



# Purposeful collaboration

Commissioning from  
the VCFSE sector,  
a practical guide to using  
the Procurement Act 2023

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# Executive summary

The purpose of this guide is to build greater collaboration between councils and the voluntary, community, faith, and social enterprise (VCFSE) sector using the full flexibilities of the Procurement Act 2023 and the wider commissioning process. Increasingly complex social and environmental challenges require this collaboration. No single organisation or resource can tackle these challenges alone.

This guide has been commissioned by the National Council for Voluntary Organisations (NCVO), the Lloyds Bank Foundation for England and Wales, and the Local Government Association (LGA). We are very grateful for the work of Fiona Sheil, Julian Blake and Sally Hobbs in delivering this guide. We are also grateful for the valuable input of the members of the advisory group for this project as well as numerous other commissioning and procurement experts, drawn from across the VCFSE, local government and commissioning sectors. Contributors include:

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## Who this guide is for

Everybody with any involvement at any point in the commissioning cycle should read this guide and use it to inform your work to deliver public services for communities.

Please note that this guide does not include or address commissioning of health services that are covered by the Provider Selection Regime.

You should read this guide if you are:

- a commissioner
- a local government councillor or senior decisionmaker
- a procurement expert
- a finance manager or officer
- a lawyer
- a governance manager or office
- in any other public sector role that has any involvement with commissioning and procurement
- working in a charity, social enterprise, or other VCFSE sector organisation that is commissioned to deliver public services.

If you are a commissioner, this is an indispensable guide to the commissioning cycle, with a particular focus on how you can use the flexibilities of the Procurement Act 2023 to achieve better value for money and improve outcomes for people and communities.

If you are a councillor or other senior decisionmaker, reading this guide will help you to:

- Drive principled, values-based commissioning that achieves good value for money and better outcomes for people and communities.
- Better understand the value and potential of strategically working in partnership with the VCFSE sector.
- Understand how working in partnership with the VCFSE sector at each stage of the commissioning cycle is fundamentally important to achieving good outcomes for people and communities.
- Understand how your shared interests with commissioners, providers, and your local community create the foundation for strategic partnership working with the VCFSE sector.
- Consider what changes you might need to make to support this way of working, including training, resourcing, and culture change.

If you are a procurement expert, reading this guide will help you to:

- Situate your work within the 'resourcing' stage and the wider context of the commissioning cycle.
- Better understand how good procurement practice, using the flexibilities of the Procurement Act 2023, can achieve better value for money and improve outcomes for people and communities.
- Better appreciate the role of the VCFSE sector in designing and delivering public services, and how good procurement practice can support and enable this.

If you are a financial officer, a lawyer, a governance officer, or otherwise involved in the financial and governance decisions that underpin commissioning, reading this guide will help you to:

- Interrogate traditional approaches to risk, and better understand the risk of the status quo.
- Better understand how strategic partnership working with the VCFSE sector, using the flexibilities of the Procurement Act 2023, can save money and improve outcomes.

This guide is also for you if you are working in an organisation that is commissioned by local government – whether a charity, social enterprise, faith group, or other VCSFE organisation. Reading this guide will help you to:

- Better understand the environment within which local government commissioners are making decisions, and the constraints (including financial and cultural constraints) within which they operate.
- Understand how the flexibilities of the Procurement Act can enable local government to work more strategically in partnership with you
- Have better informed conversations with your commissioners to drive strategic partnership working and co-design of services.

This guide is also for you if you have any involvement in commissioning within any public body, including arms-length public bodies, and central government departments. Whilst some details that are relevant in the local government context may not apply to you, the majority of this guide focuses on principles, relationships, and culture change, is transferrable between commissioning contexts.

## How to use this guide

This guide is a practical tool and a legal myth-busting guide. It is written to facilitate purposeful collaboration by setting out the full flexibilities of the Procurement Act and highlighting inclusive practice in the wider commissioning process.

It is designed to be an easy-to-use reference guide and is set out in the sequence of commissioning cycle stages. Key sections include:

- how to engage the VCFSE
- procurement, grant making, and investment
- all stages of the commissioning cycle, including:
  - setting up
  - research and analysis
  - design
  - resourcing
  - outcomes
- key terms explained.

Each section includes good practice tips and examples, key steps, and common pitfalls to avoid. There is a corresponding appendix to each chapter, containing case studies, tools, and further tips.

### Six principles for purposeful collaboration

Six principles run throughout this guide. They provide a framework for purposeful collaboration at every stage of the commissioning cycle.

- **Purposeful:** driven by a shared purpose to achieve better outcomes that matter for people, communities, and places. Using this shared purpose to achieve public benefit as the driver for all processes and decisions.
- **Inclusive:** commissioning processes are accessible to all VCFSE organisations, and services are available to all people and communities that require them, through co-production and co-design.
- **Proportionate:** using processes suited to the context and ecosystem of VCFSE potential providers, and the fundamental procurement principle of proportionality.
- **Flexible:** using the full flexibilities of professional discretion, reasonableness and objectivity under public law, and the flexibilities of the Procurement Act 2023 to create processes that serve purpose.
- **Systemic:** outcomes for people and communities are understood as the result of complex systems of interrelated actors and actions. Commissioners take a stewardship role co-ordinating, convening and intervening in the system to create better outcomes.

- **Informed:** valuing the full knowledge of both the VCFSE sector and the people and communities who use services to inform commissioning, from the articulation of desired outcomes to the design of solutions and processes.

## Key points

### **Intrinsic alignment through shared purpose**

Councils and the VCFSE sector are defined by their legal purpose to deliver public benefit. They share this public benefit purpose. This alignment is a natural starting point for shared vision and collaboration.

### **Collaboration is essential**

Councils are tasked with supporting their communities and addressing high volumes and complexity of need with limited resource. These needs are shaped not by single actors, but by a complex system of interactions and relationships. Councils can most effectively change and improve outcomes for people and communities by working with the VCFSE sector across these systems.

### **The VCFSE sector has a unique role to play**

The VCFSE sector has a unique role to play. Not only does it align with council's public benefit mission, but the sector is uniquely positioned within communities and places. It has long-established specialisms and social resources to call upon. The sector is a vehicle for communities to contribute to and shape their futures. Throughout the history of local government, VCFSE organisations have been innovators of many services now mainstreamed into councils.

### **Trust is the mechanism for collaboration**

Trust in shared intrinsic public benefit motivations is the starting point for council and VCFSE sector collaboration. However, trust has been supplanted by transactional relationships. This has come at a cost to efficiency and shared purpose.

### **Commissioning is a collaborative tool**

As one of the main interactions between councils and the VCFSE sector, commissioning is an opportunity to drive better outcomes through purposeful collaboration. At each stage of the commissioning cycle, VCFSE organisations have skills, capacity, and knowledge to bring, including co-design and co-production with people and communities.

### **The Procurement Act 2023 is an opportunity for change**

The Procurement Act 2023 is an opportunity for greater collaboration. Intended to provide greater flexibilities and reduce bureaucracy, the Act supports councils to follow the fundamental principle of proportionality and use professional discretion to design procedures that serve public benefit purpose.



## Recommendations for councils and commissioners

### **Build processes and relationships around trust**

With trust as the anchor point for relationships, build shared vision, processes, and agreements around trust in the intrinsic and shared public benefit purpose of VCFSEs. This creates coherency and efficiency and produces greater energy and commitment within systems.

### **Invest in relationships**

Relationships are the essential resources within systems, requiring investment and protection. Strong relationships drive better outcomes for people and communities.

### **Follow the principles of public and procurement law**

The fundamental principles of public law and procurement law require funding processes that are proportionate, objective, and use professional discretion and reasonableness to create processes whose primary purpose is public benefit. Understanding the public benefit driver of public law and the flexibilities of procurement law empowers commissioners to use funding approaches that better support collaboration.

### **Recognise the roles played by commissioners and the VCFSE sector**

Commissioners are stewards of the system, able to coordinate, convene and intervene to drive public benefit outcomes. VCFSE organisations have a central role within systems as advocates, experts, challengers and providers. The ability of both parties to bring assets and skills to the system is valuable and complementary.

### **Co-design**

Co-design and co-production are essential throughout all stages of the commissioning cycle. This approach ensures the expertise and knowledge of people, communities, and VCFSE organisations can meaningfully shape ideas and decisions.

### **Set commissioning up to success**

Building on a trust-based approach, commissioning cycles should be set up and run with a view to creating change and driving better outcomes for people and communities. External collaboration is enabled by commissioning cultures that are equitable and unbiased, empathetic, positive towards risk, socially entrepreneurial, and driven by shared purpose.

# Introduction

In the current climate, with limited resource and rising need to support, a strategic and holistic approach is needed build strong communities and ensure people can thrive. Seeking to create positive outcomes for communities and places, councils work within complex systems. Within these systems, no single actor or service is alone able to create good outcomes.

This makes collaboration essential, particularly in tackling the most complex social and environmental challenges. Collaboration broadens ideas, capacity, and commitment to addressing issues. It enables greater co-ordination of impact across systems. The voluntary, community, faith, and social enterprise (VCFSE) sector, with its public benefit mission and deep roots in community and place, is uniquely positioned to collaborate with councils.

