

Health VCSE Review:

NCVO & Compact Voice Background Paper

Summary

The voluntary and community and social enterprise (VCSE) sector includes around 161,266 active voluntary and community organisations in the UK. The overwhelming majority of these are small. Large numbers are engaged primarily in delivering health and social care services. Many others carry out activities that impact positively on health outcomes for individuals and communities.

VCSE organisations bring distinct advantages to public services provision through being mission driven, close to communities, and expert at meeting the needs of individuals in a personalised way. However, their potential to shape and deliver public services is currently constrained by a number of factors:

VCSEs are seeking to meet rising demand for their services with reduced government funding. The shift from grants to large contracts and payment by results presents particular challenges for VCSEs. Commissioning practices are often characterised by a focus on cost and price instead of quality and added social value, short timeframes, limited opportunities for dialogue, and disproportionate paperwork. Organisations are struggling to adjust to and operate within the new commissioning landscape and changes resulting from the Health and Social Care Act 2012.

Despite these challenges, this paper also describes some outstanding examples of successful VCSE partnerships with both old and new statutory bodies. As recent reforms take hold, more VCSE organisations will undoubtedly go on to form productive relationships with the full range of government bodies that can help shape health outcomes at the local level.

A more strategic approach to partnership working – whether by means of a local Compact, infrastructure organisation, pooled funds or other means – could ensure the expertise of the full range of small organisations continues shape and deliver the services of the future,. Without strategic engagement, there is a real risk of losing VCSE insights permanently as organisations withdraw from the market and from influencing and campaigning on behalf of the individuals and communities with whom they work.

Successful partnership working is however also likely to depend on reforms to current practice in a number of areas: A social value approach to public services provision is needed that favours the preventative and personalised interventions that are the specialism of VCSE organisations and which deliver value for money to the taxpayer in the long run. Adequate levels of government funding must be delivered in a way that suits small as well as large organisations. Culture change will be also be required in commissioning to put into practice existing guidance and improve opportunities for VCSE organisations to not just deliver services but also inform their design in ways that shape health outcomes.

(1) Overview of the VCSE sector

Number and size of organisations

- 1.1 There are around 161,266 active voluntary and community sector organisations (VCSs) in the UK.¹ Although many of these organisations have paid staff, the defining characteristic is their voluntary nature, whether in governance through a trustee board, in finance through donations and grants, or in resources through the help of volunteers.²
- 1.2 The overwhelming majority of VCSs are small, with the vast majority falling within the EU definition of an SME, as the table below shows. Only around 330 out of 161,266 organisations across the UK are not classed as SMEs under the EU definition.

Number of UK voluntary organisations, 2011/12

How big?	Micro Less than £10,000	Small £10,000 to £100,000	Medium £100,000 to £1 million	Large £1 million to £10 million	Major More than £10 million	Total
How many?	82,391	52,815	21,257	4,270	533	161,266

- 1.3 A social enterprise is a business that trades for a social or environmental purpose and that reinvests its profits to further its social mission. Issues around definition make it difficult to accurately estimate the number of active social enterprises. There has however been a significant growth in the number of Community Interest Companies (CICs), one legal form that social enterprises can adopt, in recent years. Over 2,000 CICs were approved in both 2012/13 and 2013/14, and as of August 2014 there were almost 10,000 registered CICs.³
- 1.4 Social enterprise can also be described as an activity: selling goods or services which also fulfil a social mission. It is estimated that 23% of registered charities in England and Wales, and 25% of general charities earned at least 75% of their income from trading in 2011/12.

Key characteristics

- 1.5 VCSEs are driven by a social mission and their operating models typically impact on wider social problems outside of the narrow scope of individual projects or

¹ This statistic and those which follow (unless otherwise stated) are derived from NCVO's UK Civil Society Almanac, the main source of official statistics on the voluntary sector <http://data.ncvo.org.uk/category/almanac/about-the-almanac/>. The latest year for which data is available is 2011/12 but new data will be released in March 2015.

² The Almanac uses a 'general charities' definition which includes all registered charities except those controlled by government, public schools, religious organisation, trade associations and some others. These estimates do not include the large number of 'below the radar' informal groups that are not registered charities.

³ CIC Association, <http://www.cicassociation.org.uk/about/what-is-a-cic>

programmes. For instance, using volunteers can add significant value in health and social care, improving not just the experience of service users, but also having a positive impact on the well-being of the volunteers themselves, and increasing community engagement with the design and delivery of public services.⁴

Case study: Daffodil Advocacy Project⁵

The Daffodil Advocacy Project supports people with learning disabilities to work as volunteers quality-checking services provided for people with a learning disability. Volunteers visit service providers, consult with service users to gather their views, and write and present reports on their findings. They also work in partnership with commissioners and providers to feed their findings back into the service, and share information with service users and service providers about other relevant local services. The project ensures that the voice of people with learning disabilities is heard by those who commission and deliver services, while also building the skills and confidence of the volunteers themselves.

- 1.6 VCSEs are often created in response to the needs of a particular community and run by individuals who are affected directed by the problems they seek to address. This proximity to communities means they are well placed to help ensure the needs and views of local people and deprived groups are taken into account in the design and delivery of health and social care interventions.

Case study: Redbridge outreach programme to support BME families struggling with dementia⁶

Black and Minority Ethnic (BME) communities in Redbridge include first generation settlers who are facing the issue of dementia, but lack awareness of the condition, and how relevant treatment and support services can be accessed. Funded by Redbridge Clinical Commissioning Group (CCG), Redbridge CVS and Redbridge Council worked with local community groups to reach over 1,000 individuals with information on dementia. The programme consisted of a series of workshops which were delivered to individuals in their own community settings, and which utilised films, presentations and discussions in different languages.

