

National Council for Voluntary Organisations

Public Service Delivery Network



From Policy to Practice

How is the environment enabling you to deliver or commission public services?



From Policy to Practice:

How is the environment enabling you
to deliver or commission public services?

Contents

- 1 Introduction
- 3 Setting the scene
- 11 The Big Debate
- 17 Bidding for Contracts
- 21 Consortium Delivery
- 26 Intelligent Commissioning
- 31 From 'full cost' to 'full value'
- 36 National Programme for Third Sector Commissioning
- 40 Summary - key themes for the future

Introduction

The Public Service Delivery Network (PSDN) was set up by NCVO in 2005 and is run by the Sustainable Funding Project in partnership with Futurebuilders England. The purpose of the Network is to bring together the voluntary and community and public sector's to develop and share learning around the delivery of public services. The Network, which is free for those working in and with the voluntary and community sector, has doubled in size to 700+ over the last year.

This document is a report of the Public Service Delivery Network's second annual conference. This report and other resources of the network, including joining instructions, case studies and information about seminars throughout the year are available at www.ncvo-vol.org.uk/psdnetwork.

This report was written and edited by Sally Cooke, based on a plenary transcript and workshop notes.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Introduction

The theme of the 2007 Public Service Delivery Network Annual Conference was From Policy to Practice. Since the Treasury's original cross-cutting review looking at the sector's role in public service delivery in 2002 there has been a great deal of activity in this field, both in terms of policy development and practice. One thing that is clear from the presentations and discussions summarised here is the wealth of experience that delegates brought to the event and the evident maturing of the debate over recent years.

There is no doubt that public service delivery and the world of contracting and commissioning remain challenging for those on both sides of the relationship. However, driven by an understanding of mutual advantage and a desire to achieve better outcomes for service users, many are improving practice, sharing learning and contributing to constructive on-going debate in this area.

This document attempts to capture the full content of the conference including the contribution of both speakers and delegates. It is designed as an aide memoir for those who attended on the day and as a rich summary for those unable to attend. Each conference session is reported in a separate section, building on the speaker's notes and discussion on the day. Each section can be read as a stand alone as well as part of the full document. You might find parts of this report useful to share with your colleagues. The final section pulls together a number of key themes that emerged from the day and which the Public Service Delivery Network partners and others might want to address in the future.

We very much hope you will enjoy this report and learn something from the interesting presentations and discussions held at what was a very lively and vibrant day of dialogue and networking.

If you would like any more information about this report or the conference please contact:
Charmaine Sainsbury,
Sustainable Funding Officer
charmaine.sainsbury@ncvo-vol.org.uk or
020 7520 2555.

One thing that is clear from the presentations and discussions summarised here is the wealth of experience that delegates brought.

Public Service Delivery

Setting the Scene

The opening plenary session of the conference set the scene for the public services debate and provided context for the workshops that followed. The three speakers were:

Stuart Etherington, Chief Executive of NCVO, setting the scene for the public service delivery agenda in 2007.

Campbell Robb, Director General of the Office of the Third Sector (OTS), taking stock of developments within Government one year on from the OTS Action Plan.

Martin Kinsella, Chief Executive of P3: The Social Inclusion Charity, sharing his views and experience in the field of service delivery. Martin is a Social Enterprise Ambassador.

Question and debate were invited from conference delegates and are summarised in the boxes below.

Discussion in this session focused on the:

- Financial climate for the public sector and its impact at local level.
- Experience of central government contracting.
- Status of the Compact and role of the Compact Commissioner.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Public Service Delivery

Setting the Scene

Stuart Etherington – Perspective from the VCS and NCVO

In the two years since NCVO launched the Public Service Delivery Network together with Futurebuilders England, a lot has happened:

- there is now a dedicated Office of the Third Sector (OTS) at the heart of government in the Cabinet Office;
- extensive consultation with the sector has informed a very positive report and strong recommendations from the Government's third sector review;
- the Commission for the Compact has been established to strengthen and support implementation of the Compact between the statutory and voluntary and community sectors (VCS).

Growth in Public Service Delivery

NCVO's recent Almanac figures show that the value of government contracts to the sector is increasing, now £6.6 billion. However, this growth is not evenly distributed. Larger charities tend to fare far better than small and medium sized organisations in this arena. Under the right conditions and in the right environment, there is potential for voluntary and community organisations (VCOs) of all sizes to contribute to the delivery of public services that better meet the needs of individuals and communities. Investment in capacity building and other support to help VCOs to take on public service contracts where appropriate has been welcome. However, this in itself will not deliver the reform that everyone wants to see. Achieving a more sophisticated approach to identifying needs and designing services is taking time. Consequently, involvement of the third sector in public service contracting has not been as extensive or as diverse as we might have hoped.

Transformation not transfer

All the main political parties have voiced a desire to unlock the potential of the voluntary and community sector (VCS), particularly in relation to public services. They have shown interest in our: skills and track record of innovation; our ability to operate free from the constraints of the public or private sectors; and our flexibility and closeness to users. NCVO believes that effective public services must be closely aligned to the needs of users. And that therefore, simply transferring services from one sector to another will not necessarily improve service quality. If we are to see transformation in services, whoever is to deliver them, user needs must be placed at the heart of the process. This means building transformational change into the processes of service design, commissioning and procurement.

They have shown interest in our: skills and track record of innovation; our ability to operate free from the constraints of the public or private sectors; and our flexibility and closeness to users.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Public Service Delivery

Setting the Scene

Ministers across the board are now really driving this issue and talking with civil servants who are coming to us and asking 'how can we do this, we want to make this work'.

The Public Services Action Plan

The cross-government public services action plan produced by OTS in 2006 demonstrated an understanding of the need to transform and not just transfer public services. The Action Plan takes account of all of the roles that VCOs potentially have in relation to this transformation. It also introduces numerous initiatives (see below) intended to support the sector and create an environment where more VCOs can influence and shape public service design, and bid to deliver services should they choose to. The next step is to reach a genuine understanding of the value of the sector and the values that we bring to what we do.

The way ahead

It is very encouraging that the Action Plan is designed to work with other Government commitments, including those in the Local Government White Paper and the final report of the Third Sector Review. However, the sector previously had high hopes of the 2002 Treasury Cross Cutting Review of the sector's role in public service delivery, which made a compelling case for the implementation of full cost recovery, longer term funding, timely payment and proportionate application and monitoring requirements. In many respects we are still waiting. NCVO commends the work that OTS has done across government. However, we recognise that there is still much to be done. It is crucial, this time, that Government delivers.

Campbell Robb – Perspective from the Office of the Third Sector

Government Commitment

This is an opportunity to take stock of where we are at one year on from publication of the Public Services Action Plan. Before describing some of the initiatives being taken forward as part of this plan it is important to make clear the breadth and depth of Government commitment to the Third Sector agenda. Ministers across the board are now really driving this issue and talking with civil servants who are coming to us and asking 'how can we do this, we want to make this work'.

Those of you who have had the chance to read the Third Sector Review report published in July will know that the delivery of public services is not the only role Government sees for the third sector. The proposals of the Third Sector Review (into the sector's role in social and economic regeneration) cover a number of key areas including: campaigning; strengthening communities; and developing social enterprise. The review also looks at the environment for a healthy third sector as well as the role the sector can play in transforming public services.

There are many areas, in which the sector works, where the emphasis from government is now on increasing engagement of local people and service users in decision making (e.g. in relation to individual budgets). Government recognises that there are VCOs not actually interested in delivering a service that will still want to ensure a say for their users in how that service is designed or run. Government and the sector need to understand better: how greater engagement can be achieved, how it will impact on public services, and what role the third sector might have.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Public Service Delivery

Setting the Scene

Work in progress - the Public Service Action Plan

These are some highlights from the work being undertaken by OTS and others to deliver the Public Services Action Plan:

Innovation Exchange – The aim of the Exchange is to connect third sector innovators with those in the public sector. A website provides a place where people with really good ideas can find someone to buy them. And, where commissioners can go to look for what they need. OTS is working with the National Endowment for Science, Technology and the Arts (NESTA) to develop the Exchange. A small amount of money will also be available to get some good ideas going. The initial focus is on adult social care and excluded young people.

National Programme for Third Sector Commissioning – This programme is being funded by OTS and delivered by IDeA (see Section 8 for a more detailed description). It will work with those actually doing the commissioning, including procurement officers and elected councillors who are often making the critical decisions at local level. The programme will help to identify the change and the skills that are needed and to help the public sector to understand the wider picture of commissioning beyond the narrow procurement part of the process.

The Social Clauses project – This project is looking at how social clauses can be used in contracts as a way to buy the extra value achievable through contracts, not just with the VCS but other sectors too. Transport for London recently did this, by including a clause in the commissioning process which encouraged and resourced more environmentally friendly solutions when commissioning new buses. OTS is about to start some pilots with local authorities using social clauses in waste and recycling contracts.

Better Regulation - OTS is working with the Better Regulation Executive (a unit within a cross-government remit to improve regulation) to look at issues raised by the VCS in relation to the quantity, consistency and applicability of reporting requirements and the impact of regulation. Amongst other things, this is intended to improve understanding of the difference between regulation and administrative burden and to inform the situation on the ground.

Eight principles of good commissioning – Identified in the Action Plan, these principles are ones which Government believes are critical to good commissioning and in particular when commissioning from the third sector. OTS is working with other Government departments to ensure these principles are embedded in the way that they work.

Beyond the Public Services Action Plan

As well as these actions arising from the Action Plan, OTS is also working to:

- extend the range of organisations able to access grants and loans from Futurebuilders England for service development (see examples in Section 3);
- develop a research programme which will improve the sector's capacity to evidence outcomes from its work; especially important when publicly funded;
- work on skills in both sectors in relation to commissioning and procurement, including work with Capacity Builders to boost sector skills in this regard; and
- put in place a small grants programme to ensure different sources of funding are available to give organisations different sources of funding and a sustainable base.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Public Service Delivery

Setting the Scene

Beyond the Office of the Third Sector

Taking this agenda forward is not just the responsibility of OTS. Other government departments are also getting behind the third sector agenda and taking action:

- Ministry of Justice – recently launched £2.2 million National Infrastructure Grants Programme to fund capacity building and voice for the sector in relation to the reduction of re-offending and engagement with the National Offender Management Service (NOMS).
- Department Of Health - has launched a significant pot of money to explore how social enterprise methods can help deliver public services in the health field.
- DEFRA – is about to introduce a waste strategy, with a strong emphasis on the third sector.
- Department of Health and Department for Children Schools and Families – are both beginning to do work exploring the use of template contracts.