Councils and the VCFSE sector are aligned by their public benefit purpose. Relationships between the sectors are multi-faceted. Their collaboration has always been a powerful tool strengthening communities and localities. Councils spend £7.2 billion a year on VCFSE activity, innovation, and strategic contribution (NCVO (2023), What are the trends in income from government?) - as part of a total reported spend of £83.1 billion in 2023/4.

The potential of this collaboration has not always been realised. The funding relationship between the two sectors creates a power disparity that has been exacerbated by disproportionate and stifling processes. However, the emergency collaborations of the COVID-19 pandemic, together with new models of collaborative practice – from Somerset to Calderdale, Brent to Leicestershire, Plymouth to East Cheshire – have demonstrated the transformative benefits of purposeful collaboration between councils and the VCFSE.

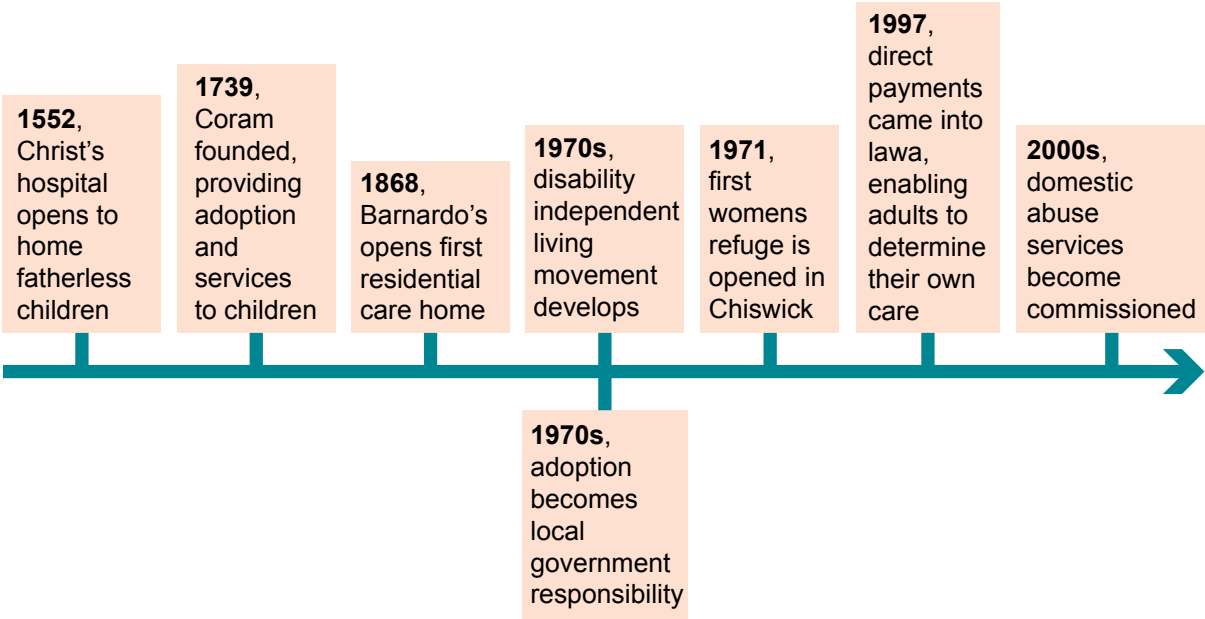
In this positive context, the Procurement Act 2023 is an opportunity for change. Intended by government to enable greater flexibility and reduce bureaucracy, the Act is a tool for collaboration. This guide has been produced to support this change, providing a framework for purposeful collaboration across all stages of the commissioning cycle.

# The public benefit relationship

Relationships between councils and the VCS are mixed across the country. Yet there are exemplar areas where councils and local VCS organisations are achieving huge things together – which other areas could strive towards.

The state of strategic relationships between councils and their local voluntary and community sector (LGA, 2022)

The VCFSE is defined by its mission to deliver benefit. All its income and resources are spent on public benefit, including £53.8 billion spent on charitable activities each year (NCVO (2023), *What do voluntary organisations spend their money on?*). The sector is integral to life in the UK. It encompasses an estimated 294,959 voluntary and community organisations and social enterprises. The activities of the sector range from small-scale voluntary efforts within an ecosystem of community action, to large charities and social enterprises delivering public services and charitable foundations distributing £3.7 billion annually for social good (Walker. Catherine (2022). *Foundation Giving Trends 2022*).



**Figure one: selected history of the mainstreaming of VCFSE originated services, including children’s social care, the personalisation of adult social care, and domestic abuse services**

Historically, the VCFSE has worked closely with local government. VCFSE ideas and innovation have been fundamental in developing activities and social responsibilities later taken up by councils (figure one). Across many areas now viewed as public services, the VCFSE sector was the pioneer. VCFSE organisations created services and lobbied for legislation now mainstreamed in councils' statutory responsibilities, including children's homes, adoption and fostering services, domestic abuse services, personalisation of adult social care, and children's safeguarding.

The VCFSE brings the value of community action, knowledge, and specialism to councils' core activities, including democracy and the delivery of public benefit outcomes (figure two). In the current period of high demand and limited resources, the VCFSE plays a unique role within councils' public service systems.

For example:

- In Greater Manchester, there are an estimated 3,800 VCFSE organisations employing 19,607 people, and through which 160,000 volunteers contribute 380,000 hours a week. This adds £240 million to the local economy and creates a return on investment that is 'strong... well evidenced with preventative and early intervention work reducing the strain on public services in both immediate demand and achieving long term outcomes' (Manchester Integrated Partnership Board (2023). Strengthening strategic partnerships across Health and Care with the VCSE sector in Manchester).
- In Oxford, Oxford City Council initiated the cross-sector Oxford Zero Carbon partnership, involving VCFSEs including Oxfam and the Low Carbon Hub. The partnership has co-created a road map to reduce Oxford's emissions by 46 per cent by 2025, and net zero by 2040. It has led collaborative projects on residential and commercial retrofitting, green finance, climate communication and active travel. Increasingly, more VCFSEs are involved.

## Public law and local government

Public authorities, including councils, exist for the benefit of people and communities. Public law is the generic term for the general law and legal principles that regulate and require public bodies to act properly regarding their primary purpose of public benefit:

- **Public benefit primary purpose:** under public law, the primary purpose of councils is to create public benefit.
- **Best value:** in public services, this means achieving 'best value' on behalf of people and communities – the optimum balance of economy, efficiency, effectiveness and equity.
- **Reasonableness, objectivity and professional discretion:** fundamental principles of public law to which councils are expected to adhere through their actions and processes.
- **Purpose, by public law, is the only legitimate driver of commissioning.**

## Procurement Act 2023: mindset not legal change

The guiding purpose of procurement law as stated in the Procurement Act Section 12 is 'delivering value for money [and] maximising public benefit' (HM Government (2023). Procurement Act 2023. HM Government: London). In introducing the Act, the UK Government stated the intention of 'creating a simpler and more flexible commercial system' with the purpose of 'opening public procurement up' (Government Commercial Function (2023): The Procurement Act 2023: a short guide for senior leaders). Practically, little in the Act has changed from the Public Contracts Regulations 2015.

These flexibilities and intentions are evident in the approach to procuring VCFSE services, almost all of which falls under the 'Light Touch Regime'. Under light touch, councils have discretion in how they procure, as long as the process adheres to fundamental procurement principles and the objectives set out in the Act.

### Why procurement law is often misinterpreted

There is a common misconception that law is definitive. People look to the law to provide certainty and exact definition – in this case, how procurement should be undertaken – but no such clarity exists.

In grant funding and in procurement, what the law provides instead of certainty is a set of principles, parameters and some basic procedure. This gives councils room to interpret based on the circumstances of each specific situation.

The challenge for commissioners is being brave about this uncertainty. A helpful approach is to maintain a focus on maximising public benefit, as this is the sole legitimate driver of commissioning under public law.

## Key terms explained

**Commissioning:** the strategic activity of identifying people and communities' needs, determining public benefit outcomes to be achieved, and allocating and supporting resources through a provider (or in-house) to meet people and communities' needs and achieve identified outcomes.

**Community interest company (CIC):** a form of social enterprise, CICs are limited companies that are asset locked, existing for the benefit of communities rather than private shareholders. CICs are a defined legal form and are registered and regulated by the Office of the Regulator of Community Interest Companies.

**Equality Impact Assessments:** duties set out in the Equality Act 2010 for public bodies, including councils, to have 'due regard' for the potential and current impact of policy and resourcing decisions on communities identified as having protected characteristics within Section 4 of the Act.

**Ethnic minority:** Central government uses the term 'ethnic minority' to refer to all ethnic groups except white British. Ethnic minorities include white minorities, such as Gypsy, Roma and Irish Traveller groups. NCVO uses the term 'global majority', as this recognises the diversity and significance of these communities on a global scale.

**Grant:** a sum of money awarded to an organisation in anticipation of it being applied to an agreed purpose. In the context of council commissioning, the purpose is public benefit.

**Outcomes:** differences and changes for people and communities that result from services, activities, and systems.

**Light Touch Regime:** rules within the Procurement Act 2023 (and prior to that, the Public Contract Regulation 2015) that set out lighter procedural requirements for the procurement of certain public services – primarily services directly serving people and communities.