- 1.7 VCS organisations typically seek to meet the needs of individuals in a holistic manner and often have particular expertise in supporting individuals with complex or multiple needs. This means they are well placed to deliver personalised services that overcome the sector silos that have been associated with some traditional public sector approaches to service delivery.

⁴ Institute for Volunteering Research “Volunteering and health” (October 2011) <http://www.ivr.org.uk/images/stories/Institute%20of%20Volunteering%20Research/Migrated%20Resources/Volunteering%20and%20Health%20Literature%20Review%20October%20Final.pdf>; and The Kings Fund, “Volunteering in health and care” (2013) http://www.kingsfund.org.uk/sites/files/kf/field/field_publication_file/volunteering-in-health-and-social-care-kingsfund-mar13.pdf

⁵ Compact Voice, Compact Award 2014 shortlisted nominations, <http://www.compactvoice.org.uk/sites/default/files/shortlistbooklet2014.pdf>

⁶ Compact Voice case study, “Redbridge: Working in partnership to support BME families struggling with dementia” (April 2014) http://www.compactvoice.org.uk/sites/default/files/compact_at_work_-_redbridge_1000minds.pdf

Case study: Transforming families in Merton⁷

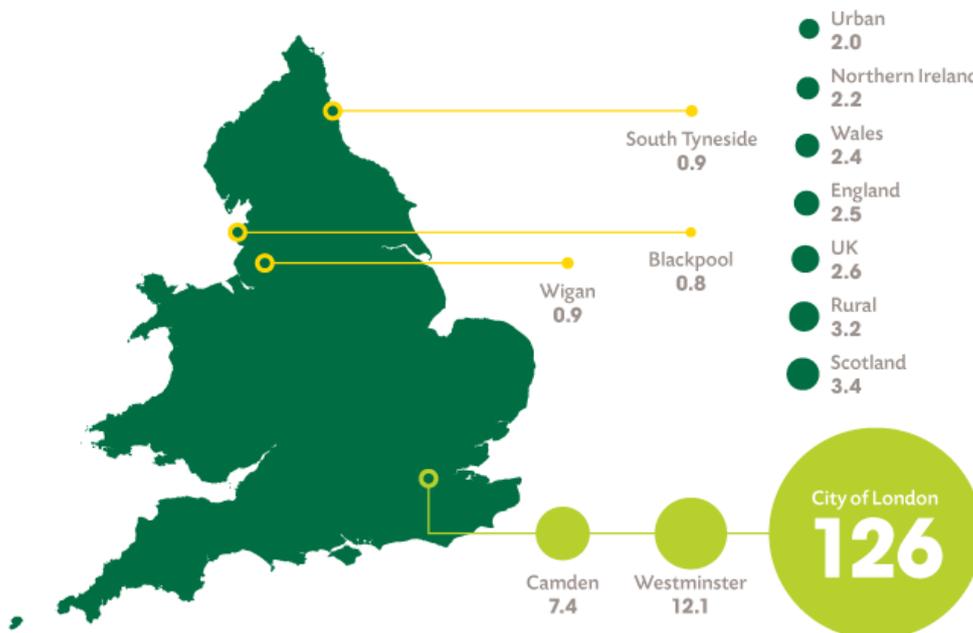
Merton's Transforming Families Programme focuses on the Phipps Bridge Estate, a large estate with high levels of social deprivation. The project brings together Merton Council, Merton Voluntary Service Council (MVSC) and registered social landlords to map need, develop interventions and harness the social capital on the estate to support families.

Support is offered in a number of areas, including healthy living, gang exit strategies and help with education, training and employment. A Community Development Worker, employed by MVSC but working in conjunction with the Council, manages individual cases and conducts community development activity such as the Phipps Bridge Estate gyms. As well as being able to access services that meet their own individual needs, local residents have been empowered to develop and lead projects - such as nutrition and fitness lessons - that support others in the community.

Geographical distribution

- 1.8 The geographical distribution of VCSs is uneven and complex across the different regions. There is a clear rural/urban split in the distribution – on average rural local authorities have more organisations per head of population: 3.2 organisations per 1,000, compared to 2.0 in urban areas. However, organisations in urban areas have a much higher income - on average three times greater than those in rural areas.