The way ahead

It is recognised that, by themselves, these initiatives will not be enough. OTS is also working with colleagues in the Department for Communities and Local Government to identify how best to work with local authorities to achieve positive change at this level. OTS is working with partners to encourage cultural change across central and local government and the other public sector agencies which the sector encounters. This kind of change takes time and there is still a lot to do. OTS is committed to listening and learning as it continues to take this agenda forward and to influence others across the public sector.

How do we bridge the gap in perception between what is a very encouraging message nationally and local government which, although willing, feels very squeezed by the Comprehensive Spending Review (CSR) settlement?

There are a number of things other than the CSR settlement which will impact on local government. For example, two of the National Performance Framework 198 indicators (the new performance framework for Local Authorities), relate to third sector activity. These will be linked to the new Comprehensive Area Assessment which will undoubtedly influence behaviour at a local level. OTS is working with LGA and the Audit Commission to explore how Government's commitments on this can be realised, including the commitment to see three year funding be the norm rather than the exception.

What can be done about less positive experiences of government department contracting? For example, where the Department for Work and Pensions (DWP) introduced a prime contractor model which appears to work against the VCS?

In the process of commissioning it is often the case that commissioners plan things and people come forward with good ideas and then lawyers and finance people see problems. Sometimes this is just institutionalised practice coming into play. We used to hear 'Treasury rules won't let us do that'. So Treasury produced guidance to make clear where flexibility and opportunity exist within the rules. Now we hear 'European Union rules stop us doing that'. So we need to go to the EU and get some clarification on these issues. For OTS it is about finding ways to remove barriers. Most of the time unhelpful practices are not intentional. They are just a function of risk aversion and lack of clarity. Legal and finance professionals will be amongst those engaged in the new training programme for commissioners.

On the DWP prime contractor example we are waiting for the conclusion and recommendations of the review set up by ACEVO to look at this. Lessons may need to be learnt from this. One role for OTS is to learn from experience and to use its position at the centre of government to spread good practice across the piece.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Public Service Delivery

Setting the Scene

Martin Kinsella – Perspective from a delivery organisation

A glance backwards

We often ask: Is contracting of services from public bodies changing the nature of charities? Is it transfer or transformation? Looking back in time we see that, before free schooling was introduced, education was all in the voluntary and community sector, as were orphanages. Fredrick Rainer was the benefactor behind the creation of what became the National Probation Service.

We should remember when we talk about charities going into public services that the cycle used to be the other way around. And, that in one way there is little new in this. The VCS has always been one of trailblazers.

The value we bring

It could be argued that the real role of VCOs is to bring value and values into public service: through better engagement with service users and carers; by being flexible and responsive; and by being needs rather than service led. Good charity services are outcome focused in ways that monolithic statutory services have great difficulty achieving. In the VCS now we have to be very good at what we do. There is no God given right for charities to exist, although some appear to have thought so at times. Outcomes have to be achieved. Even grant funding is now 'strategically aligned' to public sector objectives.

Good charities foster and promote a joined up multi agency and multidisciplinary way of working. For example, in mental health where the default model for the NHS is an acute bed, it is the VCS that has developed innovative, imaginative, person centred services that provide people with somewhere to live, something to do, somebody to talk to, and help to get the money they need to live well. This is where we develop the capacity of statutory services to actually be responsive to individual need. We hear a lot about the statutory sector developing the capacity of the VCS but sometimes it is the other way round.

Independence, innovation and growth

Some argue that the independence of charities is threatened through pressure to conform to commissioner and funder demands. This can be the case. We often encounter poor commissioning, unfair contracts and ignored Compact agreements.

But, I think charities can use contracts as Trojan horses to smuggle excellent, person centred services into the fortress of statutory provision. Get your services out once you are in there and show how they can work across statutory agencies and priorities. There are many examples of services which started in the charitable world which have had a real impact statutory provision. For example, assertive outreach and all the things that went into the National Service Framework around carers in mental health. None of those things would have been picked up had the VCS not been doing them and showing the statutory sector the way.

Charities can use contracts as Trojan horses to smuggle excellent, person centred services into the fortress of statutory provision.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Public Service Delivery

Setting the Scene

Of course there are differing views on the issues of independence. The Charity Commission expressed concern in its Stand and Deliver report 'that public trust in charities will be undermined by contracts'. The fact is that the public and the media do not really understand the diversity of charities. There is a tendency for people to think it is just about volunteers, jam making and soup runs. We need to educate people about the diversity of the sector and what it does.

There are also those who have a very negative view of the sector's growth through contracting. A recent Civitas report railed against the Tesco-isation of charities. But an organisation like Turning Point, with a turnover of £70m and plans to achieve £100m, provides excellent services. If it's about achieving outcomes then growth is not the issue.

'We provide services for the people that public services cannot reach and that the private sector cannot profit from' Victor Adebowale, Chief Executive of Turning Point.

P3's Experience

P3's mission is to provide for the people who are serially excluded and failed by public services. These people are often involved in criminal justice and mental health services. In practice they are excluded at all levels. They will probably have been in, out and around services, have experienced rejection and do not go back or attend appointments. Sometimes this is by omission and sometimes it is policy. It's easy for people with difficult, complex and chaotic needs to be excluded. If they are a bit stropky and non-compliant, it is easy to say they are untreatable.

P3 works in partnership with another charity, the Revolving Doors agency, to run a link worker pilot scheme for chronically excluded people with complex and chaotic needs. These people were not on the radar of local or national government until a few years ago. Revolving Doors and P3 have 20 years combined experience of providing support and developing services in this area. Such work has had a significant impact on central and local government understanding. This group of people are now recognised and there is funding for them. It is the statutory agencies who ask the sector 'how do we best deal with this?'

The way ahead

The real threat to all of us is narrow silo based sector thinking. The public sector often says of the VCS 'can these people be trusted with public money?'. If we look at prison overcrowding and residivism rates or the NHS computer fiasco we might equally ask the same of them. Part of our job is to offer dysfunctional statutory services, support to modernise by working with them and showing them the way. We should also be developing social enterprise wherever we can. Social enterprise can develop mission focused services, do good, make profit and reinvest it to do more good.

There are great opportunities in what government is offering at the moment. With Ed Milliband being a real advocate for the sector and having real clout in government, it is possibly the best offer we have ever had. We ought to accept it, grasp the nettle and make a difference. Nobody is saying it is easy, it has been easy, it is going to be easy but on behalf of service users, we need to be organised, effective and aspirational. So let's get on with it.

This isn't mission drift, it's mission accomplished. I actually think we're getting somewhere.

Martin Kinsella

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Public Service Delivery

Setting the Scene

Useful links:

- For more on the Public Services Action Plan and the work of OTS go to: www.cabinetoffice.gov.uk/third_sector/public_services
- For details of the Compact and what it can do for you go to: www.ncvo-vol.org.uk/compactadvocacy
- For more on the work of P3 and their partners, the Revolving Doors Agency go to: www.p3charity.com and www.revolving-doors.org.uk respectively
- If you are interested in reading about the social enterprise ambassadors go to: www.socialenterpriseambassadors.org.
- For details of the Adults Chronically Excluded programme which is funding a range of pilot projects go to: www.cabinetoffice.gov.uk/social_exclusion_task_force
- For more on the Innovation Exchange go to: www.innovation-exchange.org where there is space for debate, discussion and comment.

How do we ensure that the Compact is followed locally, not just by local authorities but also by Primary Care Trusts (PCTs) and other partners?

We now have a Compact Commission to help with implementation of the Compact. We want this to be robust and we want it to be working with other agencies. OTS is funding a meeting between third sector Chief Executives and ACE, the Association of Chief Executives from Non-Departmental Public Bodies and other public agencies, to begin to get people together and get them thinking about the Compact. OTS is also doing work centrally with the NHS on its new commissioning framework and where the Compact fits with this.

Isn't it time we had new measures to enhance Compact compliance?

The Compact is meant to be a partnership agreement. Bringing two sides together to create better understanding. If we made it statutory it would become more narrow. Lawyers would get involved and both sides would tend to agree to less. When the Compact was created 10 years ago people were always complaining about lack of consultation and lack of time to respond. The three months minimum consultation period went in the Compact and now this is almost standard practice, nationally at least. If anything people now complain of too much consultation. In all this, we should remember that we have seen positive change. We should continue to review the issue of Compact compliance and Ministers have already said they will review the issue of statutory powers for the Compact Commissioner within two years.

It is also important to remember that the Compact was devised in a very sympathetic environment, it was about wanting to work more closely together and changing cultures. We are now seeing attitudes to the Compact reflecting the more stressed environment we are operating in, both financially and politically. People are starting to think of the Compact as a potential stick to beat each other with. Some want to see the Compact placed on a statutory footing.

'The difficulty with this is that if you argue for a stick to beat Government, you will find that it is an extraordinarily small stick you end up with' Stuart Etherington.

If we maintain the Compact intact with all its complexities it contains many more possibilities. There may be a case for the Compact Commissioner to have some form of statutory power to investigate and report where there are cases like that of the DWP. If public authorities, and indeed the VCS, were embarrassed by having to confront their shortcomings, this would give people more confidence that the issues were being taken seriously.

The Big Debate

The Changing Environment

This panel session focussed around two important questions:

- QUESTION 1: Is the focus on cost-savings crowding out smaller organisations with local, specialist knowledge?
- QUESTION 2: Do we have an environment in which innovative approaches to public service delivery are encouraged and can thrive?

The panel members were:

Sir Simon Milton, Leader of Westminster Council and Chair of the Local Government Association, speaking from a local government perspective.

Lin O'Hara, Outreach and Development Manager for Futurebuilders England, speaking from her experience as a funder of working with agencies on both sides of the commissioning relationship.

Questions raised as part of the debate focused on the:

- Importance of quality over quantity
- Sector capacity and risk
- Support for small niche organisations
- Importance of core sector values

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

The Big Debate

The Changing Environment

QUESTION 1:

Is the focus on cost-savings crowding out smaller organisations with local, specialist knowledge?

Sir Simon Milton

The continual drive for cost savings and efficiency in public services is an issue affecting us all. Local government has to cope with a net reduction of funding in many service areas as public expectations continue to rise. The recent Comprehensive Spending Review settlement for local government will give a 1% increase in real terms over the next 3 years. This is the toughest settlement in a decade. It presents a real challenge which will impact on the voluntary and community sector (VCS) and other partners as well as on local government itself.

Obviously those organisations most dependent on local government grants to deliver their services, are the ones most at risk. Councils are rarely, if ever, in a position to shield the third sector entirely from financial pressures. Some argue that councils expect voluntary and community organisations (VCOs) to take a disproportionately large share of any cuts because they are not council services. This may not be because councils are targeting the third sector or politically favouring their own services, but because of the lower overall cost of cuts to external services (e.g. in redundancy payments, pension and other hidden costs). In the face of financial pressure Councils have to make difficult decisions.