**Local infrastructure organisations:** second tier local charitable bodies who represent, convene and capacity-build the local VCFSE ecosystem. Often core grant-funded by the local council, some local infrastructure organisations (LIOs) lead on consortia contracts – for example, to deliver social prescribing. NAVCA is the LIO national membership body.

**Potential provider:** organisations external to the local council that are suitable for and capable of delivering public benefit outcomes. In the context of this guide, the focus is potential providers in the voluntary, community, faith, and social enterprise (VCFSE) sector, including mutuals and co-operatives.

**Procurement:** the process of sourcing a service, activity, or solution. In the context of this guide, procurement is one option available to commissioners put in place the delivery of public benefit outcomes.

**Procurement Act 2023:** UK Government legislation setting out the principles, intentions, and procedures for procurement processes undertaken by public authorities, including councils. The Act comes into effect on 28 October 2024.

**Public benefit:** the positive impact to people, communities, environment and place that is the shared purpose of local government and voluntary, community, faith organisations, and social enterprise, mutuals and cooperatives.

**Public Contract Regulations 2015:** UK government procurement legislation for public bodies – superseded by the Procurement Act 2023.

**Public law:** generic term for the law that regulates public authorities, requiring them to act properly for their public benefit purpose. Public law includes fundamental principles of objectivity, professional discretion, and reasonableness.

**Public Services (Social Value) Act 2012:** UK government legislation requiring public authorities, including councils, to have regard to economic, social, and environmental wellbeing when procuring and managing public service contracts.

**Social enterprise:** purpose-driven businesses which trade for a social or environmental purpose. They prioritise benefit to community and place and use the majority of any profits to further their mission. There are more than 131,000 social enterprises in the UK employing around 2.3 million people.

**Social value:** in the context of procurement, social value is a wider understanding of value beyond the merely financial, encompassing value to people, communities, places, and the environment.

**Systems:** in this context, systems are the broad range of interconnected actions, services, pathways and actors that shape and produce public benefit outcomes - for example, the adult social care system, or child safeguarding system.

**Voluntary, Community, Faith, and Social Enterprise (VCFSE) sector:** encompasses a broad range of organisations with public benefit purpose, including charities, social enterprises, community groups, faith groups, cooperatives, and mutuals. Other frequently used terms include the third sector and the voluntary and community sector (VCS).

# Commissioning

In this chapter:

- the commissioning cycle
- relationships
- culture
- learning
- support and training.

Importantly, commissioning services does not just mean procurement and commissioners should seek to identify the most appropriate method – for example, grant based funding, co-production, and preferred provider partnerships’ – Violence Against Women and Girls Services Commissioning Toolkit.

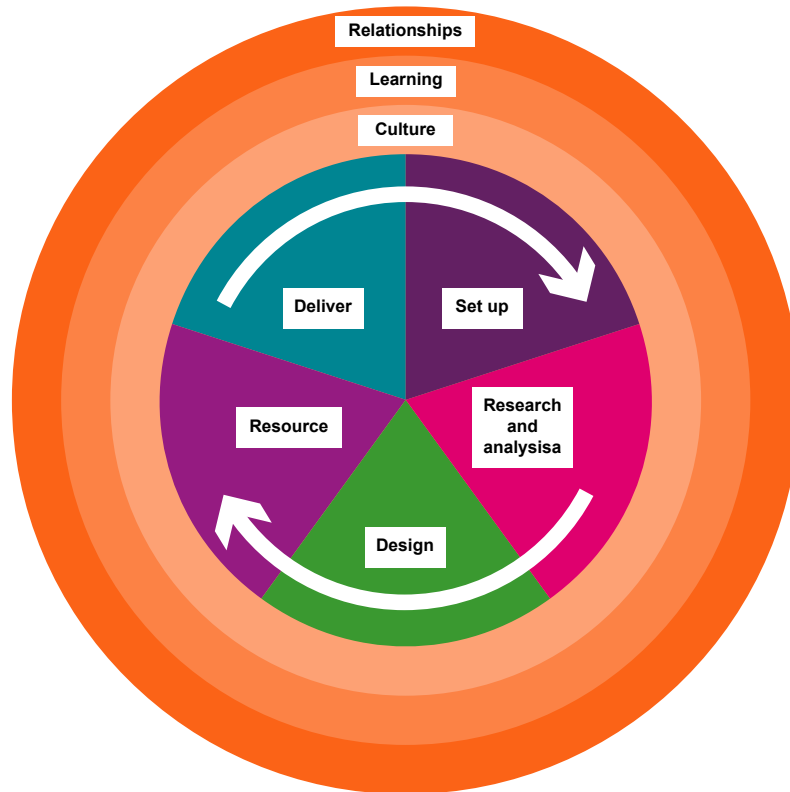
Home Office

Commissioning is one of the key processes through which councils achieve their strategic and political goals. It is through commissioning that systems and services are shaped to deliver public benefit. As such, commissioning is one of the main interaction between councils and the VCFSE sector. The goal of commissioning is to deliver good outcomes for people and communities.

## The commissioning cycle

Commissioning is an ongoing process of five stages, supported by relationships, learning, and culture. Commissioners have a role not only in decision-making and managing resources, but in stewarding the health of the wider ecosystem of VCFSE organisations and others to shape public benefit.





**Figure two: The five stage commissioning cycle and the wraparound work of collaboration, learning, and culture**

The five stages of the commissioning cycle are (figure two):

- Set up: establishing the intention and approach of the commissioning project
- Research and analysis: understanding strengths, needs and aspirations of people and communities
- Design and readiness: co-producing an approach to supporting people and communities
- Resourcing: putting in place the funding – or other resources – to deliver the approach
- Outcomes: delivering the approach and its intended outcomes.

### **What is an outcome?**

An outcome is the difference achieved by an action. Public benefit outcomes are the differences to people’s experiences and lives that councils and VCFSE organisations are intending to achieve.

Outcomes can be either:

- Subjective or ‘soft’ outcomes, such as changing attitudes
- Observable or ‘hard’ outcomes, such as a change in process or observable behaviour.

Systems and services both produce outcomes. In children's services, for example, a high-level outcome might be to reduce the number of children being taken into care, while an intermediate outcome achieved by a specific service might be to reduce rates of domestic abuse that drive children's safeguarding.

Individual outcomes relate to differences made to an individual person, such as improved wellbeing.

Equalities outcomes relate to the differences made to the experiences and treatment of marginalised and disadvantaged people and communities.

### **The difference between outcomes and outputs**

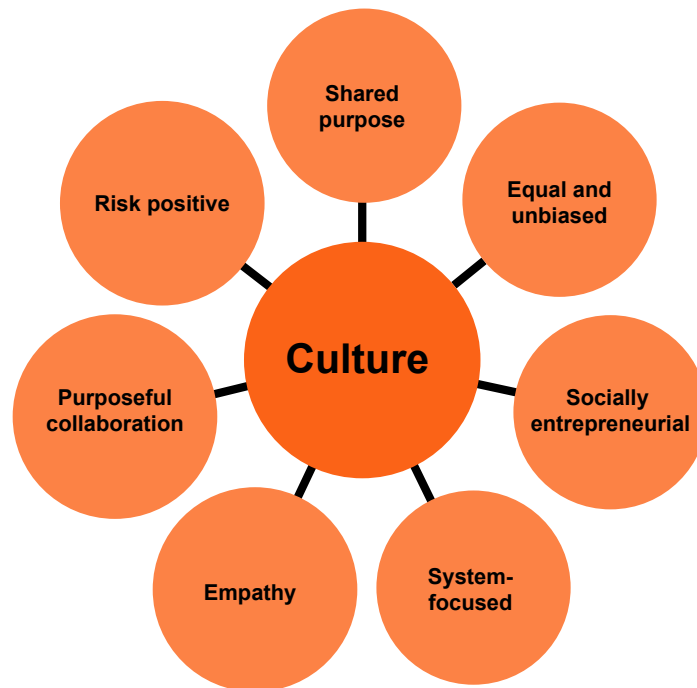
Outputs are items or activities, while outcomes are the differences that result from those items or activities. For example, at a community lunch club, an output is the number of people attending, while an outcome is the difference this attendance makes to people's social connections and wellbeing.

## **Relationships**

Good outcomes for people and communities are shaped by the actions of all of the actors across systems within which services sit. For example, adult social care is the system within which a service, such as a dementia day care centre, may sit. Wrapped around all stages of the commissioning cycle and key to its success are the relationships between these actors (figure three). Commissioners' role includes stewarding purposeful collaboration between these actors, to enable the delivery of good outcomes for people and communities. Central to this is the relationship between commissioners and VCFSE organisations, joined by their shared public benefit purpose.

## **Culture**

Good commissioning requires a positive and consistent culture across all stages (figure two). A more collaborative approach between councils and the VCFSE sector may require a cultural shift for both parties, including changes to the commissioning culture (figure three).



**Figure three: Six factors within a commissioning culture supporting purposeful collaboration.**

Six factors that create a commissioning culture supportive of purposeful collaboration with the VCFSE are:

**Shared purpose:** focus on the intrinsic public benefit motivation shared by councils and VCFSE organisations, using this to steer relationships and decisions.