Areas with the most and least voluntary organisations, 2011/12

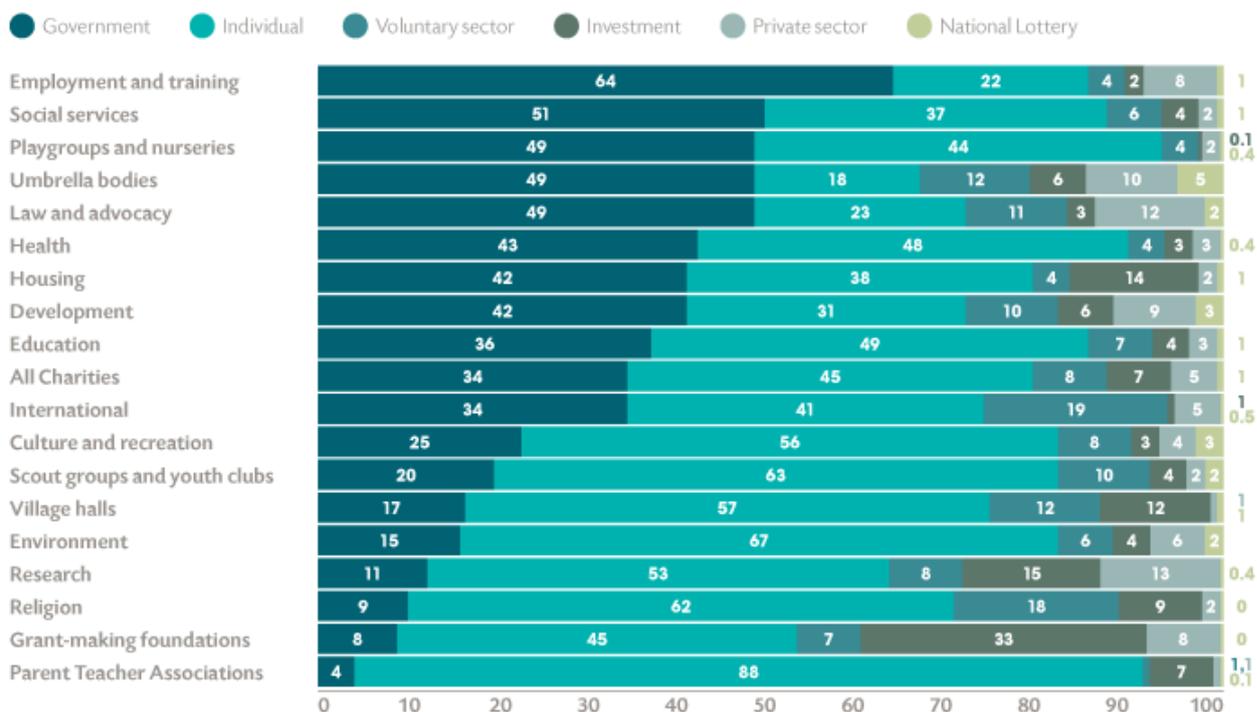


Activities undertaken

- 1.9 VCSs undertake an extremely diverse range of activities. 36,337 of them work directly in social services and health. Many more work in areas which are linked to the wider determinants of health, including education, employment and housing.

⁷ Compact Voice, Compact Award 2014 shortlisted nominations.

Types of voluntary organisation and their income sources 2011/12 (%)



1.10 When VCS organisations are classified according to their principal economic activity,⁸ the largest category of activity undertaken is social services, which includes 29,711 organisations with a total income of £9.1 billion, and assets of £13.4 billion. This sub-sector includes organisations such as Barnardo's, Age UK, Mencap and Crisis as well as charities engaged in emergency relief like the RNLI.

Paid workforce and volunteers

1.11 VCS organisations employ over 800,000 people and their employees account for 2.7% of the overall UK workforce. Around 432,000 people, or around six out of ten (57%) of these were employed in health and social work.

1.12 VCS organisations also catalyse the wider contribution of volunteers. Around 12.7 million people in England volunteer at least once a month, and 19.2 million volunteer once a year. Around 27% of regular formal volunteers are engaged in helping health, disability and social welfare organisations with 16% engaged in supporting older people.⁹ There are an estimated 3 million volunteers in health and social care, and 5 million unpaid carers.¹⁰

Contribution to the economy

⁸ According to the International Classification of Non-Profit Organisations (ICNPO), <http://data.ncvo.org.uk/a14ref16a>

⁹ National Citizenship Survey (2011) <http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/publications/corporate/statistics/citizenshipsurveyq4201011>

¹⁰ The Kings Fund, "Volunteering in health and care" (2013).

- 1.13 The gross value added to the UK economy by the VCS sector was estimated to be £11.8 billion in 2010/11, which is equivalent to almost 0.9% of the GVA of all industries in the UK. Social enterprises have a turnover of £163 billion a year and contribute £55 billion to the economy in GVA.
- 1.14 Adults who formally volunteer at least once a month spent more than 2.1 billion hours volunteering in 2012/13.¹¹ Using a replacement cost approach, the Office of National Statistics estimates that the value of voluntary activity is £23.9 billion – this is equivalent to just over 1.5% of GDP.¹²

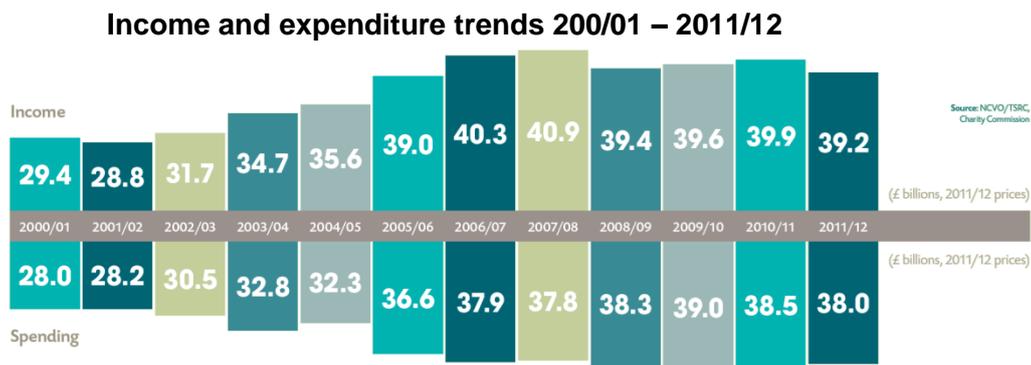
¹¹ Cabinet Office, Community Life Survey (2013)
<https://www.gov.uk/government/collections/community-life-survey>

