

The Way Ahead - Civil Society at the Heart of London

Task and Finish Group on Consistent Commissioning and Funding.

The Way Ahead report identified the need for a more consistent approach to commissioning and funding civil society support across London, requiring improved partnerships between London Councils, the Greater London Authority (GLA), elected representatives, funders and public sector commissioners.

Locality have convened a 'task and finish group' to discuss the recommendations necessary to achieve a more consistent, quality commissioning and funding environment for civil society support. As well as focusing on the commissioning and funding of civil society infrastructure organisations, we have also made recommendations on commissioning and funding of civil society organisations in general.

These recommendations were also considered and commented on by the Equalities Sub-Group convened as part of the task and finish process to ensure that all members of our communities are considered in the recommendations and next steps.

Our vision of 'consistency' does not suggest that civil society should be funded and commissioned in the same way in every London Borough. Rather, it is interpreted as there needing to be consistency in principles and good practice so that local civil society organisations are able to respond to the needs of the diverse populations in different areas. Civil society infrastructure can be provided by a variety of organisations, including CVS organisations, neighbourhood based community anchor organisations and through peer-to-peer networks. Therefore a vision of strong, responsive and flexible local civil society infrastructure across London does not require a consistent *model*, but rather consistent coverage and co-ordination.

The Task and Finish Group has included representatives of London Voluntary Service Council (LCVS), GLA, London Councils, Councils for Voluntary Service (CVSs) and local authorities. We held three meetings of the group; the first identifying the key challenges we wanted to address and the second two were spent discussing recommendations and the mechanisms and stakeholders required to achieve their recommendations. We have also tested the recommendations with Locality's own network of community-led organisations in London.

We have also consulted with commissioners in local authorities, London Clinical Commissioning Groups (CCGs), and housing associations and feel that further engagement and partnership with these groups in developing the Way Ahead next steps is important. It is also important to consider from a strategic perspective both the needs of excluded communities as well as the value and benefit that organisations with them can provide from a commissioning perspective.

Whilst every effort was made to bring insights from a wide range of stakeholders, we also feel that further conversations with commissioners and elected members from individual London councils as well as the independent trusts and foundations that fund civil society organisations would be helpful in further developing these recommendations. The House

of Lords Report ‘Stronger charities for a stronger society¹’ was published on the 26th March 2017 and also brings a number of recommendations and insights which should be considered as part of The Way Ahead.

This paper is divided into the following sections - based on some of the key challenges and recommendations as identified by the group:

1. Creating a supportive commissioning environment for civil society organisations in public service commissioning
2. Commissioning for Social Value
3. Mapping and relationships with local organisations
4. Civil society infrastructure support
5. Demonstrating impact and value

Whilst we recognise that local authorities and other commissioners continue to face considerable financial pressures, many of the recommendations in this report demonstrate the value of collaboration and partnership with the VCS in facing these challenges and in delivering sustainable, community centred services across London.

1. Addressing barriers for civil society organisations in public service commissioning

Civil society organisations experience a number of barriers in public service commissioning, particularly small and medium sized organisations.

The House of Lords Report ‘Stronger charities for a stronger society’ notes how the form of income from government, local and national, has changed significantly for charities. In 2003/04, income for the sector from government grants (£6.1bn) and contracts (£5.8bn) was roughly equal. Since then, however, the value of grants has declined and in 2013/14 was £2.8bn. By contrast, income from contracts has grown, up to £12.2bn in 2013/14. The effect of this transition to contracts, and of the government’s policy priorities, have been that the largest charities (those with an income of over £100 million) have benefited most from the recent increase in government income, owing to their ability to bid for the large-scale contracts offered by central and local government².

Contracts are often designed at scale, with disproportionate financial requirements in terms of turnover, or high levels of risk required through the use of payment-by-results (PBR) payment mechanisms.³

¹ www.publications.parliament.uk/pa/ld201617/ldselect/ldchar/133/133.pdf

² www.publications.parliament.uk/pa/ld201617/ldselect/ldchar/133/133.pdf P17

³ For a recent overview of some of these challenges see: Lloyds Bank Foundation, 2016. *Commissioning in Crisis*. Available at: <https://www.lloydsbankfoundation.org.uk/Commissioning%20in%20Crisis%202016%20Full%20Report.pdf>

See also: Locality, 2017. *How to Keep it Local*. Available at: <http://locality.org.uk/wp-content/uploads/How-to-Keep-it-Local.pdf>

Often this precludes all but the largest organisations from bidding, and locks out vital expertise and knowledge and relationships with local communities, including excluded, under-represented and disadvantaged groups.

Public service contracts are an important source of income for civil society organisations; in London, 26% of the voluntary sector income comes from government contracts or grants⁴. Therefore ensuring good commissioning practices and building on the best practice that already exists has an important role in securing a strong and sustainable civil society across London as well as in securing quality outcomes for people and communities.