**Empathy:** as proxy purchasers acting for people and communities, empathy is an essential characteristic for commissioners. Empathy aids commissioners in their role as system stewards, helping them to understand the perspectives of VCFSE organisations, people, and communities.

**Risk positive:** understanding the positive benefits of making changes that may carry risks, and seeing change and the risks it brings as an essential route to improving outcomes.

**Equal and unbiased:** addressing the structural power imbalance between councils, the VCFSE, and people who access support services, and the bias that arises from it, so that the full public benefit of VCFSE contributions is realised.

**Socially entrepreneurial:** being bold in identifying and creating opportunities for change and using adaptive leadership.

**System-focused:** taking a stewardship role by leading learning, convening, and intervention to improve the relationships, activities and pathways within systems.

## Creating risk positivity

Risk is an essential consideration in decision making. Often undefined, risk can be a catch-all term for institutional anxieties. It can be cited as a reason to avoid change even when the status quo is contributing to societal harms to people and communities.

To broaden understanding of risk:

- **Frame the social risks:** position discussion around institutional risk in the context of wider risks to people and communities, and compare the risk of action to the risk of 'do nothing'. This risk to people and communities is a driver for change.
- **Compare risk to opportunities:** compare the risk of the status quo to the potential risks and benefits of innovation and change.
- **Risk arbitrage:** understand where risk is best borne in the system, and how it impacts when located in different places or held by different actors. For example, smaller VCFSE organisations are not well placed compared to councils to carry financial risk through payment in arrears.
- **Develop a bespoke risk register:** for the commissioning project, as corporate risk registers tend to focus on risk to councils, not to communities.
- **Create 'psychological safety' as a means of managing risks:** studies show that psychological safety, which enables people to voice their opinions and concerns, is a consistent quality for achieving high performing teams, in part because it demystifies risk (Harvard Business Review (2023) '[What is psychological safety?](#)').

## Transforming domestic abuse outcomes by changing approach to risk

My Sister's Place, a domestic abuse charity in Middlesbrough, saved local public services £21,907 per woman by changing the way risk was managed.

All 40 women in the cohort had been at the highest risk of harm or homicide for more than four years, without the system managing to reduce harm. The grant-funded My Sister's Place pilot took a needs-led, trauma informed approach to managing risk, in which women quickly came to trust the service.

By shaping risk around the women, not the system, the My Sister's Place project moved the cohort from 0 per cent engagement to 75 per cent achieving successful outcomes within 12 months. Police call outs dropped by 75 per cent, the number of children in child protection or looked after halved, and good mental health outcomes doubled.

## Learning

The Human Learning Systems initiative sets out methods for creating a learning culture to drive better commissioning decisions. Good commissioning should be well informed, aided by a culture that is inclusive, unbiased, encouraging of questions, and provides psychological safety for speaking out and talking through issues. Tools and attributes for a learning culture are listed in the appendix.

### **Structural inequalities in the commissioning cycle**

The commissioning cycle, like any institutional process, can replicate existing structural inequalities. Ethnic minority or disability-led groups, for example, are under-resourced compared to other populations. When subject to commissioning, these organisations may not be able to engage with the processes on equal footing, regardless of their potential suitability to deliver outcomes.

For example, going into the Covid-19 pandemic, ethnic minority women's domestic abuse organisations were underfunded by an estimated 39 per cent (Sheil, Fiona (2020), 'Women Cannot Speak Right Now': calculating the costs of domestic abuse and Covid-19 on specialist services for Black and minoritised women and girls in England, Scotland, Wales. Imkaan: London.). Four in every five ethnic minority women were being refused access to refuge (Ventos Lopes Heimer, Rosa (2019), A roof not a home: the housing experiences of Black and minoritised women survivors of gender-based violence in London). Commissioners can address these inequalities by co-producing commissioning processes with VCFSE organisations at every stage, to ensure they are fair and accessible.

## Support and training

- A Nesta and Collaborate (2020) risk maturity self-assessment enables councils to build informed and enabling approaches to risk.
- A Skills for Care guide (2017) sets out the skills and development pathways for commissioning in social care and is relevant to commissioners of other services.
- Human Learning Systems is an initiative by Collaborate and the Centre for Public Impact that seeks to transform commissioning culture and approaches, and has published guidance and case studies.

# Set up

This chapter includes:

- good practice
- influencing strategy and budget
- initiating a commissioning project
- common issues to avoid
- external support and training.

## Purpose

The setting up stage of a commissioning project ensures the project has a clear purpose and is set up with the resources, skills, and timescale necessary for success.

People and culture are important at this stage, including ensuring that people with the necessary authority to make decisions are involved. While actions at this stage are mostly internally focused, a culture can be developed from the very start that lays the foundation for future purposeful collaborations with the VCFSE sector.

## Good practice

Pre-emptive planning, clear communications, and influencing key internal stakeholders are core to initiating a commissioning project:

- **Purposeful:** public benefit purpose, scope, and strategic mandate for the project are clear.
- **Informed:** purpose and the project outline are well communicated to internal and external stakeholders.
- **Inclusive:** relevant internal teams are identified and brought into the project group or as advisors, to contribute to the planning of the project and understand its implications.
- **Flexible:** the groundwork is developed for a project culture that is inclusive and enabling of VCFSE organisations.
- **Systemic:** senior staff with the authority to make decisions and drive systemic change are identified and suitably included, and consideration is made as to how to influence internal stakeholders and councillors.

- **Proportionate:** the project timeline allows sufficient time for each stage of the commissioning cycle and for co-production with the VCFSE sector and people and communities engaging with services.

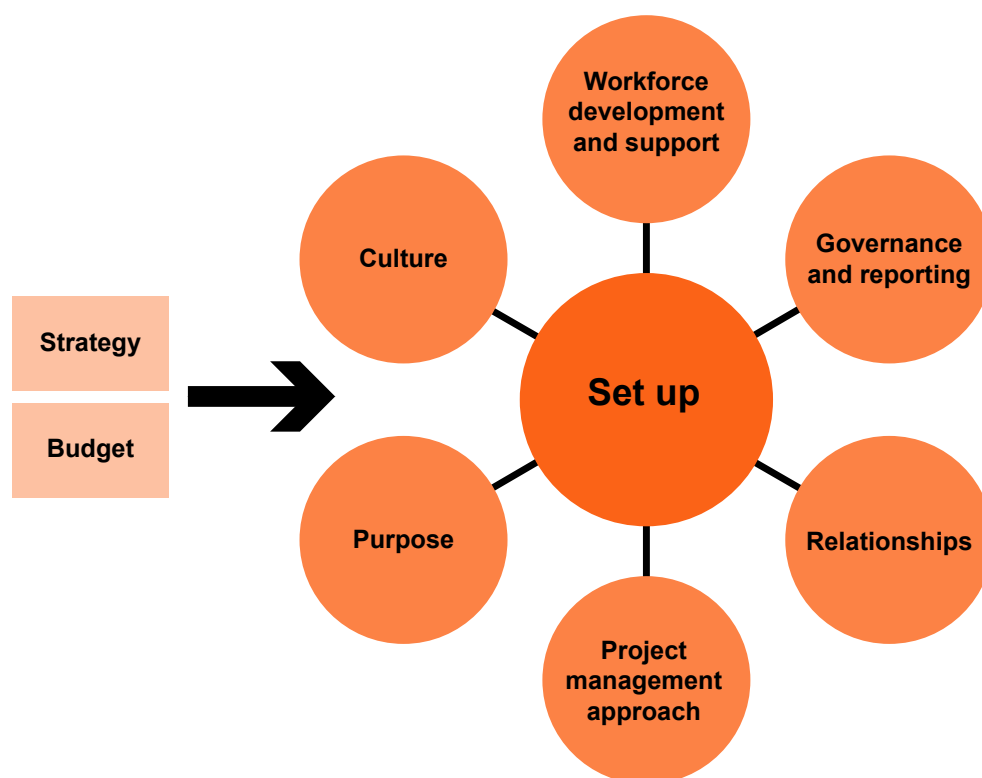
## Influencing strategy and budget

Most commissioning projects develop out of high-level strategies and budget setting. Some evolve less formally through transformational thinking or relationships, such as the Lambeth Living Well Network Alliance in mental health. This developed through weekly breakfasts with commissioners and local specialist VCFSE providers. This led to the creation of a service so successfully able to meet community need that it enabled a local mental health in-patient unit to be closed.

As system stewards, commissioners’ role includes leading and influencing strategies and budgets by advocating for their service area. This includes influencing the ambition of the strategy – how transformational or business-as-usual commissioning projects will be, and what role the VCFSE sector might play in transformation.

## Initiating a commissioning project

Once headline budgets and strategies are set, the practicalities of setting up the commissioning project begin (figure four).



**Figure four: Six factors to consider when setting up a commissioning project.**

When setting up a commissioning project, factors to consider include (figure five):

- **purpose**
- **relationships:** clarifying the skills, experience, and representation needed, and how these will be brought in - including the lived experience of people engaging with services.
- **culture**
- **governance and reporting:** structures and information management that aid information sharing, assurance, and collaborative thinking, and delegate sufficient authority to take the project forward.
- **project management**
- **workforce development and support:** equipping commissioners with the skills and support to undertake all aspects of the commissioning cycle.