¹² Office of National Statistics, “Household Satellite Accounts – Valuing Voluntary Activity in the UK” (December 2013) <http://www.ons.gov.uk/ons/rel/wellbeing/household-satellite-accounts/valuing-voluntary-activity-in-the-uk/index.html>

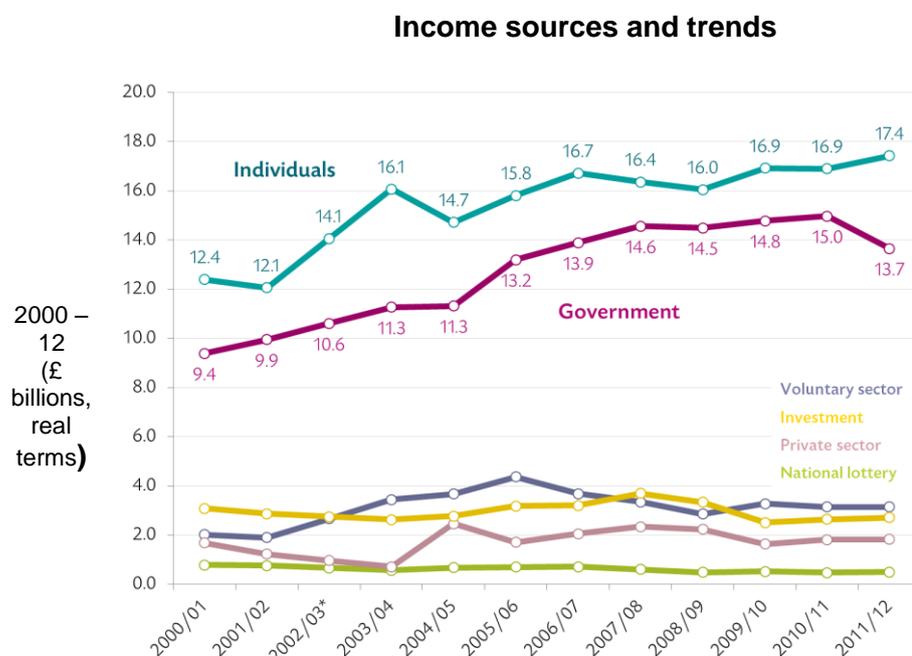
(2) Key challenges in public services

Funding cuts

2.1 After a period of continuous growth between 2000/01 and 2007/08 voluntary sector income has declined since the recession began.¹³ Real terms income in 2011/12 was over £1.6 billion lower than that seen in the peak year of 2007/08, whilst the real terms increase in spending over the same period was just £200 million (0.5%).



2.2 The sector now faces serious challenges in terms of income from government, which accounted for 35% of overall income and constituted the second largest source of overall income to the sector in 2011/12. Income from government fell by £1.3 billion in real terms between 2010/11 and 2011/12. This cut is disproportionately large when compared to the size of overall cuts to public expenditure over the same period.

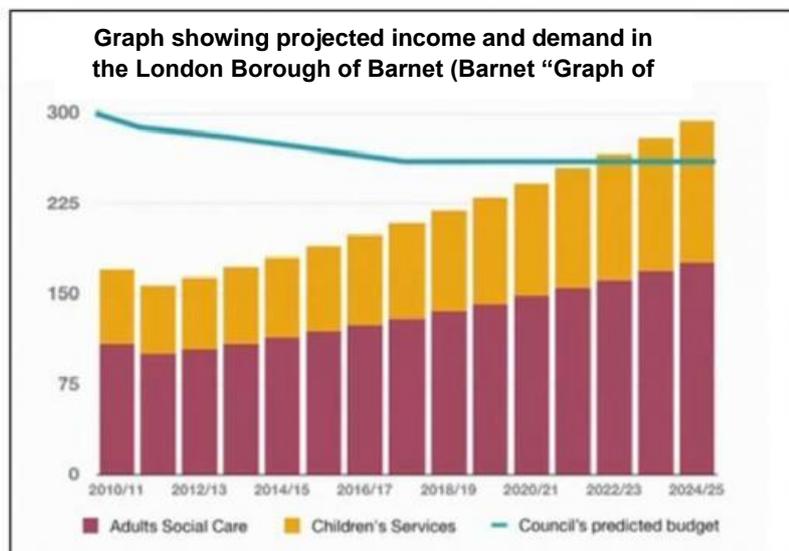


¹³ Expenditure began to fall shortly after this because for a while voluntary organisations were able to use their reserves to maintain services. This was not sustained because the average charity's reserves only amount to the equivalent of 6-8 months running costs.

2.3 Emerging evidence from NCVO's local campaigning project¹⁴ indicates that funding cuts are adversely affecting VCSE capacity to act as a voice for service users and communities in shaping public services. Small VCSEs faced with funding reductions are cutting policy and advocacy roles in order to preserve front line service delivery. In an environment where funding is scarce, some are reluctant to speak out about government decisions that adversely affect their beneficiaries for fear of threatening their funding. Some funders also appear to be prioritising frontline service delivery organisations at the expense of local infrastructure organisations, which has implications for the ability of the sector to advocate effectively on behalf of vulnerable service users.