The following section includes recommendations on improving commissioning and procurement processes. These recommendations must also be underpinned by the following actions:

- **Best practice standards for ‘civil society friendly’ commissioning and procurement should be adopted and promoted by the GLA.** This would signal political leadership across London to champion commissioning practices which address the barriers to public service delivery for civil society organisations, including those working with excluded ‘equalities communities’. The GLA also has an important role in spreading and sharing best practice and case studies from other London Councils. Several guides to good commissioning practice already exist, such as the National Audit Office’s ‘Successful Commissioning’ guidance (<https://www.nao.org.uk/successful-commissioning>) and ‘Commissioning for Better Outcomes’, produced by the University of Birmingham and the Local Government Association and we recommend that the GLA promote the standards highlighted in these reports across the capital. Locality has also produced a guide for commissioners on local commissioning <http://locality.org.uk/wp-content/uploads/How-to-Keep-it-Local.pdf>
- **Political leadership at a borough level to commissioning with the voluntary and community sector** is extremely important to ensure a London-wide commitment to supporting the sustainability and capacity of civil society. A pan-London forum for cabinet members with responsibilities for the VCS in their local areas is already in development, and we endorse this approach, whilst recognising the need to take account of political sensibilities. We suggest highlighting the work which has been undertaken in London boroughs to link commissioning to the overall transformation programmes of councils.
- **We suggest that the London Councils Borough Grants Group share best practice on the training they currently deliver for commissioners and procurement officers in London on commissioning with the voluntary and community sector and how to minimise loss of commissioning expertise with the relatively high staff turnover some London Boroughs are currently experiencing.**

⁴ NCVO Almanac, 2016. Available at: <https://data.ncvo.org.uk/a/almanac16/geography-2/>

Contract scale and supporting consortia building:

Commissioning at scale - where contracts are packaged-up to include a variety of specialisms and delivery requirements across multiple neighbourhoods - can exclude smaller organisations as well as result in 'one-size-fits-all' standardised services. The importance of disaggregating contracts has already been recognised through public services regulations: the 2015 EU Public Contract Regulations already states that contracting authorities are "encouraged to break contracts into lots to facilitate SME participation" and where this is not the case they are required to explain why they have not.⁵ We recommend that compliance with these regulations could be supported by central government, through monitoring its use, collecting best practice examples, and producing guidance to contracting authorities.

Local authorities and other public bodies such as CCGs and Housing Associations can support the development of consortia, where scale in contracting is required by publishing early commissioning intentions and a long-term tender pipeline, providing lead in time for consortia to develop and for organisations to plan and build partnerships. A consortia approach can enable delivery by small, local and specialised organisations (such as those working with marginalised or excluded groups), with the infrastructure for the contract either being pooled between providers or a lead provider. These consortia could deliver on a pan-London basis and also include 'equalities organisations' working with disadvantaged and marginalised groups.

Commissioners can reflect a preference for consortium bid in their tenders, by requiring diversity of provision within bids in terms of neighbourhoods, local knowledge, or specific communities. The costs of capacity building and development for a consortium may be reflected in bids, but the higher costs in the immediate term will be borne out by the value achieved in sustaining local providers and community infrastructure.

Mixed payment mechanisms/funding models in contracts

The payment mechanisms chosen by contracting authorities can determine which organisations are able to deliver these services. For example, Payment by Results contracts can be extremely difficult for civil society organisations to manage in terms of the financial risk which is required as well as the cash-flow and level of upfront funding needed to subsidise service costs.⁶ The London Work and Health Programme, replicated the procurement model of the DWP's Work Programme and the associated barriers for VCS delivery and problems with creating perverse incentives for prime providers to 'cream and park.'⁷ In addition, the extent to which payment by results improves performance and innovation in public services, is not sufficiently evidenced, as highlighted by a recent report from the National Audit Office.⁷

Mixed funding models, which includes upfront payment and fee for service for example, are far more appropriate for smaller and civil society providers. Lloyds Foundation's recent report on commissioning advocates a 'simplest by default' approach to payment

⁵ Crown Commercial Service, 2015. *A brief guide to the EU Public Contracts Directive*. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/472985/A_Brief_Guide_to_the_EU_Public_Contract_Directive_2014_-_Oct_2015_1_.pdf

⁶ NCVO, 2014. https://www.ncvo.org.uk/images/documents/about_us/media-centre/payment-by-results-and-the-voluntary-sector-april-2014.pdf

⁷ NAO, 2015. <https://www.nao.org.uk/report/outcome-based-payment-schemes-governments-use-of-payment-by-results/>

mechanisms for services which would also make use of grant funding and non-competitive approaches where appropriate.

