



# **A short review of voluntary sector experience of public sector commissioning**

**May 2017**



## Introduction

This paper is part of a series of reports produced by Newcastle CVS and Skillsbridge under the general title of VCS2020.

- VCS2020 A Force for Good, Newcastle CVS, 2015
- VCS2020 Understanding Support to the Voluntary and Community Sector Delivering in Newcastle, Skillsbridge, 2015
- Charities at the Crossroads, Newcastle CVS, 2016

The 2015 reports were commissioned by Newcastle City Council and all have been presented and discussed at the Voluntary Sector Liaison Group, a quarterly meeting between voluntary sector representatives, supported by Newcastle CVS, and Newcastle City Councillors and officers.

This review, like the reports listed above, looks at current conditions the voluntary sector is operating under and considers what is required to ensure a thriving and influential sector in the future. In recent years public sector procurement and contracting processes has increased in importance for many voluntary organisations in Newcastle. This review looks at what is happening elsewhere in England, how the relationships and practice between commissioners and the local voluntary sector might be different and what lessons do examples in other local authorities providing learning for Newcastle.

All VCS2020 reports are available at <http://www.cvsnewcastle.org.uk/publications-and-resources/research-reports>

*“After a half-decade and more of austerity, the basic efficiencies available through tendered competition have already been secured. That particular well is empty. If essential public services are to be maintained or improved we have to look at doing things another way”<sup>1</sup>*

The voluntary and community sector, local authorities, the NHS and other public sector agencies have what sometimes seems like a symbiotic relationship, each aiming to meet the needs and services and support to individuals and communities.

Occupying this common ground however is not always easy or straightforward. There are many points of contact between voluntary and community organisations and their equivalents in local councils, CCGs and other agencies. Newcastle City Council, like other public sector organisations has sought to signal its commitment to working with the voluntary sector and to recognising the value and expertise that resides within the sector. This comes through a mix of formal and informal engagement and representation

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<sup>1</sup> The art of the possible in public procurement, Villeneuve-Smith and Blake, 2016



processes and by providing funding from the Newcastle Fund, ward committee grant aid or through procurement and contract opportunities.

Few areas prove as contentious as this last one and much heat has been generated as commissioners and voluntary organisations, current or prospective providers, seek an appropriate balance between transparency, fairness, equal treatment, proportionality and commercialism in procurement.

*“Securing funding in the context of procurement and bigger contracts [is one of the top three challenges my organisation will face during the next two years]”<sup>2</sup>*

*“There were very different views of the current procurement and commissioning processes... council managers [saw it] as a way of delivering their intentions, getting best practice out of limited resources and targeting resources effectively... a number of voluntary organisations saw procurement differently... as divisive, time-consuming, not delivering outcomes and impact [that the council wanted] and sometimes with unintended consequences”<sup>3</sup>*

This is not just the view from Newcastle. National voluntary sector umbrella organisation NCVO has identified ten procurement barriers affecting charities and social enterprises<sup>4</sup>. These include limited pre-procurement dialogue, lack of clarity about whether contract or grant is more appropriate, over-caution by procurement officers, aggregation of services into larger contracts and awards on price not value.

The route to addressing these barriers appears to be largely through the approach of a number of common features, in particular social value, new flexibilities in procurement legislation, co-design or co-production and inevitably, relationships between the main infrastructure agency, the council, the CCG and their commissioners.

The government has also recognised the difficulties procurement procedures can create for voluntary organisations. In December 2016, the Minister for Civil Society announced his intention to set up a Public Sector Incubator, create a commissioning kite mark and to recruit a voluntary, community and social enterprise crown representative, all with the aim of getting more small charities into public service supply chains.

The purpose of this paper is not to revisit ground previously covered by Newcastle CVS and others but look at what is happening in other places around the region and further afield.