Increased demand

2.4 Cuts in government funding are taking place at the same time as demand for services provided by VCSEs at the local level is increasing. Increased demand appears to be driven partly by longer term trends such as increases in the size and age of the population, and partly by the consequences of recent government reforms. For example, cuts in local authority spending have resulted in the reduction or withdrawal of many services that local authorities do not have a statutory obligation to provide. Users of those services are increasingly turning to VCSE organisations to meet their needs. VCSE organisations also report that recent welfare reforms are contributing to increased demand for services such as benefits advice, housing, and food banks.¹⁵



Project: "Strengthening the voice of the voluntary sector in welfare reform"¹⁶

¹⁴ Funded by the Lloyds Bank Foundation, NCVO is running a two year project aimed at helping frontline organisations, particularly those representing disadvantaged communities, to engage with public bodies in a new local political landscape.

¹⁵ See for instance the Citizens Advice Bureau Briefing "House of Lords debate on 'Tackling the advice deficit'" (February 2014) http://www.citizensadvice.org.uk/house_of_lords_briefing_debate_on_the_advice_deficit_20_02_14.pdf

¹⁶ The final report is due to be published in February 2015.

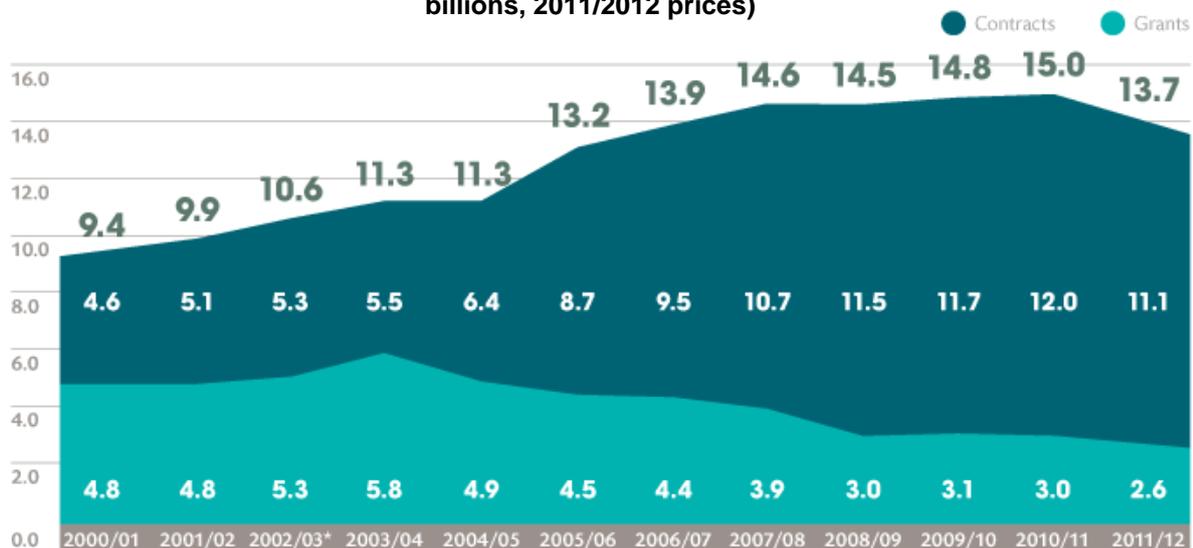
Funded by the Joseph Rowntree Foundation, and run by NCVO, this 15 month research project looks at the impact of the current programme of welfare reforms from the viewpoint of VCSEs. It draws on a process of engagement and consultation with VCSEs, including qualitative research, a thematic review of VCSE reports, a call for evidence, roundtables, structured interviews and witness seminars.

Preliminary findings show that as a direct result of the welfare reforms, VCSEs have seen rising demand. This is due to an increase in the number of beneficiaries, and also an increase in the time and resources each beneficiary needs. VCSEs are universally reporting that more people are coming to them at crisis point. Many organisations are attempting to adapt to this new demand, but are facing several challenges; these include reductions in their own funding and a lack of effective communication between local authorities and Job Centre Plus which means that VCSEs are underprepared or unaware of changes to the welfare system which will affect demand for their services.

Shift from grants to big contracts

2.5 Historically, much government funding to the VCSE sector was provided in the form of grants, but in recent years contracts have begun to account for an increasing proportion of government funding to the sector.

Voluntary sector grant and contract income from government, 2001/01 – 2011/12 (£ billions, 2011/2012 prices)



2.6 Contracts may be appropriate where the commissioner wants the provider to fulfil a detailed specification, effective practice is well-understood and the commissioner wants to get best value by comparing a range of bids, but they are often not the most appropriate funding mechanism for small, local VCSE organisations.

2.7 Grants offer particular advantages as a funding mechanism for such organisations. They are typically well-suited to funding services at a local level that are niche, small scale and/or innovative. Grants can also encourage wider engagement of organisations in shaping public services because they enable small frontline service

delivery organisations to engage in campaigning and influencing activities on behalf of their users and local communities that they would otherwise not be able to afford.

- 2.8 Large contracts are especially ill-suited to most VCSE organisations. A model of large contracts given to prime providers can offer advantages to commissioners such as achieving greater scale and coordination of services and managing risk exposure. However, VCSE organisations typically lack access to the financial capital required to become a prime provider and as members of supply chains can be ill-equipped to negotiate a fair share of the contract value from a large private sector provider. This has implications for the diversity of future public services markets when it results in VCSE organisations withdrawing from providing the service or going under, as has happened to some organisations under the Work Programme.

Case study: The Work Programme¹⁷

The Work Programme was launched in June 2011 as a major new PbR programme aimed at supporting people at risk of becoming long term unemployed to find work. Organisations wishing to deliver one of 40 prime contracts had to display an annual turnover of at least £20 million and the financial capacity to deliver large contracts that required significant cash-flow. Consequently only one charity secured a role as a prime contractor. VCSEs involved in the Work Programme as sub-contractors also faced challenges around poor supply chain management (for instance being passed an inappropriate level of financial risk by the prime contractor); being used as “bid candy” but receiving no referrals in practice; and receiving unfunded “back-door” referrals.

