole organisation" approach to developing business awareness, skills and understanding; in other words, ensuring that business development capability is not just invested in a few individuals but embedded across the consortium
 - Employ business and financial analytical tools (e.g. competitor analysis, break-even analysis etc) as a natural, routine function of maintaining the consortium
 - Take decisions about areas of potential work/activity on the basis of sound business and financial analysis, as part of a continuous risk management strategy
 - Review on a regular, systematic basis, existing areas of work for on-going viability, as part of a continuous risk management strategy
 - Maintain strong internal research and development capacity to underpin analysis of the opportunities and threats within the business environment and to inform business development strategies

All members of the consortium will need to 'sign up' to these business principles.

Activities, Outcomes & Impacts

□ *Direct activities*

The consortium, through its provider base, will have the capacity to deliver a broad portfolio of accessible, responsive and person-centered services and to tackle a number of social, economic and cultural issues. A few examples (in no particular order) of the sorts of services that will be on offer through the consortium are:

- Provision of vocational and employability skills training programmes and work placement opportunities, including for young people who are not in education, employment or training (NEETs)
- Legal and social welfare advice, covering a wide range of areas/issues, e.g. debt, benefits, employment, consumer, housing and immigration
- Community-based environmental projects
- Advocacy services for vulnerable groups, e.g. people with mental health problems or learning disabilities
- Home support and respite care services for people with learning disabilities and their families
- Provision of practical support to carers and the people they care for, e.g. people recovering from a stroke, people with dementia etc, including carers' break services, rehabilitation services etc
- Crime and anti-social behaviour prevention initiatives
- Provision of a range of services for older people, e.g. information and advice, advocacy, community development, friendship clubs and home visiting, arts and crafts activities, exercise and healthy eating classes, helping hand home assistance etc
- Arts and cultural activities that facilitate the development of knowledge, skills and attitudes, and which enable people to contribute fully to society and lead positive and productive lives
- Accommodation, support and services for homeless people or those whose accommodation may be at risk
- Infrastructure support for frontline third sector service providers, including information, advice and training

This profile represents merely a partial snapshot of the rich diversity of the local third sector in responding to the full range of needs within the community. It demonstrates the significant potential for combining the diverse specialisms within the consortium, creating new, innovative patterns of service delivery that can maximise reach, extend engagement and heighten impact.

A detailed exercise will be undertaken in due course to map out the full breadth of the membership's service offer.

The service/activity portfolio of the consortium will continuously evolve, expand and diversify as different sorts of providers with varying remits and targeting strategies sign up for membership in the future, and as existing members develop their offer.

Joint work will generate significant capacity for innovation. This will entail:

- Novel ways of connecting disadvantaged and vulnerable individuals, families and communities
- Working together, including creative inter-agency working
- Imaginatively adding value

Many provider agencies in the third sector rely on volunteer workforces, with volunteers often being drawn from the client or beneficiary groups the organisations are working with. Volunteers are able to benefit from first class training, development and support to equip them with the skills, knowledge and vocational competences needed. This enables them to carry out a full suite of organisational functions, ranging from management duties to the delivery of core front line activities and services, to the highest possible professional standards.

In recognising that volunteer workforces provide cost-effective solutions, we readily acknowledge that there are nevertheless costs associated, for example in the appropriate hosting, supervision, support, training and development of volunteers, and not every organisation within the consortium will be able to meet these needs.

Estimated Scale of Output

It is estimated that the consortium will have a natural 'audience' of about 30% of the population, recognising that Knowsley and much of the wider Liverpool City region suffers higher than national average levels of disadvantage.

Moreover, this headcount figure will convert into a much greater 'client/beneficiary interventions or sessions' quantum, as a typical individual client/beneficiary will benefit from multiple sessions or interventions.

Also, in terms of added value outputs, it is anticipated that there will be significant numbers of volunteers active in the consortium in any given year. A target of 1000 volunteers across the consortium membership within any 3 year business planning period is anticipated. As well as gaining invaluable skills and experience, these volunteers will be making a significant in-kind financial contribution to the consortium member organisations through the input of their labour free of charge. This will convert to an equivalent monetary value. The method of calculation will involve matching the volunteer roles within the member organisations with the equivalent paid job (from the Annual Survey of Hours and Earnings).