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<sup>2</sup> Taking the Temperature, NCVS, 2016

<sup>3</sup> VCS Force for Good, NCVS, 2016

<sup>4</sup> [http://www.ncvo.org.uk/images/documents/policy\\_and\\_research/public\\_services/ten-procurement-barriers-affecting-charities-and-social-enterprises.pdf](http://www.ncvo.org.uk/images/documents/policy_and_research/public_services/ten-procurement-barriers-affecting-charities-and-social-enterprises.pdf)



The paper asks:

- Is public sector commissioning, procurement and contracting being carried out elsewhere in ways that local voluntary organisations view as positive?
- What if any are the common characteristics?
- What learning might we find to inform practice in Newcastle?

Examples are drawn from interviews with other local voluntary sector infrastructure organisations and by desktop review of guidance and policy papers on commissioning and procurement practice.

## Reimagining Commissioning

In a recent Parting Shot column, a regular feature in Third Sector, which is a monthly magazine for the charity and social enterprise sector, the outgoing chief executive of Leicestershire Cares wrote about the “devastating effect” of contracting.

The charity had walked away from two subcontracts it held for rehabilitation of offenders, on the basis that the prime contractors “did not have the understanding of the client group or time for the nurturing required to effect change”<sup>5</sup>.

Giving up on two contracts might be an extreme example (and it’s worth noting in this instance that it’s central not local government whose contractual model has gone awry). However procurement practice across the public sector has the potential to mystify and baffle.

One small local example: Gateshead Council commissioners publicly report to their cabinet members the outcome of procurement exercises, listing all bidders and recommending agreement to award the tender; similar reports to Newcastle City Council’s cabinet are confidential and made following the exclusion of public and press.

The different approaches of the two councils are based on different practices, but what the contrasting approaches do is create a situation where it becomes difficult for external organisations to judge which approach is down to individual custom and practice and which is based in legislation.

There are other more positive examples however. As this study seeks to show, local voluntary sector infrastructure and front line organisations are working with local authorities, CCGs and other public sector bodies to enable voluntary sector organisations

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<sup>5</sup> [http://www.thirdsector.co.uk/parting-shot-monica-stark/article/1421860?bulletin=third-sector-daily&utm\\_medium=EMAIL&utm\\_campaign=eNews%20Bulletin&utm\\_source=20170217&utm\\_content=www\\_thirdsector\\_co\\_uk\\_art\\_6](http://www.thirdsector.co.uk/parting-shot-monica-stark/article/1421860?bulletin=third-sector-daily&utm_medium=EMAIL&utm_campaign=eNews%20Bulletin&utm_source=20170217&utm_content=www_thirdsector_co_uk_art_6)



to deliver public services and for commissioners to take advantage of flexibilities afforded them by EU and UK procurement guidelines.

In the view of Villeneuve-Smith and Blake, in their report '*The art of the possible in procurement*' the Public Contract Regulations 2015 have introduced a number of "startling freedoms" that offer great "potential for social change and innovation in social, health and education services" especially when combined with the Social Value Act.

While the Public Contract Regulations, like the Social Value Act, are sector neutral and don't offer automatic advantage to the voluntary sector they do "*bring into focus the role of the social sector*"<sup>6</sup>. The benefit of working with the voluntary and social enterprise sector is that it will share the same values as public sector commissioning agencies.

This echoes the Newcastle CVS claim in *Charities at the Crossroads* (2016) that there is much common ground to be found between the voluntary sector and the public sector in their shared interest in creating better conditions for disadvantaged or excluded local communities.

Villeneuve-Smith and Blake suggest that the creation of social sector supply chains offers a way to increase organisational standards within the voluntary and social sector through procurement and commissioning practices.

By pushing regulations to their full, flexible potential there is increased opportunity for voluntary and social sector organisations to provide services and to realise social value outcomes by creating job and training opportunities for those people farthest from the labour market. However in interviews for this paper some VCS managers disputed whether this was creating genuine social value or whether the inclusion of training and job opportunities in tenders was simply a means to enable private sector firms to claim social value outcomes.

Getting the language right, having agreed definitions on what social value or co-production means and avoiding box ticking exercises becomes as important to successful and sustainable relationships between commissioners and providers as clear and transparent procedures.