#### **Tips: thinking about who to involve**

A commissioner from the London Borough of Bexley described her award-winning commissioning of playparks as her most successful because it has been co-designed with children and the community from the start.

When thinking about who to involve, and when they should be involved, consider:

- Being inclusive of VCFSE organisations from the start, whether in advisory or governance roles, is a stimulus for potential wider systemic change, as demonstrated in alliance contracting.
- What and when can they contribute to each of the commissioning building blocks, such as understanding needs, or identifying opportunities.
- New voices create new thinking – broaden who is around the table to ensure input from different perspectives in the wider system.
- People who engage with services have essential expertise and insights to share – how can this be done meaningfully?

## **Common issues to avoid**

- **lack of time:** not allowing enough time for each stage of the commissioning cycle
- **insufficient oversight:** not building robust governance, communications, and information management
- **insufficient influencing and communications:** not identifying who and when to influence and doing so early enough; not communicating intentions to stakeholders early and clearly; failing to ensure everyone understands the purpose of your project and why it is relevant to them and the council's wider strategic agenda



- **sidelining external expertise:** underestimating the essential role of external stakeholders, especially the voice of people, communities, and the VCFSE organisations who know them
- **lack of authority:** not having people with requisite decision-making powers informed and bought into the project's purpose and approach
- **absence of enabling culture:** not focusing on developing a positive, purpose driven culture.

## Support and training

- The [Institute for Public Care](#) and [Yorkshire and Humber Commissioning Support](#) both outline the structure of a commissioning strategy.
- [Adaptive leadership approaches that enable change within local government](#), by Tom Alexander.
- [To build an inclusive culture, start with inclusive meetings](#) – a blog from Harvard Business Review.

# Research and analysis

This chapter includes:

- good practice
- bias and assumptions
- the research and analysis process
- research methods
- common issues to avoid
- support and training.

## Purpose

Research and analysis ensure that commissioning decisions are well-informed, and that they are based on a deep and wide-reaching understanding of both the strengths and needs of people and communities and the context within which they seek to address these needs.

Commissioners are making decisions in an increasingly complex and rapidly changing environment. This makes fresh, collaborative inquiry essential. Councils have a responsibility to engage communities and centre lived experience in their understanding of issues. VCFSE organisations are able to engage people who are experts by lived experience, as well as draw on their existing data and insights – which are often relevant and different to the knowledge held by councils. The process of research and analysis, with its space for explorations and discussions, can play a key role in building council and VCFSE relationships.

Research and analysis take time, clarity around what questions to explore, and the skills and confidence to use different methodologies. This can be challenging in councils with limited research capacity.

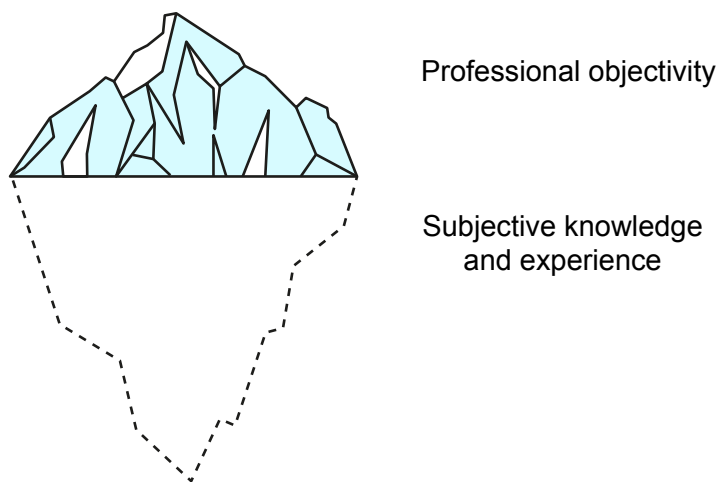
## Good practice

The greater the diversity of voices in the research and analysis process, the deeper and more valuable the insights. Quality research processes that aid purposeful collaboration are:

- **Purposeful:** following a set of clear research questions that will produce the information necessary to make future commissioning decisions.
- **Inclusive:** actively addressing the bias that undervalues information and insights from the VCFSE sector, people who are experts by experience, and other actors outside public authorities.
- **Informed:** triangulating and deepening analysis by drawing on VCFSE data and insights and engaging people with lived experience, as well as insights from the wider learning culture.
- **Systemic:** looking across the wider system and its activities, actors, relationships, and impact on outcomes.
- **Proportionate:** focusing on what is already known and exploring this from different perspectives before investing in new research.
- **Co-production:** using collaboration, discussion and workshops to gather wide perspectives that deepen understanding of issues, ensuring all methods are accessible and inclusive.

## Bias and assumptions

Research aims to produce objective understanding about the world. However, how we undertake and interpret research is influenced by who we are and our experiences. Subjective bias underlies professional ‘objectivity’ (figure five). This affects the quality and validity of our findings – and therefore the quality of decisions.



**Figure five: The ‘iceberg’ of subjective bias sitting beneath professional objectivity.**

Undertaking research without identifying bias and assumptions risks a failure to pick up on important insights. For example, not identifying the value of insights from community organisations, who may have deeper and more sustained understanding of communities than council services, can lead to designing a service that does not recognise people’s strengths, meet their needs or support their aspirations. Types of biases to be aware of are:

- **Confirmation bias:** looking for data and insights that seemingly validate existing beliefs, existing structures, and existing ways of working. This is particularly common in contexts where the way of doing things is long established.
- **Institutional concepts of risk:** in which mitigating risk to institutions is prioritised over addressing risks to people and communities.
- **Inherent competency:** the belief that the public sector is inherently more competent and knowledgeable than other actors, including the VCFSE sector and people with lived experience, because it has greater power and resources. This is not true. The VCFSE has specialisms and insights not held within the public sector, as do people with experience of challenges and/or engaging with services.

The research stage should include steps to surface these biases and assumptions to minimise their impact on later commissioning decisions. Otherwise, we risk excluding important voices, ignoring data that matters, or failing to reach understandings that will drive better decisions and outcomes. A tool to identify biases and assumptions is in the appendix.

**Tip: information management**

Research produces lots of information from different sources. Organising this is important. You can use a spreadsheet to organise incoming data and insights by each research question – remembering to record your source.

Reference management programmes – many of which are free, like Zotero – enable you to create a library to which you can download and add documents; while paid-for coding programmes, like NVIVO, enable you to thematically code documents and interviews.

## The research and analysis process

There are four steps in the research and analysis process (figure 6):



**Figure six: The four steps of the research and analysis process**

### Step one: what do you need to know?

Lay out what you need to know in a set of clearly articulated research questions. These help to keep the research stage focused.

- Refer to the commissioning building blocks to develop your questions (for example, [this list of suggested research question in the appendix](#)).
- Co-designing questions with the VCFSE sector brings in systemic issues and questions that matter to people and communities.

### Step two: what is already known?

Identify what is already known, which may be extensive, even if knowledge is held outside the council and across diverse actors.

- Draw on VCFSE sector knowledge locally, regionally and nationally. This will include informal insights, monitoring information, and published research.
- Existing data within councils includes Joint Strategic Needs Assessments (JSNAs), information from services, and observations from public facing staff. Sutton council, for example, did a ‘hackathon’, bringing together all local agencies to share their data and then analyse it together. This created a shared understanding of issues.
- Discussing what is known collectively will develop a deep and coherent understanding.

### Step three: what isn’t known that needs to be?

Generate new research to fill gaps and explore emerging issues, with reference to your original set of research questions.

- Many VCFSE organisations have research experience and the technical skill to conduct different research methods.

### Step four: what have you learned?

The final step is to collate and collaboratively analyse all the insights, creating key findings to inform the design and readiness stages.

## Research methods

Methods relevant to research for commissioning include:

Method	Description
Benchmarking	VCFSE providers may be able to share comparable information around trends in needs, systems, and outcomes from different council areas and regions.