In the early part of the business planning cycle the consortium working group intends to undertake detailed, concerted work in defining and agreeing common measures - 'units of activity' – for gauging output/outcome performance. It is envisaged that this will be applicable across the consortium network, and will become embedded within monitoring systems and processes. This 'alignment' approach will enable a 'common currency' to be established, which in turn will enable the intra-consortium trading of outputs and outcomes.

Impact

The consortium will have the capacity to generate a positive impact on well-being and general quality of life by reaching and engaging with the most disadvantaged and vulnerable groups in the borough e.g., disabled people, those living in poor housing conditions, older people, BME groups and the homeless etc. These groups will be experiencing a range of social and economic problems. The consortium will build on the longstanding delivery track records of existing third sector provider organisations to deliver both prevention-orientated activities and reactive/curative solutions at the point of need.

Localism will be at the heart of everything the consortium does. This will contribute to the sustainability of the community through the safeguarding of local jobs and the creation of wealth, including the generation of local multipliers effects through reinvesting money into the local economy.

Through the work that consortium members do in not only reaching out to vulnerable and disadvantaged people but also, crucially, involving them integrally within the social ownership structures of their organisations, significant social added value will be generated. This will be augmented by the 'volunteer dividend' – volunteers giving their time freely and developing skills and know-how in return.

The consortium and its members will operate to a 'triple bottom line', creating benefits across the all spheres of activity – economic, social and environmental.

□ *Internal consortium activities*

The consortium will also deliver a range of services for its member organisations.

These will embrace a full complement of development/capacity building actions, including:

- Support with the development of performance management systems (including the training, development and appraisal of staff)
- Support with the development of QA systems
- Influencing local, sub regional, regional and national commissioning priorities
- Facilitating the development of joint delivery arrangements
- Arranging networking events
- Sharing best practice
- Providing training e.g. in monitoring and accountability skills and systems
- Providing information on a range of topics e.g. workforce development opportunities
- Encouraging organisations to set up peer mentoring systems etc

It is anticipated that the consortium will have around 50 member organisations (full and associate). All of these will be beneficiaries of the consortium's capacity building interventions.

Risk Analysis

The working group carried out a SWOT analysis as part of the business planning process (see Appendix 1 for the results of this analysis).

Subsequently, the group drew on the highlighted weaknesses and threats within the SWOT as the foundation for the identification of a series of risks facing the consortium venture, under 2 phases of the business life cycle – (a) set up/pre-start and (b) start-up and implementation.

The identified risks were subjected to probability and impact analysis that involved deploying the following measurement framework and codes:

Probability

1 = negligible; 2 = very low; 3 = low; 4 = medium; 5 = high; 6 = very high; 7 = extreme

Impact

1 = minor; 2 = significant; 3 = damaging; 4 = grave

This generated a 'gross risk severity ranking' (with the magnitude of overall severity equating to the probability score multiplied by the impact score).

Risk	Probability Score	Impact score	Gross risk score
External competition (private sector, public sector spin outs, large social enterprises)	5	3	15
Internal competition/infighting/conflicts of interest	5	4	20
Payment by Results-based contracts	5	3	15
Failure to attract seed-corn investment	4	4	16
Governance failure	3	5	15
Lack of clarity from LA on commissioning intentions/strategy	5	3	15
Contract management failure	3	5	15
Timescales for development/readiness	4	5	20
Change in political leadership within LA (outsourcing of commissioning to Matrix)	1	3	3

LA commissions in-house	2	5	10
Sub contractor failure	5	3	15
Commissioning practice that is not consortium-friendly	5	4	20
Atrophy of the sector	5	3	15
Unrealistic expectations amongst frontline organisations about what the consortium can achieve for them	4	2	8

Risk control measures

We agreed to focus on the 3 highest scoring risks for the purpose of framing a combination of preventative and curative risk control measures.

Finally, based on the perceived strength of the combined preventative and curative control measures, net or residual risk scores were calculated.

