The Way Forward for the Dumfries & Galloway Third Sector Interface: an assessment of current arrangements

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1. The project brief

"*To provide a report making recommendations on options for the delivery and implementation of a robust and sustainable strategic Third Sector Interface (TSI) for Dumfries and Galloway. The report would make recommendations on the options for delivery and implementation including an assessment of whether the existing governance and management arrangements within the Third Sector Interface in Dumfries and Galloway are fit for purpose and able to fulfil the role of a credible, robust and sustainable strategic third sector interface in Dumfries and Galloway. The report would make recommendations to the Scottish Government on the way forward. The brief would also include a requirement to provide a project plan for implementation of the recommended option and roles and responsibilities and timescales for taking this forward*".

2. The Backstory

In line with its policy of increasing the engagement of the third sector with community planning partnerships the Scottish Government decided in 2009 to fund, from 2011, a single 'Third Sector Interface' in each of the 32 community planning (CPP) areas. It was expected in large part that these would be formed from the foundations of pre-existing local councils for voluntary service, volunteer centres, and social economy/enterprise partnerships. No prescription for the organisational form of the TSI was made.

In Dumfries and Galloway the pre-existing Federation of CVS and one of the local CVS (Wigtownshire) merged, but beyond that local third sector activists involved in the four existing CVSs (Nithsdale, Wigtownshire (now known as the Bridge), Annandale and Eskdale, Stewartry) and the Volunteer Centre and the Social Enterprise Network decided not to pursue any structural change to their own organisations, rather to seek to achieve a partnership approach to the delivery of the TSI. After the input of a consultant (Carolyn Stenhouse) working with the group an initial arrangement involving representatives of each of the 6 bodies was supplemented by an invitation (following open recruitment) to 6 independent members to join the TSI Board.

The TSI was then incorporated to limit the liability of Board members and an independent member, was appointed to the Chair.

In recent months the TSI has been receiving support from Kenny Murphy the, then, Chair of Voluntary Action Scotland, who early in 2012 made 15 recommendations about improving, within this governance structure, the performance of the TSI.

The independent member served as Chair of the TSI until April 2012 (after the start of this Review) when he was the subject of a vote of no confidence by the rest of the Board. The former Vice Chair has now been confirmed in the Chair.

This structural arrangement has been in place since the beginning of financial year 2001/12 but unfortunately has been characterised by discontent, lack of progress and a debilitating inward focus.

3. The Review

Phase one of the review project has been to establish the range and nature of concerns about the current TSI arrangements in Dumfries and Galloway by dialogue with all participants in the current arrangements and with key stakeholders. This was achieved through a series of telephone interviews between 19th April and 17th May 2012, with a final two interviews conducted in person (list at appendix one). Further input was received from two former Board members, one contributing to a telephone interview, the other by email. The issues, analysis, and recommendations for moving forward are outlined below.

4. The issues

A wide range of particular issues were raised during conversation with TSI participants and stakeholders, but a number of clear themes emerged as follows:

- Governance
- Finance
- Representation
- Operational effectiveness
- Challenges and opportunities
- People
- Assets and liabilities

4.1 Governance

All interviewees raised concerns about the form and practice of governance in the TSI. Some attributed this principally to the style and/or capability of the Chair, but all identified more fundamental issues about the structure of the company and its relationship with its 'intermediary' components. All felt that problems stemmed at least to a degree from historical organisational enmities and vested or conflicted interests. Some 'intermediary' participants felt the involvement of independent members weakened the Board through lack of knowledge of the 'real' work on the ground, but all the independent members did offer valuable insights into the nature of the problems hampering the TSI's functionality – comments to the effect *'you wouldn't run any other organisation this way'* were common.

In practice the governance issues have manifested themselves as:

- conflicted interests in decision-making particularly about funding
- the changing or 'unpicking' of decisions taken at meetings afterwards in small groups or via email debate
- the impromptu calling of meetings and late circulation or tabling of key papers
- a reliance on voting by electronic means
- a complete absence of strategic debate or thinking
- no shared vision for the organisation or sector
- beyond a very recent 'joint operating plan', no shared understanding of the activities of the organisation
- no financial reporting (see below)
- weak systems for the appointment of representatives and no systems for their support or mandate (see below)

The governance structure adopted for the TSI in Dumfries and Galloway is essentially a permissive structure. With good practice in communication, robust systems, transparent decision-making (including clear practice around declarations of interest) and productive behaviours it *could* have worked, and indeed similar arrangements do for joint ventures in other parts of the Scottish voluntary sector. The VAS input was focused on trying to bring about

these practices and behaviours. While some interviewees felt a new approach was now possible after the departure of the Chair, all of these essential elements have evidently been absent from this scenario from the beginning of the development process, and reportedly well before. The introduction of the cohort of independent members was an attempt in part to mitigate some of the vested interests and antipathies that were present and introduce some strategic perspective, but unfortunately this hasn't been sufficient to engender positivity and productivity, and in some ways, (attributed variously to the lack of knowledge of and lack of support for the independent members, and to the attitude of the Chair) has compounded the pre-existing problems.