The Social Care Institute for Excellence (SCIE) in a series of videos about co-production in adult social care highlights the scepticism that can abound around words like co-production and co-design. This is coupled with doubt expressed that such exercises have really changed anything in practical ways, except in SCIE's own efforts at co-production.

These appeared to be based on the essential understanding that co-production "*might be tough... but that's no excuse for us to hide behind our desks... involving people before*

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<sup>6</sup> Villeneuve-Smith and Blake



*we've made decisions [and] actually having them influence what those decisions are... to do the things they need and want [might] be a cheaper way of doing it, in the end<sup>7</sup>.*

This approach mirrors that in the Local Government Association (LGA) and University of Birmingham report '*Commissioning for Better Outcomes: a Route Map*'. The LGA model is person-centred and outcomes focused, describing a cyclical commissioning process where the local authority is a civic leader, guiding the whole community, including the voluntary and community sector, business and others to improve outcomes.

The LGA cites the involvement of those using the services as central to successful outcomes, through co-production and recognising that they are essential partners in the design and development of new services.

The interviews informing this report started out with the intention of finding out what local authorities and other agencies were doing differently in their commissioning approaches and to find out about the involvement of voluntary organisations in new approaches and models. What emerged was the important and active role played by voluntary sector infrastructure organisations in creating bridges between commissioners, providers and a wider orbit of voluntary and community organisations able to reflect or bring to the table individuals' experience and ideas.

Some local authorities, like Hackney or Birmingham may choose to prioritise buying local as one means to support the sustainability of the local voluntary sector. Others, like Middlesbrough, Stockton or Brighton and the local CCG's will work actively with the voluntary sector infrastructure to commission frameworks or statements that set out principles and procedures that all parties will hold to and respect.

Fundamental to any approach that directly benefits the capacity of voluntary and community sector organisations is the relationship between public sector partners and those acting on behalf the sector; in the case studies below it is always the local CVS or VCS development agency. Commitment to involvement of the sector, consistent and regular contact between key individuals at senior and chief executive level and a joint commitment to using the resources within the local area (whether voluntary or public sector) to benefit local people is key to success.

## Case studies

These examples are largely drawn from a series of telephone interviews, each lasting approximately 30 minutes, with local voluntary sector bodies including infrastructure organisations. The interviews were designed to learn more about what was working well in

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<sup>7</sup> <http://www.scie.org.uk/publications/guides/guide51/what-is-coproduction/defining-coproduction.asp>



that area for the voluntary and community sector, creating conditions that improve the sustainability of the sector and opportunities for public service delivery.

**Brighton:** the experience of voluntary organisations in Brighton illustrates the cyclical nature of commissioning practice and also the importance of formal (and informal) relations between individual staff from the voluntary and public sector. A period of organisational and political churn within the local authority as a result of austerity and budget cuts made it difficult for voluntary sector providers to read what was going on.

Some stability was created when the council and the CCG came together to create a three year Third Sector Investment Programme. The programme includes a commissioning prospectus, tenders for both Healthwatch and independent advocacy services, and a Community Fund.

The advantage offered by the Prospectus is a comprehensive and detailed set of outcomes that commissioners want to see from the programme and the potential stability of multi-year funding. However the programme is also informed by the need for both the council and CCG to make savings and therefore indicative amounts given for the programme are subject to annual budget setting.

The Investment Programme prioritises collaborative working as a way to realise efficiencies. This is not unexpected and echoes the focus on collaboration between voluntary groups in the recent round of the Newcastle Fund. However an unintended consequence in Brighton appears to have been forced collaborative arrangements that have proved unstable. Some voluntary organisations have also inevitably found themselves without funding and this has arguably reduced diversity of provision within the local voluntary sector and for service users.