However, I think it would be enormously short sighted for councils to simply look to the third sector to absorb these pressures. The smallest neighbourhood level VCOs that tend to be most at risk are the very ones that councils value so highly because of their ability to reach parts of the community that other services do not or can not. In areas such as building community cohesion, promoting tolerance and tackling extremism, these organisations are absolutely crucial. It would be an enormous shame if these groups go under, just at a time when we need them most.

Because the finances of third sector organisations tend to be complex, consisting of many funding streams, the removal of one or two key elements of this funding, even for larger organisations, can have a disastrous impact. For all these reasons, there may be a case for establishing a central funding pot to help VCOs through temporary difficulties where they encounter gaps between funding streams. If central government is committed to giving the sector the support it needs, then this could be a role for them. Councils, of course, also have a responsibility to develop a better understanding of the fragility of VCOs (particularly the smaller ones) and to take this into account in their actions. For example, where money has to be withdrawn for legitimate reasons, it is only fair that the council should be open and transparent in its decisions, communicate them well and give as much notice as possible.

Lin O'Hara

There is no getting away from the fact that there is real pressure for cost saving. The VCS, as every other sector, is having to find ways to survive in this environment. It is interesting to reflect though how Peter Gershon, the man responsible for the public sector efficiency review, did not intend for efficiency to be interpreted solely as driving down costs. It was also about achieving efficiency in back office functions and in new modes of service delivery, in order to release more resources to the front line. The focus on cost savings is sometimes be used as an excuse for not commissioning as intelligently as is possible.

That said, there are plenty of examples of small organisations being paid to provide really cost effective, specialised services.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

The Big Debate

The Changing Environment

Case Study 1

Esk Moors Caring is a very small group in North Yorkshire providing individual services to older people in rural areas; enabling them to live in a dignified way in their own homes rather than going into residential care. In 2004 the service was entirely volunteer led, largely by the retired people who had set the organisation up. North Yorkshire County Council began to realise that this was an organisation delivering an extremely high quality service which was able, because of the way it operated, to do so very economically. Esk Moors Caring now has a seven year contract to provide its service. The contract meets, and even slightly exceeds, the full cost of delivery. The County Council recognise that funding Esk More Caring properly to deliver their service is still cheaper than trying to provide it themselves.

Case Study 2

Bayis Sheli is an orthodox Jewish organisation providing culturally appropriate care for children with disabilities in areas of London with a high Jewish population. Three London Boroughs are currently interested in contracting with Bayis Sheli because they are aware that other providers simple could not deliver appropriately to this community.

These are examples of two very small organisations who, with help from Futurebuilders, are punching above their weight and beginning to demonstrate that they can provide the services that are needed even in a very cost tight environment.

Futurebuilders, like others, are also looking at the potential for consortium delivery. There are pros and cons to this of course. Public sector commissioners are increasingly interested in contracting with consortia because letting a single contract simplifies the relationship and potentially achieves economies of scale. There can be opportunities here for small specialist providers. However, it is not necessarily an easy option and certainly will not be right for everyone.

Futurebuilders, like others, are also looking at the potential for consortium delivery.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

The Big Debate

The Changing Environment

QUESTION 2:

Do we have an environment in which innovative approaches to public service delivery are encouraged and can thrive?

Sir Simon Milton

There are several factors underlying this question including attitudes to risk, levels of engagement and the impact of government targets. The fact that we are moving towards an outcome based approach to commissioning should support greater innovation amongst providers. Good commissioning should adopt a tight/loose strategy i.e. tight in the specification of the outcomes that the provider is to achieve and loose with regard to how they achieve them. This is something that Westminster Council tries to do but there are legitimate question about how widespread such practice is. Private as well as third sector providers often complain about overly complex contracts that are disproportionate to the scale of the task or that leave very little room or opportunity to try out new approaches. If this is the case, then everyone is losing out.

Stability of funding is another factor. It is much easier to experiment as an organisation if you are financially secure. This in itself is an argument for longer contracts with regular opportunities for review and appropriate sanctions for failure to perform. But in prescribing longer term contracts we need to be sure that we do not stifle competition or discriminate against new entrants to the market.

Of course the capacity of councils to offer longer term contracts is itself, dependent on the funding they receive. Although now in receipt of funding from central government on a 3 year cycle, it remains difficult for councils to make financial commitments beyond that period. Central government tends to make additional demands on councils towards

the end of a 3 year public spending cycle, therefore forcing councils to reassess their priorities at this stage. Whether this is going to continue in the brave new world of Local area agreements and fewer targets we will need to wait and see, but I would be surprised if it stopped entirely. Ultimately, the best way in which councils can help is probably to ensure that they have good, robust commissioning processes in place, carried out by appropriately skilled and experienced people. It is possible, with the new wave of Local Area Agreements, that more creative approaches to commissioning may emerge. I think the programme being set up by IDeA to develop training and support in relation to third sector commissioning should make a real difference (see Section 8 for more information).

Lin O'Hara

It is too soon to say we have an environment where innovative approaches are encouraged. But there are many examples where such approaches have been adopted and are thriving.

Case Study 3

The Bridge Project in Bradford provides support to drug users. Over the last 10 years they have developed different ways of providing this support to various 'hard to reach' groups. A lot of the organisation's current clients are female sex workers. The Project identified the need to provide a holistic family service, which would help the women themselves and also their children. The Bridge Project worked with their commissioners when developing the service, which resulted in commissioners financing the project. When the organisation later experienced some internal difficulties which threatened its survival, the commissioners held fast and, in partnership with Futurebuilders, were able to keep the organisation going while the issues were resolved. The project is now moving forward with its innovative scheme which is improving all the time.

Case Study 4

An organisation in Portsmouth working in very innovative ways with young offenders had a £20,000 local authority grant in support of its work. At the end of the funding period they wanted to seek further funding. It was clear that their work with young people had helped to raise their self esteem, confidence, and a sense of engagement. These kinds of outcomes are difficult to quantify. So, when the organisation went back to the local authority they concentrated on the fact that the £20,000 had created a real spike in school attendance figures. This was a number that the local authority could relate to its targets. As a result of understanding what the commissioner was looking for and being able to demonstrate it, the organisation is able to continue its very innovative work and now has a decent contract to do so.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

The Big Debate

The Changing Environment

These examples demonstrate how important it is to work with potential commissioners by involving them from the start, keeping them informed and demonstrating how the work you do meets their priorities. It is essential to evaluate and produce evidence of outcomes from what you do. Figures really can open doors for you and allow some of the more innovative work of the sector to be properly resourced through public sector contracts. The onus is definitely on providers themselves to demonstrate the really long-term economic benefits of what they do.

‘The social benefits we know we deliver usually translate into economic benefits and that is a point we don’t make emphatically or often enough’.

Lin O’Hara

Discussion Questions

There seems to be an assumption that bigger is better which is rather dismissive of those organisations that just carry on doing good work on a small scale. Shouldn’t we be thinking about better rather than bigger?

Bigger does not necessarily mean better. Some of those small organisations really are the ones that can reach the people that others cannot. It is important that we do not lose them but there are clearly factors both within the sector and within the environment which are driving growth. Also some newer organisations coming into the sector are very good at being small, unbureaucratic and sharp in their operations.

The third sector needs to continue to get people to give time and money. Is our shift to becoming delivery agents for the public sector jeopardising this?

There are certainly risks here but it is something the sector has to be pragmatic about. The VCS is going to be competing for less and less grant funding. There is less lottery money, European funding is more thinly spread, many trusts and foundations are feeling the squeeze. There will always be a need for parts of the sector that do not take contracts or engage in public service delivery but we have to be honest that there is less grant funding to go round between them.

There is a real need for VCOs to use their expertise to make sure the services they provide are good, responsive services. And, that where they can sell these to the public sector and potentially improve public services as a consequence, they do so in a way that enables them to remain true to their ethos and mission.

Does commissioning really offer us a more level playing field or do local politicians still want to see services delivered by the local authority?

The assumption that councils or councillors just want to deliver everything themselves is an old fashioned view. Councils cannot survive if they think their role is simply to deliver. Most councils, unless they are particularly ideologically driven, have moved some way from this view. Discussion within local government and the Local Government Association is now much more about the place shaping role rather than in-house service delivery. This means engaging with lots of different stakeholders, including critically the VCS, to identify and articulate what the place needs and then go out to ensure that it is delivered, whoever the providers may be. Future opportunities will lie in good local commissioning practice.

The social benefits we know we deliver usually translate into economic benefits and that is a point we don’t make emphatically or often enough.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

The Big Debate

The Changing Environment

Discussion Questions

Small organisations are being expected to take huge risks (e.g. investing time and money engaging with commissioners and partnerships or developing consortia) with no guarantee of funding at the end. What can the public sector do to help small organisations to overcome their capacity issues?

Anyone who works in the VCS knows that, even in small organisations, a lot of time and resources can be wasted in the process of fundraising. Some of this time might be more productively used in future engaging with potential commissioners. However, a lot of Futurebuilders' investees report that they are often torn between engagement on various partnerships and advisory groups and the day to day running of their organisation. If you are not careful this can topple an organisation over. Government is perhaps coming to realise this and things may improve in the future. There is no doubt that the sector benefits from the presence of strong and effective local infrastructure support. For example, Voluntary Action Westminster does a lot of capacity building work with smaller organisations and helps to broker the relationship between the sector and the council to ensure that it works in ways that are helpful and effective. Essentially, in Westminster's case, the capacity building work with small organisations is outsourced to local infrastructure.

Is there a danger, in all this discussion of public service delivery, which encourages us to cost out the value of everything we do, that we lose sight of what the sector creates in terms of public good in its broadest sense (e.g. building social capital and community cohesion)?

Part of our value is in the ability to mobilise voluntary effort. For example, how can we quantify the value of an elderly holocaust survivor going to speak at a Muslim girls school about his experience of genocide and the importance of tolerance? The activity is free because he is a volunteer and someone else gives him a lift but we should not underestimate the value of this to our society. The sector has always thrived on engaging people, being democratic and valuing difference. We should perhaps be more resistant to a culture which makes us all the same, all competitors and results in a survival of the fittest. We should remember where we came from and be more supportive of each other.

Useful links

- For more on Futurebuilders and the support they provide go to: www.futurebuilders-england.org.uk
- For more on Westminster Council and its approach to the third sector go to: www.westminster.gov.uk/communityandliving/communitygrants/
- For more on the work of Voluntary Action Westminster go to: www.vawcvcs.org
- For more on the work of the Local Government Association go to the Our Work section of the site at: www.lga.gov.uk

The sector has always thrived on engaging people, being democratic and valuing difference.

Bidding for Contracts

Some Top Tips

This section is based on two workshops run by Derek Smith, Partner in Leapfrog Consultancy.