In conversation the word 'local' was used by many to refer to areas within the CPP area of Dumfries and Galloway, and 'regional' to describe things at full council/CPP level. In terms of TSI structure it was clear that maintaining the 'local' dimension was felt to be very important to some, with history, culture, different industry, rurality, and levels of community disadvantage, all cited as reasons for this. Additionally a role on the funding panels of the Council's area committees was felt to be a key engagement at this level. However, whether this 'very local' dimension needs to be secured though the separate governance of separate organisations or could be achieved through other means has clearly not been explored.

Conversely the impact of having multiple 'layers' of governance in the current arrangements has not been fully addressed either. Even the VAS recommendations about better processes do not get close to the intrinsic disconnect between what the TSI Board is responsible for and what actually happens 'on the ground'.

It is for support with governance that many voluntary organisations turn to TSIs. It is an irony not lost on a number of interviewees that the experts have lost sight of the very principles of good practice they work to instil in others.

4.2 Finance

By all accounts the single most absorbing issue in the TSI Board in the last year has been the 'divvy-up' of the £376K Scottish Government grant and the £102K Dumfries and Galloway grant for the delivery of the TSI. A report was commissioned from consultant Carol Bartholomew in early 2012 to make independent recommendations of the division of the funds. She reported that previously '*there was no clear agreement on the best model and this was compounded by the lack of robust data by which a formula might be populated*'. She went on to say '*no information was available which gave significant detail on the nature, scope or scale (quantitative or qualitative) of the service expected to be provided on behalf of the interface by each of the individual member organisations*'. Nevertheless she produced a set of recommendations for funding distribution to the intermediaries which might move them on from historical arrangements towards a more rational

distribution. In particular the approach recommended removed any budget for 'regional' activities previously undertaken by the Bridge as the legacy organisation of the Federation – a very significant decision in relation to the representative role of the TSI - reallocating these funds across the remaining 4 area CVS. She concluded that her recommendation '*represents what the author considers to be a more equitable and reasoned distribution of available funding which may address some of the previous challenges to partnership working which have arisen from feelings of inequity and unfairness in the existing funding distribution.... It does not however represent a 'forever' position. The formula can and should be further refined...*'

Debate around the report, however, seems to have been very difficult and a further iteration of the budget was tabled and ultimately agreed without, evidently, any shared understanding as to its basis beyond the extremely practical '*we had to do something'.*

There is no system in place for the oversight of the use of the grant once sub-divided, either in the sense of simply monitoring its use, or, more pro-actively steering or directing its use. A Board member has requested quarterly finance reports in future and some executive officers referred to the need to prepare them, but this is not yet established.

The use of public funds for the delivery of the TSI objectives should be based around the real costs of the effective delivery of functions contributing to those objectives. The Carol Bartholomew report clearly implies this, but pragmatically proposes a step towards a more rational budget which might be politically acceptable to Board members. It wasn't: vested interests have clearly become too 'concreted in' for such incremental change to be effective. As a result a poor decision about the use of public money made in April 2011 was repeated in April 2012. One Board member said the decision was '*rammed through for purely pragmatic reasons'.*

As worryingly, while there are no apparent concerns about financial administration or probity, public money has clearly gone strategically undirected and unmonitored by the body responsible for it over the course of the last year, and no systems are in place to rectify that over the coming months. This complete disconnect of accountability is unacceptable.

4.3 Representation

The main departure from the past reflected in the creation of the TSIs was the requirement that they facilitated engagement between the Third Sector and the community planning partners. Government funding had been in place for varying lengths of time for third sector support, volunteering development and social enterprise development – but what was really new about this policy was the bringing together of all these supports and connecting them to the structures underpinning the single outcome agreement for each CPP area.

No-one familiar with the field is under any illusions about the political and cultural barriers to the successful and productive delivery of such statutory-third sector engagement anywhere in Scotland, but by any standards, in Dumfries and Galloway, there appears to have been very little progress.