Method	Description
Case studies	<p>Case studies, especially developed in situ in people’s own homes and spaces, help develop deep understanding of people’s lived experiences and motivations. VCFSE organisations are often experienced in gathering case studies, whether of individuals or composite examples of a cohort.</p> <p>For example, the <a href="#">Women’s Aid Change that Lasts programme</a> – which has been able to demonstrate a difference in public sector costs of £159,407 for improved domestic abuse pathways – uses a composite case study to demonstrate the potential impact of a strengths-based, needs-led approach.</p>
Community researchers	<p>Community researchers are able to explore nuanced, culturally specific, taboo, and intimate questions with members of their own communities. This enables greater understanding of attitudes, behaviours, ambitions, and connections.</p> <p>For example, <a href="#">ForwardUK</a> is a Black African women’s organisation specialising in community research. They have used a participatory ethnographic evaluation and research (PEER) model to understand attitudes towards female genital mutilation in migrant communities in Bristol (<a href="#">ForwardUK (2017)</a>). A big wakeup call: participatory study on shifts in attitudes towards FGM among community women in Bristol).</p>
Data analysis	<p>The VCFSE sector produces detail research on communities and issues affecting society and place. This often identifies grassroots change and trends less visible to councils.</p> <p>For example, the <a href="#">Joseph Rowntree Foundation</a> produces annual reports on rates of poverty in the UK, finding that in 2024, more than one in five (22 per cent) of people in the UK live in poverty (<a href="#">Joseph Rowntree Foundation (2024): UK poverty 2024</a>).</p>
Focus groups, workshops and interviews	<p>The VCFSE sector’s trusted position, trauma-informed approaches, and accessibility make it well placed to participate in and lead focus groups and workshops that draw in different community and professional insights.</p> <p>For example, <a href="#">People First</a> is a national charity led by and for people with learning disabilities. They have self-advocacy groups through which they conduct research and develop new ideas for service change.</p>

Method	Description
Projections	<p>Projections require a collaboration of internal and external expertise to understand the <u>PESTLE</u> (political, economic, social, technological, legal and environmental) factors affecting future demand and costs.</p> <p>For example, <u>Shelter</u> uses insights from its advice and information services to understand what factors are affecting homelessness and driving demand for temporary accommodation.</p>
Secondary research	<p>VCFSE organisations are leading producers of research, often commissioned directly by government and councils, and working collaboratively with academics.</p> <p>For example, <u>Carers UK</u> convenes the <u>All-Party Parliamentary Group on Carers</u>, which publishes extensive research about the experiences of carers, the value of their work, and the support that they need.</p>
System mapping	<p>VCFSE organisations' breadth of understanding about people's needs and strengths, and their positioning as actors within systems, makes them core collaborators in the process of mapping and analysing systems.</p> <p>For example, <u>Collaborate CIC</u>, a social enterprise consultancy, has worked with a partnership led by East Sussex County Council to develop a systemic approach to tackling loneliness across its communities (<u>Collaborate CIC: Community Wellbeing: connected people and places – a systems approach to tackling loneliness in East Sussex</u>).</p>
Visual	<p>VCFSE organisations have developed many creative and non-verbal research tools to explore social issues. This enables people for whom literacy may be a barrier to participate and express themselves.</p> <p>For example, <u>Photovoice</u> is a social enterprise working with people to express their experiences of services and social issues.</p>

## **Pause – understanding the lives of women who have had multiple children removed**

The women's charity Pause provides councils with detailed research and analysis of the needs and experiences of women who experience repeat removals of children into care. Since 2016, Pause has completed scoping exercises in 61 local authorities, identifying 14,827 women who have had 35,194 children removed from their care.

Pause enables councils to understand the prevalence and pattern of recurrent removals, provides in-depth case studies, and models the cost saving potential of earlier intervention that would be achieved by introducing a Pause service.

An independent evaluation of Pause estimated that the typical cost-benefit of Pause services is £4.50 for every £1 spent over four years.

## **Common issues to avoid**

“As it stands, commissioners have failed to use data to improve service design. In a range of areas, the poor quality of data collected has been a barrier to delivering value for money”

Reform Think Tank (2017)

Good research is driven by curiosity. However, limited council resources can lead to limited investment in research, particularly compared to the NHS, where nearly one million patients participate in clinical research in England each year (Higginson, Irene (2016). 'Research challenges in palliative and end of life care', *BMJ Supportive & Palliative Care*: 6 pages 2–4).

In research and analysis, common issues to avoid are:

- **Poor planning:** allocating too little time to research.
- **'Mission creep':** letting focus slip beyond relevant research questions.
- **Inadequate inclusion:** not consistently engaging the VCFSE sector and thus missing out on knowledge, research skills, and reach into communities.
- **Lack of curiosity:** being uncomfortable with the process of learning and exploration, preferring to do what has already been done before.
- **Biases and assumptions:** failing to recognise biases and assumptions that distort research processes and findings.
- **Data quality:** fragmented or siloed data, as well as poor quality data leading to decisions based on inaccuracies and gaps.
- **Poor information management:** failing to organise emerging findings so they can be analysed, understood and communicated.



## Support and training

- [Social Research Association](#) and [Association for Qualitative Research](#) both provide training and support around research.
- [Unit costs of health and social care](#) (produced annually by the University of Kent) prices workforce, intervention and pathway costs.
- [Five types of data](#) (by NPC) explains different types of data you would collect and analyse about people and their experiences of a service.
- The [Research Integrity Framework on Domestic Violence and Abuse](#) (Women's Aid, 2020) sets out how to ethically conduct, assess, and use research with vulnerable populations, including children and young people.
- [An introductory systems thinking toolkit for civil servants](#), produced by the Government Office for Science.

# Design and readiness

In this chapter:

- good practice
- design considerations
- design methods
- engagement
- pre-funding engagement with potential providers
- capacity building
- common issues to avoid
- external support and practice.

## Purpose

The design and readiness stage has two purposes. Insights from research and analysis are used to inform design of potential services, pathways, and systems intended to deliver the commissioning project's public benefit outcomes; at the same time, potential providers and the wider system are readied for potential resourcing. The commissioners' role is one of stewardship.

This is a collaborative phase, with commissioners working closely through co-design and capacity building with the VCFSE sector. This is a time to stimulate new ideas and collaborative ways of working.

## Good practice

- **Purposeful:** design decisions focus on how best to achieve public benefit outcomes
- **Informed:** use learning and insights from the research and analysis stage and wider learning culture
- **Inclusive:** equitable, accessible, and collaborative processes enable VCFSE organisations to contribute to design, including through co-production. Enabling this means respecting VCFSE organisations' right to protect their intellectual property.
- **Proportionate:** in recognition of expertise in delivering outcomes, VCFSE organisations are given space and resource to co-produce service specifications with people and communities who engage with services, in accordance with agreed

outcomes and service objectives.

- **Systemic:** the wider system and its pathways are brought into design thinking, considering the changes required for services to create outcomes in this wider context.
- **Inclusive:** iterative use of Equalities Impact Assessments shows how design decisions may impact on marginalised communities and people.

The design and readiness stage is a time for:

- **Focusing on early intervention and prevention:** finding opportunities to act earlier.
- **Strengths-based approaches:** building people and communities' assets – not focused solely on needs.
- **Transformation:** facilitating bolder ideas around what and how public benefit outcomes can be achieved by collaboration, learning from elsewhere, stimulating new ideas, and piloting approaches.

## Design considerations

This is a stage of collaboration, development, and testing. It won't be linear – as in the design double diamond. At this stage, commissioners are designing:

- **Outcomes:** this may have evolved from initial set-up of the commissioning project. Outcomes will be:
  - Shaped by national and internal outcomes frameworks, local priorities, and people and communities who engage with services.
  - Relative to what is possible within the system and its resources.
  - Aimed at building strengths and resilience as well as addressing needs.
- **Systems and pathways:** public benefit outcomes are created by systems, not single services. Understanding how the system – structures, values, behaviours, services, pathways, and contact with people – affects outcomes is necessary to understand how services within the system should be designed. The commissioners' system stewardship includes convening actors and people affected by the system to co-produce system understanding and ideas for improvement.
- **Service specification:** services and activities are best designed in co-production between potential providers and the people who engage with or benefit from those services. It is here, where lived and learned expertise is greatest, that knowledge is most relevant to inform the service specification.
- **Service objectives:** to inform service specifications, commissioners develop service objectives. These are based on the results of design-thinking about the system, pathways, and service. They include:
  - outcomes and volume of activity to be delivered
  - minimum, statutory, and safeguarding standards

- indication of best practice, innovation, and transformation opportunities
- expectation of qualities, behaviours, and values reflective of the wider system
- requirements to collaborate.

## Design methods

Participatory design methods should foreground co-production and the role of people who use services. Methods include:

Method	Description
Co-production	<p>Co-production is a process of collaborative development in which all parties have equal power. It recognises that everyone has something to contribute and is built on a commitment to reciprocity and inclusion.</p> <p>In social care, co-production is specifically between services/commissioners and the people, families, and communities who use those services. More widely, co-production can indicate the equitable development between commissioners and VCFSE organisations. Guidance on the Care Act 2014 states co-production should be a core part of delivering the Act's commissioning responsibilities.</p> <p>For example, arts charity <u>Magic Me</u> was commissioned by Essex County Council to work with dementia care home residents. Two Magic Me artists co-produced the <u>Spark project</u> with people with advanced dementia. The project enabled people to do creative activities while in their bedrooms, improving resident's wellbeing and connections with staff during Covid.</p> <p>In an additional example, learning disability, autism, and mental health charity, <u>Certitude</u>, were commissioned by the London Borough of Hounslow using a long-term contract that enabled co-production to significantly redesign the support pathways and accommodation for people with learning disabilities, leading to improved outcomes.</p>