Leapfrog are specialist trainers and consultants. Amongst their services Leapfrog provide bid support and bespoke training courses to help organisations win, implement and manage new contracts whilst retaining external funding.

The workshop addressed:

- The changing government agenda
- Implications for organisations
- The tendering process
- Tips for winning public sector contracts

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Bidding for Contracts

Some Top Tips

The changing government agenda

The government agenda around public service delivery is changing in a number of ways:

- Power is being devolved from central to local government with the intention that this should result in more responsive services that better meet local needs.
- Local government is now subject to a new duty to ensure community participation and involvement in decisions about services.
- There is more partnership designed to improve delivery at the sub-regional level.
- Local public sector organisations, including local government and PCTs, have an increasing role as commissioners of services.
- The public sector is being required to make efficiency savings of 3% per annum.
- Sustainable Community Strategies and Local Area Agreements, developed by Local Strategic Partnerships, will be the key documents setting out local priorities to which commissioning activity will respond.

The implications of this are likely to be:

- a continued shift from grant aid to contracts;
- funding concentrated in fewer hands;
- increased competition from Community Interest Companies (CICs), private and statutory sector; and
- increasing integration as efficiency gains continue to drive funding.

What are the implications for voluntary and community organisations?

Voluntary and community organisations that want to deliver public services will need to respond to this evolving environment. This will mean thinking and doing some things differently. Some suggestions for VCOs wishing to thrive in this changing environment:

- Think how you might contribute to efficiency gains.
- Talk to commissioners and get to know them on first name terms.
- Be proactive and ask them what is going on in their service area.
- Consider who your competitors/potential partners might be. Private sector organisations, CICs and in-house public sector teams will be able to bid against you.
- Be aware that funders will want reasonably sized, financially stable organisations with sound local knowledge. This may mean capacity building or improving local knowledge by teaming up with another organisation to enhance stability or improve reach into parts of the community.
- When you win a contract, immediately set up an internal working group to look at how to win the contract next time. This is what your competitors will be doing.
- Consider hiring a contract manager. They need very specific skills.
- Ensure your contracts are underpinned by systems and support that can deliver consistency, high standards and innovation.
- Streamline fundraising to complete bids quicker and to a higher standard.
- Be aware that the demand for an evidence based approach will grow.

There are four important areas you will need to attend to if you are to bid successfully:

- **Product** - To win contracts you need to be clear about what your product is and be able to describe this to potential purchasers. This might mean, for example, developing a leaflet which sets out who you are and what you do.
- **Quality** – Often the quality of voluntary and community sector bids is poor. To date, VCOs have been able to win contracts on the basis of poor bids but as competition increases this will not continue to happen. Even if you win a contract, ask for feedback which will help you to be competitive for the next time.
- **Evidence** – Bids need to be based on evidence not opinion. Make sure you use a sentence and paragraph structure which provides evidence of your outcomes, your activities and your outputs. You should never write ‘we aim’ in a bid because it will sound like an unproved claim.
- **Track record** – Being able to demonstrate a track record is one of the most important elements of tendering. Once you have delivered something it makes it easier to win other funding bids and contracts in future. If you want to establish a new service you might approach a funder (eg. Big Lottery Fund) to fund a pilot which will give you a track record. Some organisations have been even bolder. For example, Crime Reduction Initiatives (CRI) approached a public sector organisation with a proposal for a service. When the organisation did not want to pay for the service, CRI offered to run it for free for a number of months. This gave CRI a track record and when the Home Office conducted a review, they were so impressed with the services that they paid for it to be rolled out nationwide.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Bidding for Contracts

Some Top Tips

The Bidding Process



Diagram reproduced courtesy of Derek Smith, leapfrogconsultancy.co.uk

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Bidding for Contracts

Some Top Tips

The Bidding Process: in detail

- Pre qualification – at this stage the commissioner will be looking for a track record and evidence of organisational stability. If you are being asked for anything you are unsure about, ask and negotiate. Don't just submit what you think they are/or should be asking for.
- Scoring Framework – Scoring frameworks are often used in the evaluation of bids. There may be scores and/or weighting for each criteria and sometimes an explanation of what will provide a high score. Make sure you are aware of criteria and the scoring framework before you start writing your bid. Be aware that bids will sometimes be scored on a met or exceeded basis ie. instead of scoring 10/10 if you meet a specific criteria this might only give you 7/10 with additional points attributed only where you exceed the criteria.

Evaluation of bids

This will vary but may include:

- Bids marked by a scoring panel which makes recommendations
- Moderation, internal or external
- Executive decision making
- You may be required to give a presentation of your bid at any time

Final Decisions

Will be made in a variety of ways but it is worth considering that:

- Decision making panels will rely on your short project description.
- Only bids exceeding scoring criteria will proceed
- Political and other factors may be critical.
- All bids will be subject to a reality check

Useful links

- www.leapfrogconsultancy.co.uk for details of Leapfrog's work and training courses.
- www.charitycommission.gov.uk for more on the legal position regarding contacts see Charity Commission guidance CC37 Charities and Public Service Delivery: An introduction and overview.
- www.ogc.gov.uk for more information on government procurement and management resources.

Tips for winning public sector contracts

- Convince the commissioner, by demonstrating in your bid, that you understand and can meet their aims and outputs and address their concerns.
- Developing a project to fit a bid will make it much more likely to be funded than trying to fit an existing project into the funding.
- Use an evidence based approach when answering questions; rely on your track record and evidence framework.
- Ensure that technical answers are underpinned by good practice.
- Follow instructions exactly and always provide what is asked for (up to 1 in 5 bids are rejected because of bad photocopying etc).
- Lead with the need – emphasise how you meet the needs, not just of the beneficiary but of the wider community and the funder.
- Remember that Statutory Fundraising is about margins not turnover.

Consortium Delivery

Joining forces to deliver public services at a local level

This section is based on two workshops on the subject of consortium delivery.

The three workshop speakers were:

- Kate Aldous, Project Manager of NCVO's Collaborative Working Unit.
- Neil Coulson, an Independent Consultant involved in setting up VC Train (South Yorkshire third sector consortium of third sector post-16 learning providers).
- Ian Baker, Development Executive at the School for Social Entrepreneurs.

The workshop covered:

- Key issues in collaboration for public service delivery
- Two case examples offering learning from experience
- Tips for success
- Advice for potential consortia

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Consortium Delivery

Joining forces to deliver public services at a local level

Key issues in collaboration for public service delivery

NCVO defines 'collaborative working' as partnership working within the voluntary and community sector. This includes a wide spectrum of collaboration, from networking, through joint delivery of projects, to full merger. All these models involve some sort of exchange for mutual advantage and ultimate benefit to end users. Consortium delivery of public services is at the formal end of this scale because it involves contracts and potentially significant amounts of money. There is a lot of discussion and energy going into partnership working and the scoping of consortia opportunities at the moment. The drivers for this include:

- Government interest as policy maker and funder.
- Public sector and other funders looking to maximise return on investment.
- The sector itself looking for ways to improve efficiency and effectiveness.

The questions we need to ask before embarking on this journey are: Will it improve outcomes for our beneficiaries? What do we need to do to ensure that the partnership is a positive one?

One of the things that makes consortium delivery attractive to the sector is that it can be a way of keeping service delivery local; ensuring that existing small local organisations, often delivering to niche groups within the community, can continue to operate rather than losing out to larger competitive bidders from outside the area.

Collaboration also has the potential to offer 'collaborative advantage' (i.e. better co-ordinated, user-focussed services that are greater than the sum of the organisations' parts). However, collaboration is not always easy and will not be right for every organisation. Organisations should take the decision carefully. Amongst other things, it is important to consider the cultural compatibility of any organisation you plan to work with and the personalities involved. Trustees should ensure their organisation takes the necessary legal and professional advice, particularly with regard to:

- Legal structure – there are three main options: a new legal entity for contract delivery; a lead body within the consortium responsible for the contract; an 'external' lead body that manages contract but is not one of the active delivery partners.
- VAT – there may be issues in relation to contracts and grants with Service Level Agreements.
- TUPE Regulations – which can have pensions implications where contracting activity results in the transfer of staff from one organisation to another.

Tips for success - What can help?

- A written agreement between partners.
- An independent facilitator to help broker the relationship.
- Prior relationships or experience of working together.
- Undertaking a small project together before taking on a larger contract.
- Information from the Collaborative Working Unit (see links below).

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Consortium Delivery

Joining forces to deliver public services at a local level

Case study 1 – VC Train

VC Train is a consortium of 100 third sector post-16 learning providers in South Yorkshire, established in 2000 in response to the 1999 Learning to Succeed White Paper. This White Paper placed third sector organisations on the same footing as colleges and other providers of post-16 learning, provided they could meet the necessary quality and accountability thresholds. The consortium was set up on a formal basis as a charitable company and operates on a 'hub and spoke' model. All the service providers are members of the company. The central infrastructure, or hub, of the consortium provides a single point for contracting and is resourced by top slicing a percentage from the funding of consortium activities. Member organisations control the consortium through its governance arrangements.

There are three clusters of providers within the consortium made up of those delivering to BME communities, lone parents and people with disabilities. These clusters encourage diversification within the consortium and help it to focus on innovation.

The steps taken in establishing the consortium were to:

- set up a steering group and seek seed/ set up funding
- publish a membership prospectus to recruit members
- incorporate as a company
- develop a 3-year Strategic Plan
- secure investment finance for the hub

A number of issues arose in the set up phase, these included: moving organisations from a 'culture of entitlement' and grant dependency to one of social enterprise; and balancing the achievement of inclusivity with pragmatism (i.e. reaching critical mass and getting things started). The consortium now has 65 sub-contracts, an annual turnover of £5million, an annual throughput of 4500 learners and an 'outstanding' inspection record.

Challenges raised in the delivery phase have included:

- getting the balance of power right between the hub and the members;
- ensuring member engagement in the governance of the company;
- ensuring the hub does not become a new object of dependency; and
- some issues of internal competition and conflicts of interest.

These clusters encourage diversification within the consortium and help it to focus on innovation.

Tips for success - Critical success factors

- Strong leadership in set-up phase.
- Detailed planning.
- Strong governance.
- Robust risk management systems.
- Central hub/management unit as 'business instrument', not key stakeholder.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Consortium Delivery

Joining forces to deliver public services at a local level

Case study 2 - School for Social Entrepreneurs

The School for Social Entrepreneurs (SSE) worked in collaboration to deliver a 2-year Learning & Skills Council (LSC) contract. The service specification for the contract was very similar to SSE's existing work but with lower unit costs. SSE recognised that it would need partners in order to deliver. The two partners that SSE worked with (Partner A and Partner B) had different roles. Partner A's role and payments were dependent on Partner B recruiting beneficiaries. SSE was responsible for managing the contract. Partner A was known to SSE, although they had not worked together in this way before.