Fundamentally there seems to be very little shared understanding of the shape and nature of the third sector in the area. Each CVS claims a varying level of record keeping about their own members, but there has apparently been no further research or mapping into the full extent of the sector anywhere in the CPP area, despite there, reportedly, being good membership/mailing lists as a starting point. Reportedly there are some 1000 organisations in membership or on mailing lists of one or more of the CVSs, which in relation to an estimated 'constituency' of 3000 would seem quite strong, but there is an assumption that this is affected by double-counting and a weakness of currency.

There are five separate third sector 'fora' being convened in the area. One, theoretically, for each of the local areas, and a 'regional' one. Historically there seems to have been a distinction made between national or regional organisations working across more than one local area and those that were purely local to one. There were some references to the need to connect with the local council's area committees and this being a role for the local fora, but overwhelmingly of those that had knowledge of the fora arrangements there was a view these should be run together and be the source and method for appointing representatives to the various CPP policy and working groups and the sounding board for feedback from those roles.

While some work apparently has been undertaken over the last year to give life to engagement with the CPP by the staff of the Bridge organisation, this does not appear to have been widely shared or understood across the other TSI participants (Board and executive), and was rather dismissively referred to by some as 'regional' work. This mislabelling of critical representative activities, combined with the lack of systems to fully connect them to the rest of the TSI constituent parts is a clear fault line in the current arrangements. The recent decision to remove funding from 'regional' work further evidences this as a 'blind spot' for Board members.

4.4 Operational effectiveness

The inefficiencies in the local/regional fora arrangements are symptomatic of a wider lack of operational effectiveness in the current TSI arrangements. While there is evidence that all 6 component organisations are busy, and as one interviewee put it '*there have been no complaints*', there is also a very clear sense that it is not operating optimally. As to quality and consistency of service across geographical areas or across the four business areas of the TSI, in the absence of any monitoring systems, it is impossible to make an assessment.

Some of the executive officers referred to a tendency in the last few years for each of them to develop particular expertise or specialisms which they were happy to share with others, but this seems to have been organic, not planned. In terms of the particular resources (and associated objectives) for social enterprise development and volunteer support – while 'signposting' was in practice, there was no sense that these resources were being embraced by the more generic organisations, even though, admitted by more than one of the executive officers, there was considerable overlap.

In terms of 'big' priorities for the TSI – the 'mapping exercise' being the most obvious - there has been no consideration of how to plan to release staff or financial resources to undertake this. Perhaps understandably all managers have now 'parked' work on mapping until the Milo system is ready for use.

The recent agreement of the joint operating plan was acclaimed by some – especially the executive staff as being a breakthrough in operational terms. Others, however, felt that it was a weak and superficial document which, along with the monitoring reports to Voluntary Action Scotland amounted to not much more than, in the words of one, '*lip service to Scottish Government*'. As a document it does not give any real sense of an outcome focus, or any over-arching prioritisation of effort or resources. It is also not clear how meaningful it is as a tool for management – several managers used phrases like '*it's a living document that we need to change and adapt to local needs*', and '*it's a work in progress*' and more than one admitted to having two operational plans, one for their own organisation and one for the TSI, one saying: '*I report twice – I can make it fit, but its a lot of bureaucracy*'.

Three of the component organisations reported that they were holding vacant posts, but could not explain either where the funding of these was to come from (apart from in a different sub-division of the main grants) or how they equated to delivery of the plan. There is a very strong sense of function following form rather than form following function.

4.5 Challenges and Opportunities

A point raised with all TSI participants was about awareness of challenges and opportunities for both the TSI and the wider sector. Awareness of the extent of the challenge to the TSI to demonstrate its value for public money – both through this review process and the forthcoming adoption by the Council of competitive procurement for these activities, was underdeveloped in all but the social enterprise part of the current structures, though in general the independents seemed to be more attuned to the need to respond to external factors.

In relation to opportunities almost all participants acknowledged that the policy environment was positive towards the sector, but more than half felt

the TSI had not exploited the opportunities adequately to date, with some feeling a much more robust engagement with CPP partners about procurement itself, and programmes such as the Reshaping Care for Older People Change Fund should have taken place.

4.6 People

The biggest issue around the people involved in the TSI seems to be a high-level of distrust. In my view, having spoken at length to all the key players, much of this seems to be perception rather than reality-based and hinges on the historical and vested interests of the component organisations. Most Board members currently involved demonstrate a high level of commitment, not to say tenacity, in remaining involved and, as one put it, '*seeing this through*'. This positive message is diminished however by input from two now resigned Board members suggesting a level of burn-out – one said: '*I got completely fed up with the total waste of my precious time taking one step forward and 2 steps back each time we met.*'

In conversation all the executive officers demonstrated a high level of knowledge, and applied intelligence to the issues at hand, but several openly admitted to experiencing high levels of stress – resulting in some cases in time off work - and struggling to keep themselves and their small teams motivated in the face of the ongoing problems in the TSI structure. Overall leadership of the entire staff team is non-existent, with one of the independent Board members having adopted a role as 'link-person' to communicate between Board and Executive, in the absence of a 'chief executive' connection (this was a VAS recommendation, originally a role given to one of the Board members who then resigned, and as it was not mentioned by any of the staff, so cannot be said to be embedded).