Community Works, (the local VCS infrastructure organisation), Brighton and Hove Council and Brighton and Hove CCG have jointly led a health and social value programme supported by the Institute for Voluntary Action Research (IVAR)<sup>8</sup> to focus on how to best understand and embed social value. The programme sought to promote social value and increase understanding of the impact VCS providers have. Its overall aim was to develop and support effective relationships between different sectors, creating joint working based around social value. The programme also set out to realise the added value of communities working together and outcomes experienced by individuals of actives like volunteering.

For voluntary sector partners a key aim of the programme was how to untangle the voluntary sector's own understanding of social value, described as 'messy', so that it could be better demonstrated to public sector partners. An important early step was to establish a common understanding between partners of what they each wanted from social value;

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<sup>8</sup> <https://www.ivar.org.uk/health-and-social-value/>



this exercise had the added benefit of simply gaining a better understanding of each other generally. The social value programme has left commissioners with an understanding of social value as a tool, enabling them to think beyond their standard approach to commissioning. Creative use of social value is now taking commissioned services beyond their intrinsic elements to better benefit local communities.

**Hackney:** One Hackney and City is another programme that takes a different approach to delivering health and social care services, in this case for older people. Its key aims are to reduce inappropriate use of hospital services and increase support within the community. To do this the programme set out to increase capacity within the health and social care system in order to provide more practical support within the patient's home.

One Hackney and City has brought professionals together from the public and private sector so that they can learn and adapt to each other's practice, better share information and coordinate care better through coordinated care plans. Along with increased communication, special teams have been set up to troubleshoot, unblock problems and signpost community resources.

For voluntary sector partners Hackney CVS has taken on a critical role in the One Hackney and City programme. The CVS has essentially become a commissioner of services and over time has commissioned services amounting to several millions of pounds. By setting up a Special Purpose Vehicle (SPV) Hackney CVS has been able to work with Hackney's voluntary sector to provide the community interventions that are a fundamental part of One Hackney and City's offer to older people.

Taking a view that providing the process is fair and transparent it does not matter to voluntary sector groups who the commissioner is, Hackney CVS has created its own set of commissioning principles. The principles are informed by the CVS's strategic aim of enabling the local sector to find new and improved ways of accessing funding, resources and support. Social value principles are embedded in the commissioning principles and where possible a co-production approach is adopted so that partners are also co-creators of services. An additional driver for local commissioning is to buy services from local business and providers.

The SPV has managed a variety of commissioning exercises from small grants to service contracts. Having begun by undertaking the role of commissioner Hackney CVS is now looking to the private sector as a source of funding and support for voluntary and community sector, enabling businesses a means to fulfil corporate social responsibility commitments.

**Middlesbrough:** like Hackney CVS, MVDA, which is Middlesbrough's primary voluntary sector infrastructure organisation, has reassessed the role of the organisation and its relationship to public sector commissioning.



Working with Middlesbrough Council, MVDA has created a local framework for voluntary and community sector engagement in commissioning. The Framework describes a cycle of actions from understanding need through to planning, purchase and from delivery to monitoring and evaluation. Each of these steps includes what role can be expected from voluntary organisations, for example 'suggesting local solutions to local problems' within the Planning stage or 'identifying ways in which improvements can be made' at the monitoring and evaluation stage.

While the Framework is the result of collaboration with the council, it is clear that commissioning is not considered synonymous with procurement and contracting. MVDA make it clear that grants can offer an effective alternative to contracts. It was the recognition by the local authority of the need to move beyond a transactional model of procurement and contracting that has created the space for MVDA to rethink its role and to adopt the role of strategic commissioner.

In practice, this means MVDA taking a leading and energetic role in bringing the local voluntary sector together at the 'understanding need' stage to generate a different level of dialogue and influence on the commissioning process. Within this process, the commitment from the local authority is crucial. Regular contact between MVDA and senior public sector staff, for example the Head of Commissioning for Middlesbrough Council has created a set of relationships that enable effective, if at times candid, discussions to take place, but are part of a sustained and productive relationship between the public and voluntary sector.

What MVDA, the local council and other agencies including the CCG have arrived at is a commitment to do something different, that places quality above cost and places the wellbeing of local people at the centre.