Partner B was unknown but introduced via Partner A. When problems arose due to unrealistic targets and difficulties in recruiting eligible beneficiaries, Partner A decided to withdraw. This increased difficulty in working with, and getting information from, Partner B and eventually lawyers were consulted.

In order to rescue the project, two new partners were brought on board, with whom SSE had sound prior working relationships. By the end of the 2 years, the project was rescued, but was financially unsuccessful for SSE. From this experience SSE would have reservations about leading such a project again. They recognise that it can be hard for a commissioner to say "no" to a coalition of key players. But also that it can be hard to balance the achievement of Full Cost Recovery and realistic targets with submitting a competitive bid.

They recognise that it can be hard for a commissioner to say "no" to a coalition of key players. But also that it can be hard to balance the achievement of Full Cost Recovery and realistic targets with submitting a competitive bid.

Tips for success – Lessons from SSE's experience:

- Recruit partners you know and trust (wherever possible).
- Work with partners who add value, and with whom you're not competing.
- If necessary, build opt-out clauses into your partnership agreement.
- Be realistic about your capabilities - if you don't have the capacity, partner with a larger organisation that does.
- Try to shape the service specification and targets at the outset ie. before you are signed up to deliver the contract.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Consortium Delivery

Joining forces to deliver public services at a local level

Advice for potential consortia:

- Playing to strengths - Every partner should be playing to their strengths. For example, in the hub and spoke model, the hubs purpose is to co-ordinate the consortium of delivery organisations so that they can focus on what they do best.
- Division of roles – Be clear about who delivers what. Preferably through joint delivery planning. Where this is not possible (eg. in a large consortium) there might need to be a decision-making panel of independent and non-tendering members.
- Knowing true value – Consortia need to evidence their unique selling points and demonstrate competitive advantage i.e. demonstrate the cost-effectiveness of the consortium model and the social return on investment.
- Pricing – Where there are limited resources any service you want to bid to deliver will have to be competitively priced. It is very important to know the full cost of delivery in order to set a realistic price at which you and your partners can deliver.
- Quality assurance - Membership of a consortium may require a certain level of quality. In the VC Train example, the minimum quality requirements were set out in the membership prospectus. VC Train has developed two tiers of membership with those working toward the necessary quality assurance as associates.
- Reputational risk – There can be risks in partnerships and involvement in consortia, especially to reputation, if you partner with an organisation that fails to deliver.

- Public sector as driver – Public sector commissioners are increasingly looking to simplify their contracting relationships e.g. by contracting with fewer providers. Whilst this is a strong incentive for collaboration and consortium delivery you still need to be sure it is the right time and the right relationship for your organisation.
- Short timescales – Often the timescales for bidding are too short to allow for consortium development. It makes sense to pre-empt this by building alliances with potential partners as a matter of course rather than in response to a specific tender.
- Advantage to service users – Local or regional consortia can help offer service users locally accessible quality services through known organisations. This local angle may become more important where individual budgets are being introduced.

The public sector is entering a much tighter financial environment which means less government funding. As a consequence public bodies are seeking to drive down transaction costs. Collaborative working offers opportunities for VCOs to share resources and skills, and meet multiple needs in a co-ordinated way. This will be attractive to commissioners in the current climate. The VCS needs to own and lead the process of collaboration both engaging with and influencing commissioners along the way.

Useful links:

- The Collaborative Working Unit offers a range of information and tools for collaboration including a publication on Joint Working for Public Service Delivery. All these resources are available to download at www.ncvo-vol.org.uk/collaborate.
- For more on VC Train go to www.vctrain.org.
- For more on the School for Social Entrepreneurs go to www.sse.org.uk.
- For the Workforce Hub's factsheet on the Transfer of Undertakings (Protection of Employees) Regulations (TUPE) go to www.ukworkforcehub.org.uk.
- For more on the information, support and funding available from Futurebuilders go to www.futurebuilders-england.org.uk

Intelligent Commissioning Experience from the Frontline

This section is based on two workshops looking at the practicalities of developing commissioning frameworks. It was facilitated by Hilda Stearn, AVE partners, who were project partners on the Buying a Better London regeneration through procurement initiative, and had local authority and third sector representatives from two areas, each of which is undergoing transition in the way they commission from the third sector.

The workshop speakers were: **The workshop covered:**

- Pauline Roche, Beacon Programme Manager, Corporate Third Sector Team, Birmingham City Council.
 - Theresa Gillard, Head of External Relations, Birmingham Voluntary Services Council.
 - Martin Johnson, Service Manager, Partnerships, Isle of Wight Council (also speaking on behalf of partners at Isle of Wight, Rural Community Council (RCC))
- Two stories from the front line:
 - Birmingham's Third Sector Commissioning Strategy
 - Isle of Wight's Commissioning Framework
 - Discussions include:
 - How to manage a transition from core grants to contracts?
 - Where is the dividing line between commissioning and procurement?
 - How do you ensure local knowledge is valued?

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Intelligent Commissioning Experience from the Frontline

Birmingham's Third Sector Commissioning Strategy

Background

Birmingham is the largest local authority in Europe with a population of over one million. There are between 4-10,000 third sector organisations operating in the city; employing the time and skills of 30,000 staff and volunteers. The Compact, which was signed in 2004, was the starting point for deciding how local government and the third would work together better in future. What Compact consultation and negotiations identified was:

- A history of mistrust.
- Historical reasons for funding.
- A culture of dependency on local authority grants.
- Problems of access to funding for new organisations.

Developing the Third Sector Commissioning Strategy

Birmingham recognised a role for the sector in both the planning and delivery of services. It also identified the need for change within the local authority (including amongst Councillors and legal and finance staff). A decision was made to create a more transparent partnership between the sectors and to develop an overarching framework for commissioning. This framework was to be directly linked to Birmingham's Sustainable Community Strategy and Local Area Agreement (LAA).

Key players in the development of the Third Sector Commissioning Strategy were:

- A Corporate Third Sector Partnership giving senior level staff from both sectors an equal say in identifying concerns and developing a forward strategy.
- An operational group of people from both sectors, including local authority grant officers, with direct knowledge that could be built on.
- Compact Champions at manager level within six Council directorates.
- A Cabinet member who truly champions the third sector agenda.
- A Third Sector Assembly which ensures representation of the sector on various fora.

Work on the commissioning strategy and Compact, which have both involved extensive consultation, has resulted in a better shared understanding (e.g. of the importance of social capital both within communities and as a driver for improving relationships between the two sectors). Involvement in the IDeA's Partnership Improvement Programme also helped Birmingham partners develop a shared view of the third sector's potential Added Value.

The Regeneration Directorate was the first to produce a commissioning prospectus and pilot the new Commissioning Strategy. Evaluation of the process identified that some barriers still remained for the sector. A project group of third sector representatives was brought together to feed into a review of documentation and to make recommendations which were subject to consultation within the sector and council directorates. Amongst other things, this resulted in a checklist of criteria being included in commissioning prospectuses which sets out the essential requirements organisations need to fulfil in order to be successful in bidding for funding. Those unable to do so are advised to go back to the commissioning manager for advice before making a bid.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Intelligent Commissioning Experience from the Frontline

Results

Commissioning under the revised Commissioning Strategy has now been rolled out in three of Birmingham's local authority directorates, with more to follow. As a result most of the relevant Service Level Agreements are Compact compliant, for three years and on a full cost recovery basis. Social capital has been included as part of the service specifications as a way to make sure that new services add value. More time is being allowed for bids to encourage consortium development where this can increase efficiency.

Of course there have been some inevitable complaints where organisations have failed to receive funding. In some cases this was because they failed to follow the procedure or fill in forms properly. Historical grant relationships had created a level of expectation for some groups which the new Commissioning Strategy does not accommodate. The Cabinet Champion has been particularly helpful in taking the message back to Councillors that sector funding is now strategically aligned with LAA priorities and best value principles rather than historical relationships. As a result of developing the third sector commissioning strategy Birmingham now has the foundation for the sector to take an increased delivery role in the LAA and joint commissioning processes in future.

Remaining challenges include:

- finding better ways to define and describe outcomes.
- enhancing understanding of respective responsibilities in achieving these outcomes.
- improving shared understanding of full cost recovery, including training on what it is and why it is important.
- capacity building activities to help people understand the new process.
- ensuring elected members' ownership and engagement in new way of working.
- extending the new approach beyond corporate grants to wider pots of funding across the Local Area Agreement.

Isle of Wight's Commissioning Framework

Background

The Isle of Wight has a population of 150,000 growing by 40,000 in the height of summer. There are estimated to be 1800 VCOs operating on the Island. The council and the PCT between them spend over £550m per annum. The Council alone delivers over 250 services through commissioning or grant funding of more than 170 different third sector organisations.

In 2006 the Council recognised a legacy of mutual misunderstanding and mistrust between third sector organisations and the public sector. Investment in governance, capacity building and sector development had been poor on the part of commissioners and the sector itself. Despite many successful relationships, the big picture was seen to lack sustainability and confidence. In response, the Council agreed to overhaul its commissioning arrangements. The two sectors on the Island are now working together to develop a mode of partnership that will lead to the delivery of quality services and new models of community engagement.

More time is being allowed for bids to encourage consortium development where this can increase efficiency

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Intelligent Commissioning

Experience from the Frontline

The Commissioning Framework

The Isle of Wight's new framework for investing and commissioning in the third sector adopts a three tier approach:

- **1st Tier - Partnership Agreements (PA)** - For high value and/or high profile services, possibly based on consortia or consolidation of a range of services. Appropriate where there is: a mix of broader social outcomes and specific delivery targets.
- **2nd Tier – Service Level Agreements and Contracts** - with specific delivery targets and outcomes.
- **3rd Tier – Grant Funding** - intended to cover aid in-kind, small shorter term funding, piloting innovation and promoting capacity.

There are few initial partnership agreements, however this funding vehicle may be used more in future. Grant funding is expected to diminish as a percentage of spend. Service Level Agreements and contracts are intended to be the most common approach. Commissioning partners intend to improve sector access to full range of tendering opportunities alongside private providers in future. They have also made a commitment to ensuring the independence of third sector organisations in providing voice for communities and as a means of engagement with them.