A number of participants expressed the clear view that much of the tension around the TSI could be laid at the door of the Chairperson, but others that it would have taken an exceptional leader to deal with the problems intrinsic to the set-up and in the word of one '…..*was up against it from the beginning*", and in the words of another he '*bit off more than he could chew and got no help*'.

4.7 Assets and liabilities

One interviewee specifically raised a concern about the costs of redundancy and/or potential redeployment/transfer of staff in the case of any change to current structural arrangements, though an overview of the staff roles does not suggest this is a major issue. Two organisations do, however, have liabilities relating to final salary pension schemes. Two (other) of the component organisations own premises. Other complicating factors include long-term services or short-term grant-funded projects run by some.

5. Overall Assessment

The governance arrangements of the Dumfries and Galloway TSI are dysfunctional to the point of damaging the interests of the voluntary sector in the area.

The financial stewardship of the two significant public sector grants to the TSI is inadequate, with clear fault lines in accountability for that spend.

In the delivery of a system of representation and engagement for the third sector with statutory CPP partners, there is some evidence of new processes being put in place to identify appointees to various groups and committees, but no evidence that these roles are being supported, or facilitated to feed back to the sector and gain a mandate for the positions taken by appointees within them. There is a major dysfunction in the way information is communicated to the sector at large and in the way that it is convened through multiple fora.

Operationally the TSI benefits from some skilled and knowledgeable staff, but they rarely operate as a team, lack leadership, and are set against each other due to the vested and sometimes conflicting organisational interests of their separate employing organisations. Their working lives are characterised by uncertainty, and stress is beginning to take its toll.

The TSI benefits from the input and commitment of an interested and widely experienced set of Board members, but has already lost some, and is at risk of losing others. It certainly is not making best use of the talent within the group and is wasting effort and expertise on internal wrangling while opportunities for the wider sector pass by. Even with all the effort and energy invested in internal matters, poor decisions are being made for short term convenience, within a strategic vacuum. Unprofessional and inappropriate behaviour has been evident.

This is resulting in a lack of preparedness in the sector to meet the challenges of a tightening public expenditure environment and the evolving focus on outcomes and impact. It is also allowing opportunities for an enhanced role for the sector go by unadvocated.

There was clear view amongst many participants that change to both the way things were managed, and governed, was inevitable. However, there was also, at least, rhetorical resistance to change amongst some of the participants in the TSI, but the only arguments actually articulated against it were the need for a (very) local dimension to be retained and some technical issues around assets and liabilities.

I was asked to make an assessment of whether the existing governance and management arrangements within the Third Sector Interface in Dumfries and Galloway are fit for purpose and able to fulfil the role of a credible, robust and sustainable strategic third sector interface in Dumfries and Galloway.

I conclude that they are not.

Further it is my opinion that structural change is a pre-requisite to improvement and that there are no insurmountable barriers to change. Public investment in the TSI should be redirected to facilitate these changes and improvements.

6. The Way Forward

The project brief asked for an assessment of four potential options for moving the TSI forward in Dumfries and Galloway. I have concluded that none of these is entirely satisfactory – as explained below – and have instead offered a fifth option, blending aspects of the other four.

> **OPTION 1**: Existing Governance and Management Arrangements to be revised in accordance with the 15 recommendations made by VAS in February 2012.

While the 15 VAS recommendations are all valid and positive, in my assessment the problems with the current TSI arrangements are too entrenched to be treated effectively in this way. A link director and 'paper' plans are highly unlikely to be sufficient to mobilise staff resources effectively and any 'local funding distribution' formula will cause undiminishing and repetitive controversy. A more radical structural solution creating clear leadership is required if the TSI is to move forward.

> **OPTION 2**: Existing Interface board to be expanded and strengthened by the addition of new board members with specialist knowledge and skills; and also by the recruitment of permanent staff such as a Chief Officer and a specialist staff member with specific responsibility for each of the 4 main functions.   Service level agreements would have to be agreed with each of the 6 constituent intermediary bodies regarding their contribution towards delivery of an agreed work plan.

The Board already has a good spread of skills which separately and collectively could, under different conditions, contribute well to a strategic direction for the organisation and the sector. This could be usefully supplemented by some 'frontline' knowledge of the sector from, say, serving staff members of significant organisations active in the area. However without structural change external focus and strategy will continue to be 'crowded out'.