**Stockton:** the voluntary sector development agency for Stockton on Tees, Catalyst is unusual for being originally conceived as a partnership between the voluntary, community and social enterprise sector and the council. However like any other infrastructure organisations it has sought to work directly with the local authority and other agencies to shape and influence how commissioning is carried out to enable opportunities for voluntary sector engagement and delivery.

As a result of Catalyst's activities, commissioners in Stockton look to be more ready to engage voluntary sector partners in the co-design of services and to expect Catalyst to bring the voluntary sector early into the commissioning cycle. The commitment to include and understand the perspective of the voluntary sector has extended to seconding local authority staff to Catalyst for a specific period of time. This happened when local youth services were being reconfigured, and the secondment of two council officers to Catalyst was part of developing a different approach to youth work. Similarly, Catalyst's Health and Wellbeing Officer spends a part of her week based in the CCG offices working alongside health service staff.



Echoing other case study examples much of this relationship is built on regular contact between senior staff with each sector, and the confidence that difficult conversations are part of a robust and successful relationship. Results of this association are seen in the example of home from hospital services and occupational therapy services working alongside voluntary sector providers rather than seeking to replace them with NHS community staff.

Catalyst's meetings map is evidence of the multiplicity of contacts and representative positions Catalyst has on behalf of Stockton's voluntary sector and this is key to visibly maintaining the sector's profile and commitment to jointly realising strategic priorities for Stockton.

**Manchester:** Manchester's voluntary sector has experienced some pain in adjusting to new procurement regimes which saw a number of providers move from what had been continuing and regular funding with few monitoring demands to contracts. The difficulties during this period were exacerbated by commissioners struggling to understand the local voluntary and community sector.

The problems of those early days have abated as commissioners in health and the local authority have worked more closely with MACC, Manchester's local voluntary sector support organisation. This has included the CCG giving MACC funding to run grant aid programmes. MACC has also worked directly with GP services on social prescribing and community development initiatives and again running with local grant programmes.

In 2014 the Greater Manchester Combined Authority produced a Social Value policy, which has been adopted by all ten member councils. The policy includes both a long and complex definition of social value along with a clearer statement of intent toward building capacity and sustainability of the voluntary and community sector<sup>9</sup>. The intention to support the voluntary sector is further developed by including a specific outcome to create an effective and resilient third sector and examples of how this might be achieved by making specific spending commitments for voluntary sector providers.

MACC is a member of Greater Manchester Social Value network, led by the Centre for Economic Strategies (CLES) which aims to influence stakeholders, policy and strategy at the Greater Manchester level around social value. It is an important area of work for the city's voluntary sector, which MACC has committed officer time towards. While the Social Value Act is sector blind, it is part of a commissioner's toolkit that can have significant impact for voluntary sector providers and communities. It has therefore become a priority for MACC and other voluntary sector organisations to improve commissioners' understanding and use of social value clauses within procurement.

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<sup>9</sup> [https://www.greatermanchester-ca.gov.uk/downloads/download/27/gmca\\_social\\_value\\_policy\\_-\\_november\\_2014](https://www.greatermanchester-ca.gov.uk/downloads/download/27/gmca_social_value_policy_-_november_2014)



A more sophisticated understanding of the potential of social value will, it is expected, result in better commissioning choices; for example using the knowledge, connections and skills of organisations already working in with communities of high deprivation rather than importing new external providers.

## What does Newcastle's commissioning story look like?

The purpose of this review is to look at voluntary sector experience of commissioning in other areas of the country to consider what we might learn and what we could do differently in Newcastle. Here, drawing largely upon recent reports and papers produced by Newcastle CVS, we consider what the commissioning and procurement experience is like in Newcastle.

In 2015-16 Newcastle City spent £54.6 million in grants and contracts on voluntary sector services and provision (18% of its total influencable spend of £304,917,017<sup>10</sup>).