Challenges

- **Clarity of Understanding** - Commissioners and the sector are not always clear about their different roles. Commissioners fund to deliver policy priorities not to support sector interests. There will be little or no public subsidy in future and the sector needs to understand this. Commissioners will only recognise 'added value' if is relevant to what they are seeking to deliver e.g. community engagement.
- **Vision** - The third sector is not always clear about its 'markets' and commissioners have tended to see open tendering to the private sector as 'safer'. Commissioners need to develop a collective vision that cuts across 'markets'. Third sector Boards and Trustees, intending to seek public sector funding, need to make sure their mission and governance arrangements fully reflect what they are trying to achieve.
- **Value for Money and Procurement** - Risk aversion on the part of commissioners and procurement frameworks intended to offer fairness can result in complexity and legality. Procurement processes need to be adapted to a wider range of organisations and monitoring and reporting requirements need to be proportionate and flexible for different relationships and circumstances.
- **Capacity Building** - The tendency to focus on 'efficiency' and delivery from day one have tended to overlook the need for capacity building. This potentially creates barriers to entry, particularly for new community organisations. Commissioners need to factor in time and support for capacity building.
- **Independence** - The shift to commissioning may risk third sector independence. There is a challenge here for commissioners to understand the sector better.
- **Skills, Knowledge and Experience** - There is a need for skills development and active political support for both commissioners and third sector organisations.
- **Risk management** - There is on-going concern amongst commissioners about responsibilities and liabilities in relation to third sector organisations if things go wrong. There needs to be better risk assessment and negotiation and understanding on both sides about risk and the transfer of risk.
- **Good governance** – Many commissioners fear that the sector is badly governed and unsustainable. Whilst some organisations do need training and support to improve governance, others are very good. This remains a hearts and minds issue for commissioners who will need to be convinced.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Intelligent Commissioning Experience from the Frontline

Discussion

How did the council deal with circumstances where core costs had previously been paid with grants?

In Birmingham pre-existing Service Level Agreements (SLAs) with core grant funding will be honoured to their conclusion. There will be 12 months notice that future SLAs and contracts will be for service delivery on a full cost recovery basis. There is a potential problem with organisations not being able to secure all their core costs. In some cases this funding will need to be sought from elsewhere.

How well are you working with other public sector commissioners on this agenda?

In Birmingham commissioners are coming together from the local authority and three PCTs in a Health and Well Being partnership as part of the LAA. There is now also a member of staff from the Council's Corporate Third Sector Team on secondment to the Learning and Skills Council.

Is there any focus on the redesign of services with the introduction of the new framework?

Partnership Agreements have an element of service redesign to them. The Isle of Wight's current Partnership Agreement with Age Concern includes a package of service delivery contracts and an element of grant funding for the organisation's core work. The organisation is on notice that this grant element will cease in future and that services may need to be reconfigured to fit with future service specifications.

Where is the dividing line between commissioning and procurement?

This is being viewed differently in different areas and a number of different approaches are emerging. Some commissioners are being told that everything must be competitively tendered. Which must raise questions about efficiency in the commissioning process. Concern over EU procurement rules is also creating a lot of risk aversion. In 2006/7 the Isle of Wight went through a major investigation into an engineering procurement which exposed weaknesses in the Council's procurement arrangements. This has led to absolute compliance with accounting, contracting and value for money requirements at their most fundamental level. However, there are concerns that some of the rules around procurement are more geared to the purchase of IT, back office functions and construction than they are to areas like social care where the third sector tends to be more involved. Advice varies on the extent to which EU procurement rules apply and, in particular, what changes will be introduced in 2009. In Birmingham the focus has so far been on grant based commissioning exclusively from the third sector rather than on wider procurement processes. The work done to date will provide a firm foundation for future development in this area.

What about small organisations that can't compete?

There are concerns that changes to local authority funding are starting to favour larger organisations including national organisations who are taking local contracts. This is potentially putting small local organisations in jeopardy. Birmingham is very conscious of the dangers for small organisations and in response its Communities Directorate is working on capacity building with smaller organisations. Birmingham is also looking at what local organisations are especially well placed to deliver due to knowledge of very local neighbourhoods and niche communities.

At the end of the day it comes down to the specifications that commissioners develop and the way sub-contracting is managed.

What about services being commissioned across local boundaries?

There is a gradual move toward more local authorities working together to commission across boundaries through Multi Area Agreements and joint commissioning. This definitely increases the case for consortium delivery within the third sector. There are already organisations that only survive by working across geographical boundaries.

Useful Links:

- For a more in-depth look at Birmingham's approach to third sector commissioning see the Sustainable Funding Project's case study at www.ncvo-vol.org.uk/psdnetwork
- For more information go to the 'Community and Living' section of Birmingham City Council's website where you can see all the associated documents at www.birmingham.gov.uk or www.bvsc.org
- For more on the Isle of Wight's approach to the VCS go to: www.iwight.com/OnIsland/value/voluntary or go to www.iwrcc.org.uk
- For more on the Compact as a catalyst for change go to www.thecompact.org.uk
- For a copy of *Do you know how the voluntary and community sector can help transform public services?* an introductory resource for purchasers and commissioners go to www.ncvo-vol.org.uk/psdnetwork

From 'full cost' to 'full value'

Getting beyond 'Added Value'

This section is based on two workshops run by Richard Piper, Head of Performance at NCVO and Joint Manager of the Performance hub. In both roles Richard is responsible for developing and providing sector support and leadership on issues of performance. Richard has been working on the development of a practical guide to help organisations understand and express their 'added value'. In developing this guide, Richard has encountered a number of conceptual problems which have led to further thinking on the concept of 'full value'.

The resulting guide, due to be published in January 2008, expands on this concept and aims to encourage and help busy chief executives, trustees and managers of voluntary and community organisations to:

- appreciate the broader value their organisation brings to society, and
- better communicate this to others.

The guide covers key skills in communicating value to different audiences, including funders and in particular public sector procurers.

The workshops covered:

- The difficulty with added value
- The concept of full value
- Whether commissioners care about full value
- Actions for voluntary and community organisations and commissioners

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

From 'full cost' to 'full value' Getting beyond 'Added Value'

The difficulty with added value

The term 'added value' has been extensively used by voluntary and community organisations (VCOs) and frequently appears in government policy documents. When we ask people what they mean by 'added value' we arrive at a list of varied views and ideas, including:

- Things (often unfunded) which complement the core service.
- Soft outcomes - those things that are difficult to measure quantitatively but you know are important.
- Extra financial contributions – through match funding or access to other funds not available to the public sector.
- Reinvestment in service development.
- Passion and social purpose – driving knock on positive benefits to users (eg. reduction in isolation as a result of a volunteer led meal delivery service).
- Preventative benefits – the knock on effect of the service provided (eg. fall in crime related to provision of drug outreach service).
- Social benefits – eg. volunteering, community cohesion.
- Greater reach of service to isolated and potentially excluded communities or user groups.

However, if we examine the concept of 'added value' more closely we come up with a number of conceptual difficulties. To what or whom is this value additional? And, is it necessarily exclusive to the voluntary and community sector?

The concept of added value is also used in the private sector. Most successful organisations reinvest in their delivery potential. Fairtrade companies add social and environmental value to the markets in which they operate. Public and private sector providers also realise preventative benefits. Schools have voluntary governors. It is hard to claim that added value is exclusive to the voluntary and community sector. It is also difficult to make sector wide claims to added value. Given the diversity of the sector, in reality, any claim to add value would have to be specific to the organisation rather than the sector as a whole. It is fine to make claims about the added value of a particular organisation but such claims still need to be evidenced. How do we evidence 'added value'? Might we be required to provide comparative data to show we add value relative to other bidders? Is this realistic or desirable?

If added value is not exclusive to VCOs then to what is it added? Is it additional to the contract? If so, is it paid for? Is it expected? Is the contract conditional on the provision of added value? Would/could these conditions apply only to VCOs? There is an internal contradiction in the arguments made by the sector in relation to added value and full cost recovery. If we add value over what is contracted then are we doing this for free? If we expect to be paid for the added value we bring, in what way is it additional?

The concept of full value

Having considered the conceptual difficulties here, Richard argues that in shifting from policy to practice we might usefully move on from dialogue about 'added value' to really start identifying and articulating the 'full value' of what we do. Full value attempts to capture everything an organisation does that is either beneficial or which makes people happy. There are four elements to full value which include outcomes and satisfaction for users and non-users (indirect beneficiaries) of a service.

VCOs and public sector commissioners are increasingly well versed in the language of outcomes. As public sector commissioning and procurement are becoming more sophisticated, the dialogue is moving on from outputs and activities to outcomes. The main focus of the delivery relationship between VCOs and the public sector is on primary outcomes ie. those outcomes achieved for the intended user of the service. However, organisations delivering these services will also produce secondary outcomes to those around the service user including family, the wider community, staff and volunteers. These outcomes might include: lower crime rates in a drug outreach programme; reduced stress for parents/carers when they have confidence in the quality of day care services; or skills development for volunteers.

Which stakeholders?

	Primary (user)	Secondary (non-user)
Outcomes	Primary Outcomes	Secondary Outcomes
Satisfaction	Primary Satisfaction	Secondary Satisfaction

What effect on them?

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

From 'full cost' to 'full value' Getting beyond 'Added Value'

In addition to outcomes, full value also considers satisfaction. Clearly, satisfaction and outcomes are different and may not always coincide. It is possible to enjoy something that has no impact or not to enjoy something that has a positive result. None the less, satisfaction is increasingly viewed by the public sector as an important element of service quality and value. Satisfaction and outcomes are sometimes linked, for example, the more a user enjoys a service the more likely they are to attend and therefore benefit from it. Non-users may also be satisfied or otherwise. Secondary satisfaction would include staff satisfaction and the satisfaction of funders with the way an organisation communicates and works with them.

Identifying full value could be a complex and costly business including full stakeholder analysis, impact assessment and social auditing. Initially, however it is important for organisations to list these aspects of full value and consider who might be interested in them. You may want to find ways to evidence just those aspects of value in which you believe funders, commissioners and other key internal and external audiences may be interested.

Do commissioners care about full value?

There are differences of opinion about whether or not commissioners care about full value and whether or not they should. There is a common perception, based on past experience, that public sector commissioners pay more attention to outputs (eg. numbers of people through the system) than to value. In future, with the shift to outcome-based commissioning and greater local flexibility in commissioning, it seems likely that full value will become more important.

Many agree that commissioners should care about value but that in the world of competitive procurement it is not relevant which sector it comes from. On the other hand, in Tower Hamlets the local authority uses a number of potential added value criteria to identify services where VCO delivery may be preferable. These criteria are used by the third sector/voluntary and community sector champion on the procurement board to flag up where there may be potential for delivery by the voluntary and community.

VCOs often tend to think about value in their direct sphere of operation, however examining full value means looking at what your value might mean for others, such as commissioners. Looking at full value from their perspective can be helpful. For example, one of the areas in which we are seeing an increasing role for VCOs is in helping commissioners to identify user needs and design services to meet them. VCOs are often the ones to understand the needs of marginalised groups and to provide a greater overview of the overlaps and gaps in the services received by their client group. This can be particularly useful to public sector agencies, helping them to make connections and develop specifications for more seamless and effective services, including through joint commissioning and consortia. This aspect of sector engagement might be seen as a secondary outcome of what an organisation does (ie. better specifications as an outcome for public sector commissioners).