<p>Theory of change</p>	<p>A <u>'theory of change'</u> is a visual representation of the how outcomes will be achieved through activities, behaviours, and service qualities. It creates a diagram showing how change is expected to occur.</p> <p>Theories of change are co-produced through facilitated workshops involving VCFSE experts and potential providers, public sector partners, and people who engage or might engage with the system or service.</p> <p>Theories of change are used for:</p> <ul style="list-style-type: none"> <li>• creating visual clarity</li> <li>• understanding what is needed for outcomes to be achieved – so that all actors can work together to create these conditions</li> <li>• informing service specifications</li> <li>• creating tender questions, criteria and weighting</li> <li>• identifying what to monitor and evaluate in the outcomes stage.</li> </ul> <p>For example, <u>Leonard Cheshire</u>, a disability charity, have <u>developed a theory of change</u> to understand how they achieve their aims of a fair and inclusive world for people with disabilities.</p>
<p>System design</p>	<p><u>Human Learning Systems</u> describe outcomes as being 'created by whole systems – by the interaction of hundreds of people, organisational processes and structural forces'. System design is the process of considering all the components and actors within a system and designing improvements to outcomes and prevention.</p> <p>An example of whole system design is the innovation partnership between Barnardo's and Leicestershire children's services. A pathway redesign approach was taken to children's residential care in Somerset and in Liverpool City Region.</p>
<p>Partnerships</p>	<p>Informal or formal governance partnerships and forums can be spaces in which design ideas develop in response to opportunities or specific challenges.</p> <p>For example, Community Action Sutton were able use their core funding from the London Borough of Sutton to create Together for Sutton, a consortium of seven local charities providing holistic information and advice service. Since winning a seven-year contract, the consortium has brought in an additional £300,000 of third-party funding to the borough.</p>

<p>Innovation partnerships</p>	<p>Councils can enter into formal, procured arrangement with VCFSE organisations to co-design solutions to challenges. (Innovation partnerships are explained in the resourcing section).</p> <p>For example, Leicestershire Children’s Services were facing overwhelming costs from market failure in children’s care homes. In response, they used an innovation partnership procurement to secure a 10-year agreement with Barnardo’s. Together, they are redesigning the entire children’s safeguarding pathway. So far, the partnership has secured £2 million in external funding and is opening six children’s homes.</p>
<p>Equality impact assessments (EIA)</p>	<p>Equality impact assessments enable councils understand the impact of potential decisions on people with protected characteristics and adapt design accordingly.</p>

## Engagement

The second function of this stage is to ready the ecosystem of potential providers for delivery. This includes engagement, and potentially capacity building, with potential VCFSE organisations.

### Tip: inclusive engagement of VCFSE organisations

- Trust is at the core of good relationships: this takes time, consistency and empathy to develop.
- Recognise and manage any power imbalance and bias that prioritises public sector perspectives and knowledge over that of VCFSE organisations.
- Make expectations clear and proportionate: clarify purpose, time, method and confidentiality of contribution.
- Foster reciprocity, recognising that all perspectives can contribute useful insight and making space for VCFSE organisations to share their views and experiences
- Invite external experts to facilitate more dynamic workshops and conversations.
- Invest in sub-sector peer networks across the local VCFSE sector.
- Where conflicts or risks arise, respond by increasing engagement.
- Seek anonymous feedback and contributions, and act on this feedback.
- Engage with the whole relevant local VCFSE ecosystem, including smaller and minoritised groups and local infrastructure organisations.
- Be wary of gatekeeping and fossilised relationships.

## Pre-funding engagement with potential providers

Pre-funding engagement with potential VCFSE organisations serves several reciprocal functions for commissioners and VCFSEs:

- **Develops shared purpose:** ensures VCFSE organisations understand the public benefit purpose of the commissioning project.
- **Catalyses readiness:** provides VCFSE organisations with key information, including timeline, scale, and budget, to consider whether the commission is suitable and viable
- **Brings expertise into design thinking:** invites VCFSE organisations to co-produce, or be consulted
- **Stimulate innovation:** stimulates providers to collaborate and innovate
- **Test sufficiency, capability and diversity:** enables commissioners to understand technical readiness and capacity of potential providers, such as safeguarding processes, and informs capacity building actions ahead of resourcing
- **Inform future terms of agreement:** understands from potential providers what parameters and requirements are needed for terms of funding and agreement to be accessible and sustainable for all intended potential VCFSE providers.

### Readiness for resourcing – questions to work through with potential providers

- **Costs and pricing:** how much it costs to sustainably deliver a quality services, and approaches to payment terms and inflation.
- **Risk:** what the risks are and how they will affect sustainable delivery of outcomes.
- **Fair delivery terms:** what will be a fair structure and heads of terms in agreement for future resourcing.
- **Opportunities for innovation:** including how to better intervene early and reduce inequality.
- **Qualities and competencies to achieve outcomes:** skills, experience, capacity, and potential social value that will contribute towards outcomes.
- **Access to capacity building support:** what the council can provide.

### Engagement under the Procurement Act 2023

The Procurement Act 2023 places a strong emphasis on engaging potential providers prior to any procurement process. Engagement with potential providers is not merely permitted under procurement law, it is encouraged. In some areas of provision (including adults social care under the Care Act 2014 and domestic abuse services in the Home Office Violence against women and girls Services Commissioning Toolkit), there is a specific requirement on commissioners to engage potential providers.

## Tips – how to engage potential VCFSE providers

Procurement law allows for engagement with potential providers informally and formally up until the point a tender is published. To do this, councils are required to act throughout with due regard to procurement principles, to ensure they are not being exclusionary. Open invitations and record-keeping around all engagements will demonstrate this objectivity.

## Capacity building

Capacity building the VCFSE sector can build assets and resilience that support councils' strategic and political priorities. A non-definitive list of capacity building options includes:

- **Workforce development:** the single greatest asset in the VCFSE, commissioners can support VCFSEs to develop workforce competencies and practices in readiness for new opportunities and service/system requirements.
- **Training and learning opportunities:** including convening specialist and sub-sector learning forums.
- **Grant funding or subsidy through community asset transfer:** building VCFSE sustainability to deliver public benefit outcomes for communities.
- **Supporting collaboration:** funding, catalysing, or supporting development of collaborative VCFSE partnerships, such as the development of consortia.
- **Convening:** bringing together actors across the system to build relationships, learn, and co-design initiatives.
  - For example, the [Bristol One City Approach](#) multi-sector collaborative has created a shared vision for Bristol for 2050. The approach includes six-monthly convening of leaders across the sectors, shared medium-term strategies, and programmes of work across six key themes.
- **Targeting support to address structural inequalities:** providing additional focus, time, and funding to tackle the impact of structural disadvantages faced by ethnic minority and marginalised groups.
- **Core fund:** core fund VCFSE organisations so they can invest in fundraising from third party sources:
  - Cambridge City Council have identified strategic VCFSE sector partners supporting the council's priorities. The council is taking a co-production approach to develop multi-year core grant-funding.
  - One London council issued £1 million of five-year unrestricted core-grants, to enable VCFSE organisations to build their fundraising capacity. This created a high return on investment by drawing external funds to the locality.



## Common issues to avoid

- **Not undertaking co-production.**
- **Not exploring transformative opportunities.**
- **Lack of system understanding:** failure to map and analyse the systems and pathways that surround services, and to seek to improve their impact on outcomes.
- **Failing to build trust:** this can include not providing assurances about intellectual property protections. It can also include not offering suitable opportunities for VCFSE organisations to share ideas and practice openly with commissioners (for example, expecting these conversations to take place in front of potential competitors).
- **Missed capacity building opportunities:** not adequately using capacity building to build readiness for delivery, resulting in lack of potential providers.
- **Not co-designing service objectives and agreement terms:** not asking the right questions of potential VCFSE organisations to understand what outcomes are possible and under what terms.
- **Not focusing on the impact on marginalised communities:** not using Equality Impact Assessments to provide proper process and accountability.
- **Missed investment opportunities:** not strategically considering opportunities to attract third party funders.

## Support and training

- The Human Learning System project explains how to think through system design, and includes case studies.
- NPC produce theory of change toolkits and training.
- NCVO provides guidance and training on theory of change.
- Assessing impact and the equality duty: an eight-step guide by the Equality and Human Rights Commission.
- NAVCA, the membership body for local infrastructure bodies supporting the VCFSE.
- Market shaping toolkit from Institute of Public Care (focused on adult social care).
- Co-production methods and resources from the Coalition for Personalised Care and Community Catalysts.

# Resourcing

In this chapter:

- purpose
- good practice
- the resourcing process
- deciding resourcing approach
- grant making
- the Procurement Act 2023
- develop documentation
- invite, evaluate and agree
- common issues to avoid
- support and training.

## Purpose

The purpose of this stage is to use the objectivity and discretion afforded to commissioners under public law to put in place the resources necessary to deliver outcomes. This may be through non-competitive or competitive means, using grants, procured contracts, and investment, or non-financial support, including community asset transfer or capacity building. Potential providers are invited to bid or submit proposals, and these are evaluated before an award is made.

The power disparity between commissioner and VCFSE is at its greatest at this stage. The complexity of processes and number of perspectives involved – internal teams as well as any co-commissioning public sector partners – can disrupt focus on outcomes. If the resourcing process is not inclusive, there is a risk that commissioners exclude the most suitable VCFSE organisations.