Internal competition/infighting/conflicts of interest

Preventative measures

- Maintain good communication through regular meetings/discussions
- Agree a set of clear and transparent values that all parties sign up to
- Organisational buy-in and adoption
- Transparent processes
- Collaboration agreement/conflicts of interest policy
- Robust structure/protocol
- Joint Delivery Planning and Internal Tendering systems

Curative measures

- Sanctions

Net risk score – 9 (3 x 3)

□ ***Timescales for development***

Preventative measures

- Discuss with commissioners and make them aware of development timeline
- Determine clear milestones
- Build confidence

Curative measures

- Respond to early opportunities via a lead body arrangement
- Establish/prioritise

Net risk score – 6 (2 x 3)

□ ***Commissioning practice that is not consortium-friendly***

Preventative measures

- Continued meetings with commissioners and procurement
- Two way training – commissioners/sector
- Constructive feedback – post contract award

Curative measures

- Right to Challenge

Net risk score – 9 (3 x 3) The consortium will be committed to assessing and mitigating risk on an ongoing basis as part of a continuous risk management strategy.

Approach to Quality Assurance

The consortium will adopt a quality assurance policy that all member organisations must adhere to.

This will include the requirement for member organisations to produce an annual Self-Assessment Report (SAR) that will entail providers identifying their current strengths and weaknesses and formulating an improvement plan to build on the former and address the latter. This will be in a format that members can use easily and there will be support available to help them should they need it.

Certain eligibility criteria will also be set out in the consortium's Membership Prospectus as a condition of entry into the consortium, with these criteria applying to all prospective members. These will include criteria relating to quality assurance.

As already stated (see earlier section on *How the Contracting and Sub-Contracting process will work*), rigorous contract management systems and procedures will be put in place. This will include reviewing at key census/evaluation points the attainment by providers/sub-contractors of the appropriate quality standards (this will include visits to providers in order to observe practice). The Consortium will adopt a peer review model, whereby attainment against required standards for membership will be observed and reviewed by consortium members, reporting to the hub. Specific monitoring and review requirements will be developed around active contracts and relate only to those members delivering that contract. This process will identify cases of under-performance.

A key feature of how the consortium overall will operate is the use of joined-up capacity to drive up standards. This might involve, for example, proven high quality providers mentoring and supporting other providers that have identified weaknesses, as part of a collective quality improvement strategy. The aim will be to secure specialist capacity building funding to resource these types of targeted networking/organisational development approaches.

Additionally, the consortium will seek to secure in its own right an appropriate, externally accredited Quality Assurance kite mark.

Detailed work on quality assurance will be undertaken by the consortium working group as part of the task of drafting the Membership Prospectus.

Resource Requirements, Cost Profile & Funding Prospects

Resource Requirements

The consortium's secretariat infrastructure will need to be resourced, providing the consortium with executive leadership, tender writing, business negotiation and contract management capability.

The consortium's strategy will be to outsource these functions, wherever feasible, utilising the technical expertise and human resource infrastructure of its members. This outsourcing strategy will bring a number of conspicuous benefits:

- Risk mitigation, especially in the early implementation/survival stage of the business life cycle
- Building on, and not duplicating or displacing, existing infrastructure
- Binding the collaborators closer together, building closer understanding and trust between consortium members
- Allowing the hub resource to expand and contract contingently in line with *de facto* revenue levels and service requirements

This last point is critically important. The consortium hub needs to be sufficiently dynamic to expand and, if necessary, *contract* in line with fluctuations in the funding market, increasing and decreasing its human resource establishment to balance with the inflow of cash. For this purpose the central hub will be seen merely as a business instrument, an internal mechanism that enables the consortium to function, rather than as a key stakeholder within the new company. This flexibility and responsiveness, built into the core operations of the consortium, will be essential to its long-term viability and success.

Specifically, the mechanism for achieving this will be to align the hub resource allocation level with the contract top slice percentage, which will be benchmarked at between 5 and 10%.

Cost Profile

As a contribution to pre-start costs, Knowsley MBC has committed £10k of its own funding, relevant for such purposes. Once secured, delivery funding/contract income will be the lifeblood of the hub mechanism, operating via the minimal top slice facility.

The costs associated with the set up and maintenance of the hub will be counterpoised by efficiency gains within the member organisations. Reductions in direct tendering and contract management burdens will generate opportunity benefits. For example, time saved on monitoring and reporting activities could be diverted into additional fundraising work. In this way it should be possible for individual member organisations to generate a return on their investment (member organisations will need to be adept at restructuring the balance of inputs and outputs to maximise their return).

Furthermore, the consortium working group's objective is to negotiate with commissioners to the effect that the efficiency savings resultant from the aggregation of contracts by the commissioners and devolvement to the consortium for allocation to the frontline should be passed on, at least in part, to the consortium in order to resource of its second tier commissioning functions. Such devolved efficiency savings would be used to offset the top slice levy.