A Chief Officer role is essential. It is evident that knowledge and skills relating to the four main functions do exist within the current staff contingent, but they are not currently being deployed or supported appropriately, and it is not clear what gaps (eg policy expertise) exist or what might benefit from being supplemented. Rather than just adding new roles, and given the necessarily limited budget, an objective assessment of necessary staff roles is required, followed by a carefully managed redeployment exercise to fill them. This

reconfigured team can them be managed by the Chief Officer in a way that fulfils the four objectives without recourse to 'internal' service level agreements – which would be unnecessarily bureaucratic and inefficient.

> **OPTION 3**: Dumfries and Galloway Council to tender for new third sector interface for Dumfries and Galloway. Tenders would be invited from third sector organisations to deliver the 4 functions: volunteering, support for the third sector, support for social enterprise, and building the relationship with Community Planning.

This option would either have to be run as a single tender or divided into the four roles. As a divided one it embeds the very divisions and inefficiencies we are seeking to eliminate, or creates new ones. A single tender exercise in and of itself it does not ensure the delivery of a quality interface organisation, however if the council chose to go down this route for its own grant funding it would not preclude the development recommended at new option 5.

> **OPTION 4**: Dissolution of existing intermediary organisations and staff to be TUPE into Dumfries and Galloway Third Sector Interface. Existing Board to be reviewed to ensure that board members have necessary skills, knowledge and expertise and identify skills gaps and how to address these. Recruitment and appointment of new chief officer for the Interface.

This option is the closest to a constructive and workable solution, in that it recognises that one structure is required to get rid of the multiple layers of accountability currently hampering the TSI. However the current constitution of the TSI is predicated on the existence of the 6 intermediary bodies and their right to nominate a director and using it as a vehicle would not be compatible with repurposing or dissolving them.

Both existing staff and at least some existing board members should be enabled to contribute to the new organisation to both fulfil TUPE responsibilities and retain appropriate capability at Board level.

> **New Option 5:** A refinement of the above options and a way forward for the Dumfries and Galloway Interface is recommended as follows:

> ➢ The creation of a new organisation with limited liability and a membership basis. A Scottish Charitable Incorporated Organisation form should be used for this to ensure limited liability without

unnecessary bureaucracy. Templates for membership versions of this exist to be adopted and adapted.

➢ As far as possible all voluntary organisations based or active in the Dumfries and Galloway area should be invited to join as a full member, or sign up to a 'second –tier' network (effectively creating a coherent forum for representation purposes). Nominations from the membership should be sought for the Board (including as appropriate and practicable, but not exclusively, serving members of the current TSI board). Good practice in induction and the establishment of positive behaviours drawing on the VAS input should be prioritised.

➢ The post of Chief Officer should be created and an objective assessment of staff roles in an integrated team should be undertaken. The post of Chief Officer should be advertised. Currently serving staff should be encouraged to apply for it, and invited to participate in a managed process of transfer and redeployment for roles within the integrated team (see response to option two above).

➢ An objective assessment of facilities currently used by the TSI should be undertaken with a view to retaining as wide a range of bases/contact points as possible to retain and enhance local reach.

➢ Existing organisations should be invited to consider their own future roles in the absence of the TSI functions. For those owning property or running local services not directly associated with TSI functions (i.e. the Handyvan service) a development trust type role is likely to be appropriate – requiring the retention of current governance arrangements in the short term and perhaps adaptation of these in the longer term. Staff currently based in these properties need not be moved – rather the TSI can provide an anchor tenancy to the refocused local organisation. For those organisations with no substantive role beyond the TSI functions, dissolution is likely to be appropriate. Support for the repurposing of existing organisations (i.e. refocusing work and governance changes where necessary) should be resourced.

➢ A strategic planning process for the new TSI organisation should be undertaken, starting with an environmental mapping and visioning exercise. Work to date on operational planning for the existing TSI should be adapted to connect with this strategy.

Next Steps

It is advised that Scottish Government, Voluntary Action Scotland and the current Board of the Dumfries and Galloway Third Sector Interface consider the initial conclusions of this review and the outline recommended way forward. A detailed project plan for carrying forward change, whilst maintaining operations and service levels, should then follow at stage two of the project.

Lucy McTernan May 23rd 2012

Appendix One: List of interviewees

11 of the current DGTSI Board, one past member
2 officers from D&G Council Community Planning Partnership
Executives of DGSEN, Volunteer Action D&G, The Bridge, Annandale &
Eskdale CVS, Nithsdale CVS, Stewartry CVS