Grant funding can be a much more flexible and sustainable source of funding

The [‘Grants for Good’ campaign](#) shows that grant funding has declined by more than 60% since 2004; this is despite evidence of achieving quality outcomes for communities and service users through grant funding.

An example of an impactful grant fund is [Camden Council’s Equalities and Cohesion Fund](#) which provides funding to VCS organisations to respond to a priority theme identified by the council and create a bespoke project to address the need within their neighbourhood. These are often grassroots solutions which are developed into sustainable projects.

A further example is Hackney council’s strategic community grants programme which provides funding for civil society organisations including for core funding, alongside other commissioning strategies.⁸

The Cabinet Office has provided guidance on grants standards process to ensure best practice is managed across all government departments⁹. These standards can be used by public sector bodies to ensure accountability and give reassurance that grants offer a robust funding option for civil society groups.

Dialogue and co-design with civil society in commissioning cycles

Co-designing public services requires communities and civil society working alongside professionals and commissioners to discuss and shape what that service could look like. The expertise of communities and service users should be harnessed throughout the commissioning cycle.¹⁰ Within this, we recognise the challenge faced by smaller VCS groups in having capacity to engage in co-design processes when these may not ultimately be linked to a direct funding opportunity and the need to bring together a wide group of local stakeholders to ensure that any co-design process is focused on community needs.

Promotion of the ‘light touch regime’

EU procurement rules already allow for contracting authorities to use a simpler rules framework for services under a €750,000 threshold for social, health and education services. This means that full procurement regulations can be relaxed as long as the process follows the principles of transparency and equal treatment. This is an important example of ‘myth-busting’ guidance which is required in training and resources for all public sector commissioners.¹¹

⁸ <https://ww.hackney.gov.uk/community-grants>

⁹ <https://www.gov.uk/government/publications/grants-standards>

¹⁰ There are a number of useful guides and advice on co-designing, including through the Our Place guide to co-design: <http://mycommunity.org.uk/resources/our-place-guideto-co-design/>

¹¹ Locality have recently produced a report on ‘5 Ways to Keep it Local’ which includes such ‘myth busting’ advice. <http://locality.org.uk/wp-content/uploads/How-to-Keep-it-Local.pdf>

2. Commissioning for social value

The Social Value Act is an extremely useful tool for contracting bodies that wish to prioritise the economic, social and environmental value of their procurement spending. Innovative local authorities are already making use of the Act, to develop internal social value strategies to account for social value in their commissioning and procurement decisions. However, the legislation only requires that contracting authorities ‘consider’ social value - and many commissioning bodies still do not use the full potential which commissioning for social value can bring.

Many areas are already using the Social Value Act to great effect. For example, London Boroughs of [Haringey](#) and [Lambeth](#) have been working with Social Enterprise UK (SEUK) to develop their social value strategies within health and social care commissioning - in collaboration with civil society organisations, Health and Wellbeing Boards and CCGs. Croydon Council was also recently celebrated at the Social Value Awards 2017 for fully integrating social value into the borough’s approach to commissioning and its strategic objectives.

Recommendations on commissioning for Social Value:

To embed social value as a way of working in local authorities and other commissioning bodies, a range of stakeholders should be involved from the beginning. SEUKs research has found that those areas which started by exploring what social value looks like locally have been the most successful at embedding the approach. Commissioners can then describe the type of social value they are seeking in contracts, and local organisations have the opportunity to demonstrate how they meet this.

It should also be recognised that larger organisations and private sector providers with more sophisticated bid-writing teams are also able to showcase their social value, so for Commissioners specifically prioritising the value which is achieved through local delivery and neighbourhood based provision can promote smaller organisations.

Resources and information is readily available on how the Social Value Act can be used to the greatest effect, including through the Social Value Hub.

<http://www.socialvaluehub.org.uk/about>

The Government have announced that they will be carrying out a review of the Social Value Act, there is therefore an opportunity for the Way Ahead to recommend ways in which the Social Value Act is strengthened. These changes should include: the requirement for local authorities to ‘account for’ not just ‘consider’ social value; the Act should apply to goods and works as well as services.

A London wide Social Value review.

The Mayor's Office could lead a 'Social Value review' across London - to champion existing good practice.

Inspiration should be taken from Liverpool City council who have made social value a mayoral priority and have introduced a Fair City Framework to embed social value throughout commissioning, procurement and contract management.

Whilst in London there are multiple commissioning authorities which will require tailored social value strategies - the key learning is around the importance of political leadership in emphasising and championing social value.

3. Mapping and relationships with local organisations

Commissioning bodies and local authorities can have an inconsistent understanding of the community assets and capacity in their local area. Auditing of existing contracts does not always capture activity within supply chains, and non-commissioned services and research of good and bad commissioning case studies will help with how to best work with organisations closest to the end-user.