- 2.9 The development of consortia of small local organisations is a potential alternative model. Initiatives such as the National Consortium of Social Enterprises (funded by the National Offender Management Service and the European Social Fund) support the development of consortia to help increase employment opportunities for offenders, and build the capacity of social enterprises to deliver public services.¹⁸ However, consortia-building requires the investment of significant time and resources that are not typically available to small VCSE organisations.

Payment by results

- 2.10 Payment-by-results (PbR) contracts present particular challenges for VCSEs in addition to those associated with large and complex contracts just described. VCSEs typically lack the financial reserves to fund services over a long-term timeframe without upfront funding or milestone payments. Organisations also often work with individuals that have multiple and complex needs and seek to address these in a holistic fashion, yet PbR payment models usually assume a linear progression towards a single, final outcome.
- 2.11 Emerging evidence indicates that the mixed funding approach of DWP’s Work Choice contracts is proving more effective than other PbR initiatives for both users and

¹⁷ NCVO, “The Work Programme – Perceptions and Experiences of the Voluntary Sector” (June 2012) http://www.ncvo-vol.org.uk/sites/default/files/sig_survey_june_2012_report_17.9.12.pdf

¹⁸ 3sc blog post “National Consortium of Social Enterprises Launch” (July 2014) <http://www.3sc.org/news/national-consortium-social-enterprises-launch>

providers. The programme pays providers 70% of their monthly contract price in arrears to ensure suppliers maintain a minimum number of people on the programme at any one time, and to provide a degree of certainty in meeting fixed costs. The remaining 30% is paid when performance targets are met. NCVO recently published a report which found that the needs of people with complex or multiple needs is better met by a co-designed, locally-led service delivery approach based on smaller contracts and flexible payment models of this kind.¹⁹

- 2.12 Social investment has potential to remove some of the barriers faced by VCSE organisations seeking to deliver PbR contracts. However, many VCSEs are understandably wary of the possible implications that taking on debt could have for the future of their organisation. Furthermore, the market is still in its infancy so even for those VCSEs who are willing to take the risk, finding a funder can be challenging. Finally, agreeing a social investment contract is time and resource expensive, particularly when issues such as short timescales, complex chain structures and spot purchasing agreements are taken into account.²⁰

Focus on cost/price instead of quality or wider social value

- 2.13 Some public authorities continue to award contracts on the basis of lowest cost or price and without due regard to wider social and environmental value.

Case study: Contracting in fostering and adoption²¹

An organisation which delivers fostering and adoption contracts for numerous local authorities across England reported to NCVO how some local authorities are moving to a 100% price-based system. They are frequently seeing basic ‘ticklists’ that show an organisation has the required policies and regulations in place. As long as the organisation passes the minimum requirements it is included in a list of potential providers. The local authority then ranks providers on a price basis and works its way down the list when trying to find out-of-area foster placements.

The organisation reports that they were previously asked for much more information about how their interventions make a difference and young people’s outcomes, which allowed them to demonstrate the quality of the service they deliver, and why this quality is not always cheap.

Children in care often display complex health and social needs. In addition, less than 1% of all children in England are in care, but looked after children make up 30% of boys and 33%

¹⁹ NCVO “Stepping Stones” (July 2014) http://www.ncvo.org.uk/images/documents/about_us/media-centre/stepping-stones-vol-sec-and-welfare-to-work-work-schemes-jul-2014.pdf

²⁰ For further information see NCVO “Payment by Results and the voluntary sector” (April 2014) http://www.ncvo.org.uk/images/documents/about_us/media-centre/payment-by-results-and-the-voluntary-sector-april-2014.pdf

²¹ NCVO response to the consultation on the UK transposition of new EU Procurement Directives, (October 2014) <http://blogs.ncvo.org.uk/wp-content/uploads/paul-winyard/NCVO-Response-to-Consultation-on-UK-transposition-of-new-EU-Procurement-Directives.pdf>

of girls in custody.²² Focusing on the lowest price in adoption and fostering placements is therefore likely to prove to be a false economy for the taxpayer in the long run.

- 2.14 The Public Services (Social Value) Act 2012 has placed a legal requirement on local authority commissioners to account for the social, environmental and economic well-being of an area when designing a service (i.e. pre-procurement) and deciding to award a bid. In addition, the Best Value Statutory Guidance and the Compact both emphasise the importance of considering wider social value, in addition to the direct effects of interventions, in commissioning and procuring services.

Case study: Social Value in Knowsley²³

In Knowsley, social value is seen as a key way of driving the council's "social growth" priority. Knowsley is setting out social value criteria in all service contracts covered by the Social Value Act, and are aiming to give a 10-20% weighting to social value in the final assessment of bids. As of April 2014 they had tendered contracts using social value in areas of domiciliary care worth £8 million, young carers worth £50,000, sexual health worth £2.9 million, substance misuse worth £5.3 million and smoking cessation worth £1.6 million.

- 2.15 Commissioning for social value has many potential benefits, including helping SMEs win more business; creating jobs or volunteering opportunities; increasing community involvement and cohesion; addressing social isolation; generating apprenticeships and education pathways; facilitating neighbourhood improvement schemes; reducing environmental degradation; and fostering local economic growth.