Funding Prospects

The following is intended to represent an indicative list (in no particular order) of the initial potential sources of income for the consortium:

- The Local Authority
- PCT/Clinical Commissioning Group
- Investment and Contract Readiness Grant Funding
- Right to Challenge Grant Funding
- Contribution from Member organisations
- European Funding
- National Lottery
- Personal Budgets Holders
- Big Society Bank
- Local Community Development Finance Institutions
- DWP
- NOMS (National Offender Management Service)
- Schools-based commissioning
- Skills Funding Agency
- Department for Education
- Local Enterprise Partnership
- Office for Civil Society
- Large Trusts and Foundations

The consortium will be in a position to exploit the mix and variety of services available through the full spectrum of organisations to offer a broad portfolio to potential buyers. It is envisaged that such a 'portfolio-based' approach will increase the overall competitive position and revenue potential of member organisations.

Appendix 1: SWOT Analysis

The following strengths and weaknesses represent a snapshot of the local third sector currently, while the opportunities and threats relate specifically to the consortium development.

Strengths	Weaknesses
<ul style="list-style-type: none"> <input type="checkbox"/> Supportive <input type="checkbox"/> Customer-driven <input type="checkbox"/> Expertise <input type="checkbox"/> Resilience <input type="checkbox"/> Less red tape <input type="checkbox"/> Non-judgemental <input type="checkbox"/> Broad base <input type="checkbox"/> VFM <input type="checkbox"/> Quality-driven <input type="checkbox"/> Commitment to work together <input type="checkbox"/> Experience <input type="checkbox"/> Approachable <input type="checkbox"/> Diverse <input type="checkbox"/> Innovative <input type="checkbox"/> Responsive <input type="checkbox"/> Use of volunteers <input type="checkbox"/> Impact 	<ul style="list-style-type: none"> <input type="checkbox"/> Career development – salary levels <input type="checkbox"/> Restricted by Area of Benefit <input type="checkbox"/> Governance <input type="checkbox"/> Risk aversion <input type="checkbox"/> Funding/short-termism <input type="checkbox"/> Uncertainty leading to low staff morale <input type="checkbox"/> Lack of vision <input type="checkbox"/> Non-business like <input type="checkbox"/> Patchy quality <input type="checkbox"/> Capacity – over-stretched <input type="checkbox"/> Marketing and PR shortfalls <input type="checkbox"/> Preciousness <input type="checkbox"/> Stagnation due to low staff turnover <input type="checkbox"/> Competition within the sector <input type="checkbox"/> Inappropriate management systems
Opportunities	Threats
<ul style="list-style-type: none"> <input type="checkbox"/> Greater bargaining/influencing power <input type="checkbox"/> Bidding for grants <input type="checkbox"/> Diversification <input type="checkbox"/> Stronger together <input type="checkbox"/> More effective business models <input type="checkbox"/> Growth <input type="checkbox"/> Recognition – increased profile <input type="checkbox"/> Ethical delivery <input type="checkbox"/> Better knowledge of each other <input type="checkbox"/> Sharing <input type="checkbox"/> Cost efficiencies/shared back office <input type="checkbox"/> Working smarter <input type="checkbox"/> Joint working <input type="checkbox"/> Wider business opportunities, e.g. asset transfer and geographical expansion 	<ul style="list-style-type: none"> <input type="checkbox"/> External competition <input type="checkbox"/> Internal competition/infighting/conflicts of interest <input type="checkbox"/> Payment by Results-based contracts <input type="checkbox"/> Failure to attract seed-corn investment <input type="checkbox"/> Governance failure <input type="checkbox"/> Lack of clarity from LA on commissioning intentions/strategy <input type="checkbox"/> Contract management failure <input type="checkbox"/> Timescales for development/readiness <input type="checkbox"/> Change in political leadership within LA (outsourcing of commissioning to Matrix) <input type="checkbox"/> LA commissions in-house <input type="checkbox"/> Sub contractor failure <input type="checkbox"/> Lack of business/contracting opportunities <input type="checkbox"/> Commissioning practice that is not consortium-friendly <input type="checkbox"/> Atrophy of the sector <input type="checkbox"/> Unrealistic expectations amongst frontline organisations about what the consortium can achieve for them