That said, VCOs often struggle to prove their value and commissioners often struggle to get what they want and need from VCOs. More and better dialogue and a common language between the two sectors would greatly help. Performance measures and targets in the past have often been poor, but there is evidence of development and improvement in techniques of measuring. Soft outcomes and satisfaction can be used as evidence. VCOs must remember that commissioners will usually need evidence to justify their commissioning decisions.

'If organisations could demonstrate that they have thought about their full value it would put them in a stronger position'
Public Sector Commissioner

In future, with the shift to outcome-based commissioning and greater local flexibility in commissioning, it seems likely that full value will become more important

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

From 'full cost' to 'full value'

Getting beyond 'Added Value'

What might commissioners do to benefit from the full value of VCOs?

Actions for voluntary and community organisations and commissioners

Putting differences of opinion aside, if we assume that value is in some way important to commissioners (irrespective of sector) and that knowledge of an organisation's full value is a useful tool for a VCO in planning, managing and improving its services and promoting them to potential purchasers then:

- What might commissioners do to benefit from the full value of VCOs?
- What actions might VCOs take to improve the relationship with commissioners?

Actions for commissioners:

- Be aware of the principles of good commissioning practice set out by OTS.
- Be more visible – go out and run workshops about commissioning, what you are trying to achieve and the opportunities that are coming up.
- Involve stakeholders early on in the process of service commissioning.
- Seek the views of both existing and potential service users.
- Involve VCOs in the commissioning cycle, including the design of services.
- Use infrastructure organisations but look to speak to a wider range of VCOs too.
- Seek out organisations on a thematic and geographic basis.
- Create consortia and/or encourage and facilitate consortia delivery.
- Allow time for consortia and collaborative approaches to develop.
- Know the market, both of service users and suppliers and be pro-active in market development to ensure a diverse mix of providers.
- Encourage joint learning between sectors to enhance understanding of services from different perspectives (e.g. via job swaps, secondments and volunteering).
- Develop a consistent dialogue around outcomes and seek solutions to how soft outcomes might be evidenced or quantified.
- Use more effective weighting (eg. between quantity, quality and price) when making commissioning decisions.
- Celebrate the relationship between the sectors and publicise successes.
- Be less risk averse in the approach to commissioning.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

From 'full cost' to 'full value' Getting beyond 'Added Value'

Actions for VCOs:

- Keep up to date with changes in policy and in society to make sure what you offer is relevant and effective.
 - Help commissioners where you can to identify needs and develop specifications which will genuinely meet client and community needs.
 - Learn about how local authorities and other public sector agencies work, including the different functions that each has.
 - Network and develop a dialogue with local commissioners before the bid process starts. Don't wait for them to come to you.
 - Be open and honest in your dialogue with commissioners to improve levels of understanding.
- Try to influence senior public sector figures so that commissioning officers get what they need in terms of resources and support to take well managed risk.
 - Help trustees and staff to understand the commissioning environment and what it might mean in terms of risks and opportunities for your organisation.
 - Be flexible and proactive in looking for opportunities.
 - Know when to say 'no' to those things which won't work for your organisation.
 - Learn to measure outcomes and success.
 - Include testimonials, feedback and evidence from user in bids.
 - Know and sell your organisation's strengths.
 - Be willing to do some things differently and to be collaborative.
 - Be realistic, especially about cost, when bidding.

Useful links:

- To reserve your copy of 'Full Value: uncovering the true worth of your voluntary and community organisation' go to www.performancehub.org.uk/fullvalue
- For more on identifying and tracking outcomes go to www.ces-vol.org.uk. Charities Evaluation Services jointly managed the performance hub with NCVO.
- For more on the principles of good practice in commissioning see the Partnership in Public Services Action Plan produced by the Office of the Third Sector (page 17) www.cabinetoffice.gov.uk/third_sector/public_services
- For examples from local authorities who have been focussing on how to commission better from the sector see section 6 (page 28)

What actions might VCOs take to improve the relationship with commissioners?

The National Programme for Third Sector Commissioning Explained

This section is based on a presentation and question and answer plenary by Sarah Wood, Third Sector Commissioning Programme Director at the Improvement and Development Agency for Local Government (IDeA).

This session covers:

- Context of the National Programme for Third Sector Commissioning
- Vision and key messages
- Programme aims and strands of work
- Resources, timescale and evaluation

A quick note on definitions: What is the third sector/voluntary and community sector?

There are many terms in common use such as: third sector, voluntary and community sector, charity, not-for-profit, social enterprise, which reflects the wide diversity of the sector. Organisations will identify with some terms more than others. In this report we have used voluntary and community sector. In this section we have used third sector as this is the term increasingly used by Government.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

The National Programme for Third Sector Commissioning Explained

Context

The National Programme for Third Sector Commissioning is being funded by the Office of the Third Sector and delivered by IDeA. This initiative emerged from a cross-government public services action plan (Partnership in Public Services: An action plan for third sector involvement) published in December 2006. Two other recent publications also set the context for the work of the programme:

- Her Majesty's Treasury (HMT) and Cabinet Office June 2007 report: *The future role of the third sector in social and economic regeneration – final report*, which looks not only at the sector's public service delivery role but also its role in voice, choice and calling others to account.
- Audit Commission July 2007 report: *Hearts and Minds: Commissioning from the voluntary sector*, which sets out a view of intelligent commissioning and highlights some of the difficulties third sector colleagues face.

If the programme is to have real purpose and impact it should be able to contribute to the three major agendas of: community cohesion; social wellbeing; and economic regeneration. These are areas where the third sector has a great deal to offer to individuals and communities and, through commissioning, to public sector partners.

Vision and Key messages

The programme's vision is of: Better public outcomes for individuals and communities, which yield efficiency gains and community benefits, through smarter, more effective and innovative commissioning, and optimal involvement of the third sector in public service design, improvement, delivery and holding the public sector to account.

Three key messages have been identified, which are informing the development of the programme.

- The need for cultural change - in government departments, PCTs, local authorities and third sector organisations. There needs to be wider understanding in the statutory sector about what the third sector can bring. We need to emphasise the win/wins of working together and ensure better understanding of the business case for commissioning from the third sector, especially in these days of increasingly constrained budgets.

- Involvement of the third sector not just as a tick box process – Working with the third sector is not just about a local authority meeting a Comprehensive Performance Assessment or involving a token voice. There are actual, meaningful reasons why the sector should be there to play a fundamental role in identifying what, how and how well services are being delivered.
- Decision making needs to reflect government commitments – Government has made a commitment to the third sector and its potential in service delivery in recent years. We have the Compact and the public services action plan with its 8 principles for good commissioning. We have also seen Government funding of various capacity building activities. Now we need to ensure that decision making reflects this commitment. We need to do this by influencing, involving those with direct experience of third sector delivery and by infiltrating public bodies (i.e. being prepared to going higher up the chain if people are not prepared to listen). The plan is to agree specific work programmes, with high level support, for each government department and to work with others to reach local authorities and PCTs.

Example – The business case

A young single mum is struggling to bring up a small child. There is talk of taking the child into care at considerable expense to the state. After a couple of years support from Home Start, a small grant and some volunteering support, the daughter is still with her Mum. The young mum is now in training, has a stable home and is talking about employment. She also wants to do something to help other young mums. This is an example where the third sector has a unique contribution to make. In a very small way it contributes to all three of the major agendas. However, the sector needs to be better at putting forward the business case (i.e. comparing the resource needed for effective family support with the comparatively huge cost of the child's care for life – both the financial cost and the personal cost to the child).

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

The National Programme for Third Sector Commissioning Explained

Programme aims and strands of work

The programme aims are:

- a portfolio of training on the benefits of the third sector for Public Sector commissioners;
- greater involvement of the third sector in the shaping, delivering and calling to account of public services;
- commissioning that meets the needs of local communities, service users and carers;
- the practice reality beginning to match the political vision for the third sector; and
- a better equipped third sector for the competitive world that lies ahead.

To achieve this, the National Programme for Third Sector Commissioning is embarking on three strands of work:

Training for 2000 commissioners

This has been the headline for the programme but it is not all it is about. IDeA will run the programme but the intention is to amend and build on existing training wherever possible. Efforts will be made to ensure the inclusion of real life examples in this training wherever possible and to identify gaps where training may not already exist. This approach is intended to be both cost effective and to ensure a degree of sustainability beyond the timescale of the programme. Those to be engaged in the training will be a mixture both geographically and professionally, including: elected members in executive and scrutiny roles; advisors (legal, finance and procurement professionals); and current and future management team members. One intention is to get all of these people to understand the importance of their role.

“A good solicitor, a good accountant, a good procurement officer will tell you how to do it, a bad one will tell you why you can’t” Sarah Wood

The bulk of the commissioners will be budget holders with financial accountability who decide: what is to be commissioned; how it is to be commissioned; and from whom it is to be commissioned. Some will be key commissioners on Local Strategic Partnerships. Nominations for those to join the training have already been sought. A full list of participants is due to be finalised and made public early in 2008.

A hearts and minds campaign

This will engage government departments, local authorities and PCTs to focus thinking on how they can improve delivery of their services using the third sector. The campaign is about embedding the message in the DNA of these organisations so that the third sector is not an afterthought but another equally valid way of delivering successful public services. This is not about special treatment for the third sector because it is fluffy and nice but because it can help the public sector deliver against targets and budgets. This links back to the key message about the business case.

Improving bidding capacity in the third sector

The other part of the equation is to improve the bidding capacity of the third sector. Mapping is currently being undertaken to assess what is already out there in terms of support. Once this has been established, the National Programme for Third Sector Commissioning will work with the third sector to close some of the gaps. Potential areas for improvement include:

- the sector getting involved earlier in the shaping of services;
- improved understanding of what is important to commissioners in terms of service design, quality and price;
- issues relating to collaborative and consortia bidding;
- better negotiation skills;
- better understanding of TUPE regulations and other things which may come into play with public sector contracts.

The programme advisory group will help to prioritise the many potential themes within this area. Where support already exists the programme will aim to build on this.

A good solicitor, a good accountant, a good procurement officer will tell you how to do it, a bad one will tell you why you can't.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

The National Programme for Third Sector Commissioning Explained

Resources

The programme has £2.2 million over two years and a staff team of three: the Programme Director, a manager and a co-ordinator. The relatively small resource has shaped the programme's approach to influencing and building pre-existing training and support. There is also: strong ministerial commitment to the programme from the Cabinet Office and OTS; a programme board made up of colleagues from the Office of the Third Sector and IDeA; and an advisory group of 12 third sector and 6 government department colleagues chaired by Baroness Thornton (also chair of the Social Enterprise Network).