Case study: Age UK's Newquay Pathfinder Project²⁴

Age UK's Newquay Pathfinder project helps older people with multiple long term conditions remain independent and stay out of hospital. Volunteers listen to the older person's needs and desires so that, together, they can work to achieve their goals in a shared care plan which suits their life and will help them maintain their health and wellbeing. The pilot project has led to a 25% reduction in emergency hospital admissions. By focusing on the needs of the individual, the quality of life, confidence and wellbeing of those people taking part have also improved significantly.

- 2.16 In particular, developing high quality, social value interventions can save the multiple and escalating costs of later interventions, therefore representing better value for money. This includes the cost savings which would be achieved by early intervention. The Nuffield Trust has estimated that without preventative action, there will be a £44-

²² Prison Reform Trust, "Prison: the facts" (Summer 2013)

<http://www.prisonreformtrust.org.uk/Portals/0/Documents/Prisonthefacts.pdf>

²³ NCVO response to the Social Value Act Review (available on request).

²⁴ Age UK, "People, Place, Purpose"

<http://www.ageuk.org.uk/brandpartnerglobal/cornwallvpp/docs/newquay%20pathfinder%20evaluation.pdf>

54 billion gap in funding for the health services by 2021/22 caused by an aging population.²⁵

Case study: Early Presentation of Cancer Symptoms - North East Lincolnshire Care Trust Plus²⁶

The Early Presentation of Cancer Symptoms is a community led programme run by four teams of volunteers who work across deprived communities in North East Lincolnshire to gather an understanding of local community needs. This knowledge is used to develop social marketing tools that raise awareness of the signs and symptoms of cancer and encourage earlier presentation. Key achievements include a 25%, 50% and 67% increase in gynaecological, bowel and prostate cancer two week referrals respectively.

Limited pre-procurement dialogue

- 2.17 Public authorities often fail to engage with suppliers at the pre-procurement stage. VCSE organisations report a widespread but mistaken assumption on the part of commissioners that EU rules prohibit such dialogue.
- 2.18 Pre-procurement dialogue with VCSEs and other providers is an essential part of an efficient procurement process. It is necessary in order to assess the population's needs, inform service design and understand and develop the future supplier base.

Case Study: Turning Point²⁷

Turning Point is a social enterprise offering over 250 specialist and integrated services across England and Wales, focusing on substance misuse, learning disability, mental health and employment. It has delivered its Connected Care model of community-led commissioning across 14 areas in England. This model enables communities to be involved in the design and delivery of services and has resulted in services that are more effective. The model has also delivered significant net benefit to the public purse; a cost benefit analysis of one area found that with every £1 invested a return of £4.44 was achieved. When the benefits of improving quality of life are included, a return of £14.07 was gained for every £1 invested.

- 2.19 Pre-procurement dialogue is encouraged in the Compact. The Cabinet Office has also published a 'myth-busting guide' to clarify that dialogue is not only permissible, but essential, for public authorities to engage with the market before commissioning services. Dialogue with providers is an integral part of the new EU Procurement Directive. The challenge therefore appears to be not around producing more guidance, but creating a culture change among commissioners and procurement professionals.

Short procurement timetables

²⁵ Nuffield Trust, "A decade of austerity?" (December 2012)
www.nuffieldtrust.org.uk/sites/files/nuffield/publication/121203_a_decade_of_austerity_summary_1.pdf

²⁶ IVR, "Volunteering and health: good practice case studies" (July 2012)
http://www.ivr.org.uk/images/stories/Evidence%20Bank/DoH_report_final_version.pdf

²⁷ <http://www.turning-point.co.uk/about-us/who-we-are.aspx>

- 2.20 Short timescales are widely reported by VCS organisations as being a significant barrier to competing for contracts. A particular challenge is forming the partnerships or consortia needed to achieve the capacity and scale required to deliver some large contracts.
- 2.21 A timely and efficient procurement process requires tender timescales which are proportionate to the complexity of the contract being tendered. This is to ensure organisations with less capacity for bid writing and business development – many of whom may represent better value for money and deliver added social value – are able to compete for contract opportunities. While short procurement timescales may seem attractive to contracting authorities looking to reduce costs and bureaucracy, in the long-term they can actually deliver poor value for money to the taxpayer if they lead to poor commissioning decisions.

Disproportionate bidding and reporting requirements

- 2.22 Pre-procurement questionnaires (PQQs) help public bodies determine whether providers have the capacity and suitability to deliver a particular service. However, excessive requirements can discourage small VCSEs from taking part; 31 out of 46 of respondents to the 2013 NCVO survey said the bureaucracy of procurement procedures and paperwork has prevented their organisation from bidding for work. This narrows the range of organisations that are able to compete for the tender.
- 2.23 In addition, disproportionate or opaque requirements can waste limited resources. For example one youth association which successfully applied to be added to a Framework of suppliers linked to Troubled Families Initiative had to complete a 49 page PQQ and 99 page full tender – but then reported receiving no referrals. Late and partial disclosure by public bodies of their requirements can lead to VCSEs wasting their time on bids which they are not suitable for or are incapable of delivering.
- 2.24 Excessive requirements seem to be in part the result of the widespread confusion among procurement officials about the requirements of EU procurement legislation. For example, the aim of the “Part B” services category which currently covers most public services is to reduce the regulatory burden on the services covered under this regime. However, procurement professionals often follow “full” procedures when not required to do so through fear of breaching EU law or under pressure from finance departments who believe that this is the only way to show auditors that they have secured value for money.
- 2.25 A “one size fits all” approach to monitoring and evaluation is also reported by VCSE organisations. This can lead to disproportionate requirements, waste resources and reduce the effectiveness and efficiency of service delivery. One service provider in Sussex was audited eight times in six weeks by local statutory partners. Another

VCSE ended up spending 15% of its project funding on photocopying for an audit trail.²⁸

- 2.26 Guidance available to commissioners and procurement professionals includes the National Audit Office's practical toolkit, "Intelligent Monitoring: an element of financial relationships with third sector organisations", which helps funders consider effective and proportional monitoring.²⁹ However, despite such guidance, many VCSEs are still struggling to meet the demands of funders.