Lack of engagement with community groups in assessing local need can result in a loss of voice for disadvantaged and under-represented groups, and impede accessibility in service design.

Partnerships with local infrastructure organisations:

Partnerships with infrastructure organisations enable public bodies and contracting authorities to tap into local knowledge of the assets within that community. However, these processes are not cost free - engagement and local intelligence gathering requires sustainable funding.

Social prescribing is an important example of the value which can be achieved by funding local organisations who can link people into community activities which clinicians and commissioners might be unaware of. Social prescribing models are not cost free for commissioners and work best when the organisation provides a single point of contact for referrals with a paid, qualified team.

Voluntary Action Rotherham, for example, is funded by the CCG to deliver a social prescribing programme which links people with long term health problems into VCS groups in Rotherham. Evaluation of the programme has found that Accident and Emergency (A&E) admissions have been reduced by 17% and that the return on investment in terms of cost reduction across the system could be as high as £1.98 for each pound invested.

Coproduction in mapping local needs and assets

Local needs assessments and commissioning strategies should be designed in partnership with the sector locally so as to capture the widest range of organisations and communities. For example, Joint Strategic Needs Assessments (JSNAs) should be developed in partnership with local organisations and communities. The Realising the Value programme – led by Nesta – has developed an approach for health and wellbeing commissioning which should be adopted across contracting authorities.¹²

Improved use of data to develop a picture civil society throughout London

This overlaps with the ‘Data Task and Finish Group’

In particular our research has identified the need for better quality data throughout supply chains, contracts and grant recipients, coordinating data capture from multiple sources. The GLA plays an important role in setting and driving these data standards.

Cabinet members with responsibility for the VCS

Having a member of the council with responsibility for the VCS can have a positive impact on relationships with the sector, providing political leadership for the sector locally as well as a point of contact, as well as creating a culture of proper engagement among commissioning officers. It can also provide political leadership, for example, the VCS Cabinet lead in the London Borough of Southwark has been leading a review into VCS commissioning strategy.

4. Funding civil society infrastructure support

Civil society infrastructure support has a vital role in supporting civil society to effectively meet the changing and increasing needs of their communities and beneficiaries. It provides leadership and advocacy for the civil society sector locally, supports skills development and can also provide a catalyst for wider community action.

Civil society infrastructure can be provided by a variety of organisations, including CVS organisations, neighbourhood based community anchor organisations and through peer-to-peer networks. Therefore a vision of strong, responsive and flexible local civil society infrastructure across London does not require a consistent *model*, but rather consistent coverage and co-ordination.

Recommendations:

- Mapping existing support organisations across London, to identify particular cold spots of support.

A strategic, ‘pan-London’ approach is required in identifying and investing in the specialisms, skills and assets which already exist within neighbourhoods, ensuring they are effectively shared across localities including through peer learning and more developed training programmes. There also needs to be a skills audit within

¹² <http://www.nesta.org.uk/project/realising-value>

infrastructure bodies and how local support agencies can tap into specialist infrastructure providers - particularly around business skills, premises/asset management and 'sweating' and social enterprise development.

- Infrastructure bodies need to have sustainable revenue streams which mean they are not wholly reliant on LA funding and contracts. For example, the Community Southwark model or the Aston Mansfield model.

Whilst we recognise that land prices within London make community asset strategies less likely, community asset policies, providing peppercorn/discounted leases or affordable rents can build sustainability and resilience in the sector, as well as sustaining important neighbourhood services. Closer collaboration between Housing Association providers and the VCS can also facilitate community spaces and asset management.

5. Demonstrating impact of civil society organisations

A key theme from our research was around the challenges faced by some civil society organisations in demonstrating their impact and outcomes. We have identified the following recommendations:

- Whilst there is no standardised approach to quantifying impact, Commissioners should provide clear, early outcomes frameworks and communicate the overall impact they wish to see, in dialogue with local providers and alongside a co-produced understanding of need. Camden's outcomes-based commissioning approach is a good example of this.
- 'Bottom-up' data should be recognised and valued by commissioners, and there should be an improved parity of esteem between quantitative and qualitative data.
- Commissioners and funders can use 'funding plus' models to build in capacity building for impact measurement for VCS organisations¹³. For example, Hackney's strategic commissioning and grants programme includes capacity building for impact measurement.
- Whilst there are already multiple tools and resources for demonstrating impact¹⁴, organisations might benefit from a central repository of resources alongside an 'impact network' of organisations across the capital which could offer case studies - including the impact of equalities organisations - and peer-to-peer support.

¹³ https://www.trustforlondon.org.uk/wp-content/uploads/2013/11/Beyond_money_report.pdf

¹⁴ Charities evaluation service, Our Place, CDF first steps. Trust for London - using qualitative data.