Evaluation

Shared Intelligence have been commissioned to conduct a baseline study and final evaluation of the programme. The initial phase of the baseline study has included a survey to which there have been 461 responses. These will be analysed to provide baseline data but also to refine the key messages of the programme if need be.

Useful links:

- For more on the National Programme for Third Sector Commissioning from IDeA go to: www.idea.gov.uk/idk/core/page.do?pagelId=6583598
- For the cross-government public services action plan which introduced the 8 principles of good practice for commissioners (page 17) and instigated the National Programme for Third Sector Commissioning (pages 18-19) go to: www.cabinetoffice.gov.uk/third_sector/public_services
- For the HMT and Cabinet Office report on the role of the third sector in social and economic regeneration go to: www.cabinetoffice.gov.uk/third_sector/third_sector_review.aspx
- For the Audit Commissions 'Hearts and Minds' report on commissioning from the VCS go to the reports section of their website at: www.audit-commission.gov.uk/reports/index.asp

Timescale

Date	Activity
June 2007	<ul style="list-style-type: none">• Programme started
Jan 2008	<ul style="list-style-type: none">• Final list of participating commissioners identified• Work programmes for hearts and minds campaign begins
Feb 2008	<ul style="list-style-type: none">• Training programme commences
April 2008	<ul style="list-style-type: none">• Improvement plan for Third Sector bidding capacity
to May 2009	<ul style="list-style-type: none">• On-going rollout out of the above• End of first phase of programme

Summary

Key themes for the future

The seven main sections of this report contain the condensed learning and thinking of a great many people who contributed to the Public Service Delivery Network annual conference. They reflect the wide range of experience that participants and network members bring to the debate. And, the insight that many contributors have into the reality of voluntary and community sector public service delivery at the end of 2007. This final section is an attempt to draw together some of the themes coming out of the conference and to offer some reflection on the challenges ahead.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Summary

Key themes for the future

The political and financial environment

It is likely that, in the years ahead, we are going to be operating in an environment which Stuart Etherington, in his opening remarks, described as 'more politically and financially stressed'. The third sector, its role in society and in public services, has been the focus of much government attention over the last decade. Much of which has been extremely positive toward the sector (e.g. the signing of the Compact, the Treasury's 2002 review of the sector's public services role and more recently the creation of the Office of the Third Sector at the heart of government). However, after a period of relative political stability, we are now entering a period of greater political uncertainty. Although all three major parties have their sights to some extent on the third sector and its role in society, the degree to which we are the focus of political attention can be a curse as well as a blessing. The sector would not want, in this environment, to become a political football or worse still a pawn.

Our current environment is also one of greater financial stress. The impact of the earlier government efficiency review and the most recent Comprehensive Spending Review means that the public sector, at all levels, is operating under tighter financial constraints. We are no longer in a position where year on year public spending increases are the norm and this will inevitably affect the public sector's relationship with us. It will be important for the sector to work both strategically and practically to adapt to this environment and the changes it might bring to some of our public sector relationships.

Progress from principles to practice

One of the things that was clear, both from the presentations and the contributions of participants at the conference, was that compared with five years ago, when the Treasury review was first concluded, discussion has moved beyond principles to the practicalities of making this public service delivery relationship work. It is clear that some of the aspirations of the sector and Government in that initial review have been harder to implement in reality than they were to write in policy. The dialogue has shifted from added value and full cost recovery to outcomes and intelligent commissioning. That is not to say the sector does not have value or values to bring to public services or that it should not be adequately funded for the services it delivers on behalf of the public sector; but rather, that in an increasingly competitive and tight financial environment, the achievement of outcomes is, and should be, the primary concern, whoever is to deliver the service. This places much more onus on voluntary and community sector organisations to provide evidence of the outcomes from their work and the value that they bring. It also requires a sector better equipped to bid in a competitive environment; an area on which the two sectors are continuing to work together.

The best hope for the sector in terms of full financial recognition for what it offers the public sector is for intelligent commissioning to become a reality. Amongst other things, including leadership and political will, this is going to require clear, responsive and up to date guidance. Like the Treasury's Guidance for Funders which shattered some myths about Treasury rules, we need to see a similar response to clarify where EU rules do and do not impact on the commissioning relationship. It seems that much unhelpful, uninspiring and rather outmoded practice remains amongst those we might collectively think of as public sector commissioners. It is encouraging to see that the National Programme for Third Sector Commissioning will reach a range of these individuals. However, in practice only very few will be directly engaged in any training. Arguably, the programme's greatest value will be in the insight it will gain from these participants and any headway it is able to make with its hearts and minds campaign. The need to articulate and keep articulating the business case for third sector delivery and the factors, such as more stable funding, which make this a viable proposition has never gone away. This is now perhaps more important than ever, particularly at a regional and local level where the majority of public sector commissioning from the third sector continues to take place.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Summary

Key themes for the future

Shift of emphasis from the structural to the relational

As well as changes in the external environment and from experience of implementation, devolution is also having an impact on the voluntary and community sector/public sector relationship. As the power balance is shifting between central and local government and as local public bodies are being encouraged to take on an increasing role in the commissioning rather than the delivery of services, we are seeing changes in their relationship with the sector. Not only is the shift to locally commissioned services bringing user needs, about which many voluntary and community sector organisations know a great deal, much more to the fore in local debate; but also, there is less scope for national government to steer that debate or dictate the way ahead. This means less focus on the structural changes which central government believes will improve the voluntary and community sector's opportunities to contribute to public services and more emphasis on local relationships.

Where central government previously dictated the priorities of much local public service commissioning, local government now has more freedom to identify and respond to what it believes local needs to be. The voluntary and community sector has an essential part to play in this process on the basis both of local knowledge and experience as a service provider. It seems the way forward for the clued up and ambitious voluntary and community sector organisation is to get into this dialogue about needs and service priorities as early as possible. And, to use their knowledge and experience to try to shape service specifications and commissioning processes, building on some of the positive approaches that central government has been advocating (e.g. with regard to social clauses). In short, to build better, more productive dialogue with commissioners. Or, as Martin Kinsella advises 'get onto your LSP, get involved in the Local Area Agreement, phone them up and ask them about XYZ until you get noticed'.

The emphasis in taking this debate forward is shifting from national leadership with regard to policy to local self advocacy by individual organisations and the wider local sector. Having achieved universal coverage in terms of Local Compacts, the challenge is now in taking the dialogue to the next stage. In many respects this means the hard work is yet to be done.

Beyond direct public service delivery

Although the focus of the conference was on public service delivery, this is just one aspect of the sector's role in relation to public services. This point was raised by both voluntary and community sector and public sector participants. Other aspects of the sector's role include identifying user and community needs and contributing to service design as discussed above. But there is also the wider role, sometimes overlapping with public service delivery but also in some ways separate from it, and that is the sector's role in society which is about community engagement, community self help, building social capital and promoting tolerance and community cohesion. These aspects of the sector's role have also received recent recognition from Government. Most evidently in the recent OTS/Treasury joint review. It seems the key to achieving proper recognition and resource for this aspect of the sector's role will lie, in part, in central government's ability to join up the policy strands which affect how these ambitions are accepted and interpreted locally. This will include: making links between the work of OTS and partners with that of the Department for Communities and Local Government, particularly in relation to its Community Empowerment Action Plan; and critically, establishing how the range of policy aspirations will be linked to the National Performance Framework and Comprehensive Area Assessment which incorporate measures relating both to volunteering and the environment for a thriving voluntary and community sector.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Summary

Key themes for the future

There is still learning to be done on both sides about how the voice role of the sector; the flexibility, responsiveness and dynamism of the sector at neighbourhood level; and the capacity for innovation can be encouraged and resourced in the brave new world of devolution and commissioning. A lot has been said about the need to maintain a diverse range of funding vehicles (e.g. grants as well as contracts) which the two case study authorities in the intelligent commissioning workshop were both clearly grappling with. However, it seems there might be more to learn about how this can sit comfortably as part of, or alongside, broader mainstream commissioning and procurement processes.

Cultural and physical change

In the face of rapid change and a wealth of attention from government there are clearly changes taking place within the sector. Firstly, there is a noticeable shift in culture which appears to be far less one of dependency or of an underdog begging for recognition and far more one of ambition and dynamism mixed with degrees of pragmatism. For some this is clearly an uncomfortable shift. Words like ambition, competition and growth are counter-cultural to many in the voluntary and community sector and can be perceived as threats - one organisation's entrepreneurialism being another's predatory behaviour. However, there seems to be a more or less willing consensus that in a competitive environment, ambition and growth, if their purpose is to better meet the needs of service users, are perfectly legitimate modus operandi for voluntary and community sector organisations.

There are clearly factors, both in within the voluntary and community sector and in the external environment, which are driving growth. Externally these drivers include the consolidation of contracts in response to the efficiency agenda. Internally they include the holy grail of core capacity and sustainability, be this within individual organisations or through the development of consortia which can potentially bring the same advantages to a number of smaller organisations. None of these things are necessarily in or of themselves a problem. However, there were several pleas amongst delegates for the sector to maintain some sense of roots or core values based on a more collective rather than competitive philosophy. There is no doubt that recognition by government and the public service reform agenda bring opportunities for the voluntary and community sector. But responding to these opportunities and some of the barriers they bring to light can be an absorbing and time consuming business. There seems to be a growing ground swell of opinion which suggests that as well as looking, as we have been, at our relationship with the public sector we should also find some time to reflect on our relationships within the sector itself. Especially if the sector is to maintain control over its own destiny rather than have it dictated, or worse still unwittingly created, as a consequence of individualism and fragmentation.

There is no doubt that recognition by government and the public service reform agenda bring opportunities for the voluntary and community sector.

From Policy to Practice:

How is the environment enabling you to deliver or commission public services?

Summary

Key themes for the future

Best feet forward

Participants at this conference, speakers and delegates alike, demonstrated impressive degrees of enthusiasm, dynamism, optimism and commitment to making the public/voluntary and community sector relationship work. From the many thoughts, examples, questions and tips they contributed, three important issues or actions are identified here for each sector. These things appear to be essential in the changing environment as the debate goes forward and as public service delivery continues to be a large part of the relationship between the two sectors.

For the public sector:

- Clear guidance on commissioning, its scope, its limitations, its intentions and its potential outcomes.
- Genuine understanding and implementation of good commissioning practice at all levels.
- Clear vision with regard the voluntary and community sector role within and beyond public services, including understanding of the business case for its promotion, critically amongst local political and institutional leaders.

For the voluntary and community sector:

- An ever increasing imperative to provide evidence of need and of outcomes from the work that you do.
- The need to develop a more in-depth and on-going dialogue with existing and potential public sector commissioners.
- An openness to all forms of collaboration, driven by beneficiaries best interests and with due consideration for the opportunities and risks involved.

For more information about this document, the conference or the Public Service Delivery Network
email: psdnetwork@ncvo-vol.org.uk