Many of the key features of the positive accounts of a commissioning environment that works for voluntary sector organisations in the case studies above are present in Newcastle. Newcastle CVS actively seeks to represent the voluntary sector's voice through formal partnerships e.g. Wellbeing for Life Board, Children's Trust, Adult and Children's Safeguarding Boards and operational groups; through regular one to one meetings with commissioners, councillors and other senior staff; through its regular forums and networks and by participating in events organised by the council, partnerships or other public sector or others.

Many major public sector bodies in Newcastle, including the council, Newcastle Gateshead CCG, NTW NHS Foundation Trust, Newcastle Hospitals NHS Foundation Trust, the Northumbria Police and Crime Commissioner and North East Ambulance Services NHS Foundation Trust, are all signed up to the local Compact. Following a major review in 2014 the Compact sets out a shared commitment to "*integrate the principles of intelligent commissioning and social value into all commissioning process and policy*". It commits the voluntary and public sector to co-production and collaborative working; it recognises that in embracing change and different ways of working together there will be times when "*mature and difficult conversations*" will be required but that we need to "*maintain relationships... for the benefit of people and communities in Newcastle*"<sup>11</sup>.

In 2015, the council published a Newcastle Social Value Commitment, which clearly states that it is not an "*add on to core business*" but will be "*embedded into goods, works and services*" that the council procures. Like Hackney or Birmingham there is a commitment to buy local. There is a commitment to community focus, ethical leadership and enabling change.

<sup>10</sup> VCS Investment 2015/16, Voluntary Sector Liaison Group December 2016, Newcastle City Council

<sup>11</sup> The Newcastle Compact 2016



Understanding of the scope of the Social Value Act and its implementation in practice by other public sector commissioners in the city is much less clear. However, as highlighted by Newcastle CVS in a number of recent reports, there is some frustration with the public sector's approach with a clear message from voluntary organisations that it should be using social value in a more systematic way in order to realise its full potential. There has clearly been a lot of work done around Social Value which could be incorporated in more council contracts while the NHS needs to consider its approach to social value.

*“[voluntary] organisations asked for a greater understanding of the additionality in relation to economic and social value brought by the voluntary and community sector, they wanted more contact with commissioners on engagement and advice, to help commissioners develop a better understanding of the sector, more co-production not procurement, better opportunities for consortium delivery and ways to overcome the loss of the public sector's organisational memory”<sup>12</sup>*

## Conclusions

There are a number of common themes that emerge from the interviews and reviews for this paper.

Social value, how it is defined and how it is used by commissioners and the voluntary sector, appears to be critical to creating a successful set of conditions that enable the sector to influence and deliver services.

It is clearly important however that social value, like co-production or social prescribing, is not viewed by organisations or services users as a box ticking exercise and that it genuinely changes relationships and actions.

Within this approach, the role of infrastructure emerges as a key enabler, providing a bridge between different sectors and agencies; raising standards within the voluntary and community sector and providing a trusted guide for how different approaches to commissioning can benefit voluntary organisations and their beneficiaries.

The key to developing these relationships is grounded in frequent formal and informal contact between sectors and agencies, a willingness to take on constructive criticisms but also developing increased understanding of each sector's expectations, from for example social value.

Written statements and policies such as the GMCA Social Value Policy or local compacts have a necessary place as signs of commitment to ways of working together but in the end

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<sup>12</sup> Force for Good 2016



it is action by key players, such as the CVS, commissioners and leaders within the local authority and the NHS that changes local practice and creates improved outcomes and services.

As a first step both voluntary and public sector agencies and representative may choose to review whether current forums, groups and meetings where both sectors come together strategically are fulfilling the expectations expected of them.



## About Newcastle CVS

Newcastle CVS gives people who struggle to be heard a voice, supports voluntary and community organisations to be resilient and sustainable and promotes a fairer society by influencing and challenging the debate.

Our established reputation, extensive networks and integrity and strength of approach makes us the go to source in supporting voluntary and community action.

We improve the quality of life in Newcastle and Gateshead by supporting the voluntary sector.

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