Localism and the new commissioning landscape

- 2.27 The Localism Act 2011 introduced measures designed to shift power from central government to local authorities. This has significant implications for VCSEs, the majority of whom have relationships with government at a local rather than national level. The Act includes provisions which allow community groups a chance to bid for "community assets" if they up for sale or threatened with closure or demolition, and a "Right to Challenge" which allows communities and groups to submit an expression of interest if they wish to provide or assist in providing a service.
- 2.28 Emerging evidence from NCVO's local campaigning project indicates widespread uncertainty among VCSEs about the implications of localism, concerns about differences in local authority approaches to the localism agenda – for example between urban and rural areas - and about the ability of deprived groups to influence decision-making at local level.
- 2.29 The major changes introduced to the health commissioning landscape by the Health and Social Care Act 2012 present both challenges and opportunities for VCSEs. In England, CCGs are now responsible for around 80% of the healthcare budget. In allocating resources, they are guided by the local needs identified by Health and Wellbeing Boards (HWBs). Commissioning support services are provided by Commissioning Support Units, while NHS England both supports CCGs and commissions certain services itself.
- 2.30 Other reforms at local level also impact on public services related to health or the wider determinants of health. Police and Crime Commissioners, elected in November 2012, have a wide responsibility over crime and community safety as well as policing; for instance, they have been allocated a portion of the Drug Intervention Project funding. Local Enterprise Partnerships are also relevant partners – they have direct influence over the spending of the European Social Fund, which includes some health and wellbeing issues, and which has a ring fenced fund for social inclusion. Lastly, commissioning power in education has been devolved from local authorities to schools, requiring VCSEs who previously may have been commissioned by local authorities to approach academic chains or individual schools instead.

²⁸ NAVCA, "For good measure" (August 2006), <http://www.navca.org.uk/publications/forgoodmeasure>

²⁹ National Audit Office, "Intelligent Monitoring Toolkit" http://www.nao.org.uk/intelmonitoring/wp-content/uploads/sites/9/2013/02/intelligent_monitoring.pdf

- 2.31 These reforms present major challenges for VCSEs seeking to develop relationships to secure funding and shape service design. Some pre-existing relationships between VCSEs and local bodies have been lost, and new ones need to be developed from scratch. In addition, local authorities, CCGs and PCCs all cover different geographic areas. Building this number of relationships can be problematic for VCSEs covering a small geographic area or tackling specialist issues for beneficiaries thinly spread over a large area. For such organisations, the value of contracts agreed with different commissioners may not compensate for the resources needed to secure and manage the contract.³⁰
- 2.32 However, it is worth noting that despite these challenges different forms of engagement are being explored around the country, and in many areas VCSEs have already succeeded in developing good relationships with the new local bodies.

Case study: Voluntary Norfolk – Voluntary Sector Engagement Project³¹

Norfolk's Voluntary Sector Engagement Project is funded by the Health and Wellbeing Board as part of the strategic integration of local VCSEs. As part of the project, three VCSE representatives, elected by the wider sector to represent their interests, attend HWB meetings; a VCSE provider forum provides specialist knowledge to HWB members and their commissioning teams; and a multi-sector network and forum is facilitated to promote a dialogue with the sector.

³⁰ Regional Voices, "How is the VCS fairing in the localised health landscape" (October 2014) <http://www.regionalvoices.org/node/261>

³¹ Compact Voice, Compact Award 2014 shortlisted nominations.

(3) Some possible policy implications

- 3.1 **A social value approach to public services provision:** Unprecedented challenges in public services provision make it more important than ever for government to enable VCSEs to realise their potential as partners in both design and delivery. A new approach is needed that favours the preventative and personalised interventions that are the specialism of VCSE organisations and which deliver value for money for the taxpayer in the long term.
- 3.2 **Adequate government funding provided in the right form:** VCSEs need to receive adequate government funding in the right form, which is likely to include not just large, PbR contracts but also a mix of smaller contracts, grants, and hybrid funding arrangements. Attention should also be paid to realising the potential of social investment to overcome the challenges faced by VCSE organisations seeking to secure PbR contracts.
- 3.3 **A culture change across public bodies that commission services:** Many of the obstacles faced by VCSE organisations seeking to engage with commissioners are caused not by the wrong legislation or a lack of adequate guidance, but by a risk adverse culture among commissioners and procurement professionals. The Commissioning Academy has begun to challenge this culture, but to do so effectively will require a much broader programme that reaches all stakeholders involved in the process, as well as leadership at both national and local levels.
- 3.4 **A strategic approach to partnership working with the VCSE sector:** More thought is needed about how to enable small VCSE organisations to engage strategically with the multiple national and local bodies that are now shaping health outcomes. Without a strategic approach to partnership working – whether through local Compact, infrastructure body, pooled funding or other means – there is a real risk that the unique advantages they bring to the design and delivery of services is permanently lost.