## Good practice

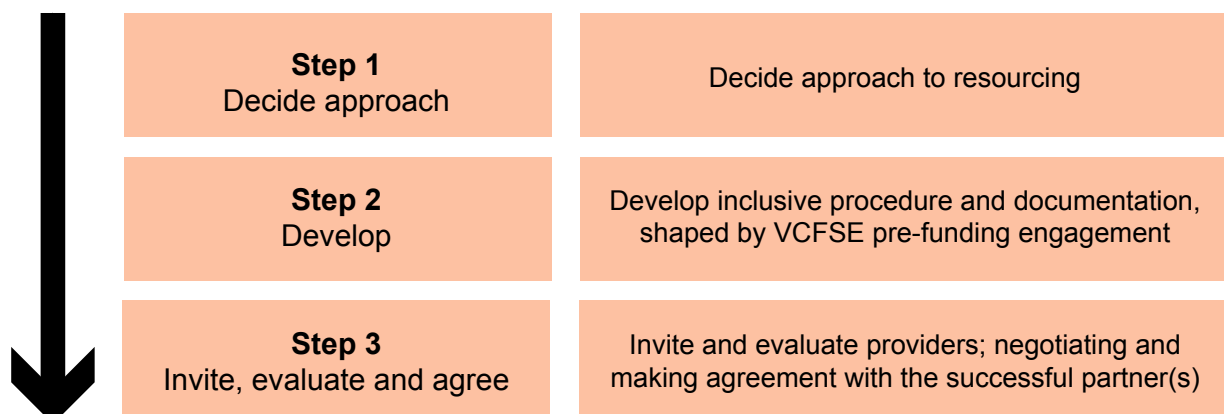
- **Purposeful:** public benefit outcomes are the main driver for all processes, agreements, and evaluation questions and weighting.
- **Informed:** all actions and processes are shaped by learning from pre-funding engagement.
- **Proportionate:** processes and funding and agreement terms are mutually beneficial and in accordance with the procurement law principle of proportionality.
- **Inclusive:** VCFSE organisations lead on developing service specification documents, co-produce processes and terms, and are evaluated in ways not solely reliant on written submissions.
- **Flexible:** the full legal flexibilities under public law and the Procurement Act are utilised.
- **Systemic:** structural exclusion of smaller and marginalised VCFSE organisations is mitigated through capacity building, information sharing, and inclusive design.

Good practice also includes:

- **Alternatives to competition:** commissioners can use objectivity and reasonableness under public law and the flexibilities of the Procurement Act to make non-competitive direct awards or grants when suitable.
- **Contract for success:** contract terms are written using mutually supportive terms to enable successful co-management of outcomes.
- **Long-term funding:** long term funding supports collaboration, sustainability of outcomes, and investment in innovation, staff, and infrastructure (Lata, Lutfun Nahar, Reddel, Tim, Head, Brian W, Craven, Luke (2024). 'Advancing collaborative social outcomes through place-based solutions – aligning policy and funding systems').

## The resourcing process

The resourcing process has three steps (figure seven), each informed by the reciprocal pre-funding engagement learning about what creates a sustainable context for delivery.



**Figure seven: The three steps of the resourcing stage**

- The first step is to decide a suitable approach to resourcing. This might be (but is not limited to) grants, procurement, investment, or capacity building, depending on what is most suitable (figure eight)
- Step two develops the documentation and process that will put resourcing in place
- Step three invites potential providers to bid, evaluates those bids, then negotiates and agrees terms.

The outcome of this stage is that there are resources in place to deliver outcomes.

## Step one: decide resourcing approach

Different approaches are suitable for different aims and circumstances (figure eight). The decision of which resourcing approach to take is one of the key moments of the commissioning cycle. It affects how public benefit outcomes will be delivered and who will benefit.

Purpose	Resourcing options
To bring more funding to an issue...	Partner with VCFSE to draw down trust and foundation funding
	Engage social investors
	Increase VCFSE fundraising capacity through core funding
To test and innovate...	Grant fund
To support existing public benefit outcomes and activities...	Grant fund
To build community action and assets...	Grant fund
	Direct investment
	Community asset transfer
	Capacity building
To require delivery of a service/ outcome...	Contract

**Figure eight: Resourcing options for commissioners**

The different approaches can be used singly or together. For example, a commissioner may want to support development work before making direct investments.

### **Myth-busting around legal challenge**

Council decisions can be distorted by an exaggerated fear of being challenged. Fear leads to procedural overcompliance, with the result that procurement becomes disproportionate. This disproportionality may itself be challengeable it distorts councils primary public benefit purpose or contravenes the fundamental procurement law principle of proportionality.

### **Challenge is unlikely to occur**

Challenge from VCFSE organisations is rare. A 2023 study by the Directory of Social Change found that in the preceding four years:

- none of the responding 274 councils had been subjected to legal proceedings for their grant-making
- and only two (0.7 per cent) had received a formal challenge (Doherty, Rhiannon, Howard, Chester, and Jay Kennedy (2023). Grants for good: exploring local authority grant-making to the VCSE).

VCFSEs often do not formally challenge decisions because it risks their relationship with councils, and practically, there are restricted timeframes in which challenge can be made.

Tactical challenges are much more common amongst commercial providers in other areas of public services.

### **Challenge is unlikely to be successful**

Challenge is far from straightforward. In practice, the legal principle of 'reasonableness' provides councils with the benefit of the doubt and gives councils latitude in their decisions.

Key to avoiding and responding to challenges is clear record keeping around rationale, decision-making, and any engagement with potential providers.

## **Grant making**

'It is vital to recognise that grant giving is a legitimate commissioning technique [...] an appropriate and proportionate approach and helps avoid many of the challenges associated with [contracting]' – Violence Against Women and Girls Services Commissioning Toolkit

Home Office

Grants are sums of money given or competitively awarded to organisations or people to support outcomes or activities.

Grants have always been a legitimate tool for councils to support and generate public benefit outcomes through the VCFSE sector. The public sector in England allocates approximately £113 billion in grants each year (Agnew, Lord (2021). Letter to Baroness Armstrong, Chair, Public Services Committee); while the largest 300 charitable trusts and foundations made £3.7 billion charitable grants in 2020-1 (Walker. Catherine (2022). Foundation Giving Trends 2022). This makes grants one of the most significant funding mechanisms of public benefit.

Recent years have seen local government following the lead of the NHS in preferring the use of contracts where grants were formerly used. However, the urgency of the COVID-19 pandemic brought grants back to the forefront of council funding. During the pandemic, government launched 243 grant schemes, distributing £152 billion to VCFSE organisations, people and businesses.

In London, for example, several councils were part of a coalition of 67 funders forming the London Community Response fund. The fund distributed £57.4 million through 3,426 grants to the VCFSE, beginning just days after the first lockdown. The grants were so effectively targeted to marginalised communities most affected by COVID-19 that by the final round, over 70 per cent of funding was going to groups led by and for marginalised communities (London Funders (2021). London Community Response: data overview report).

### **The difference between grants and contracts**

The legal distinction between a contract and grant is clear – however, this can be hard to think through in practice.

A grant is in nature a gift or subsidy; in the case of VCFSE sector activities, to support or fund activities creating public benefit. When a grant is given, the recipient promises to use the grant for its intended purpose.

A contract is in nature a deal – payment in return for the supply of a defined service which is mutually legally binding. The supplier promises to deliver the specified service, and the funder promises to pay the agreed price.

For example:

- Councils have a duty to provide temporary accommodation to people who are homeless. Because councils are seeking supply of a specific provision (and have a duty to deliver this provision under statute), it necessitates a contract.
- However, if the council wants to reduce homelessness, while very sensible, this is a choice, and therefore grants are possible to fund activities that reduce homelessness, such as Citizen Advice Bureaus' advice and information.

It can be worth thinking through your service areas and the system you work within and distinguishing between

- where the council is requiring a service to be supplied

- and where the council is seeking to subsidise or support beneficial activities.

### **The implications**

Whether a grant or contract is used has implications for:

- Cost: VAT is not applicable to grants
- Public law process: procurement relates to contracts; subsidy control to grants
- Assurance: with contracts, delivery failure breaks the deal, leading to a right to compensation; non-fulfilment of grant conditions leads to a right to repayment of funds not used for the proper purpose.

## **The advantages of grants**

Grants are particularly relevant when working across complex issues and systems (figure nine).

### **Efficient, flexible, and proportionate**

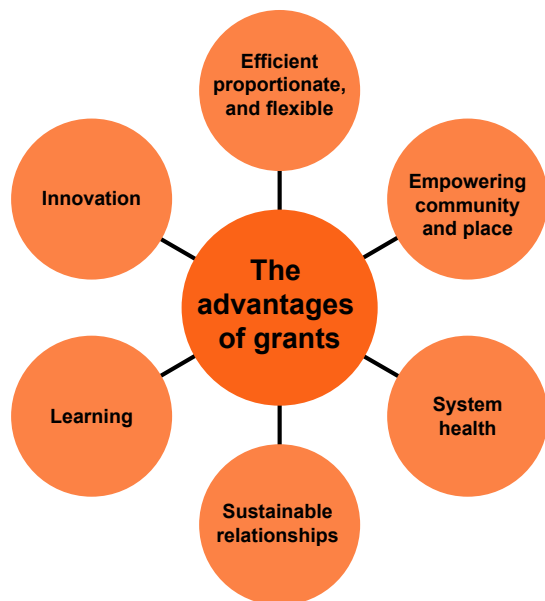
The flexibility of grant-making processes means they can be adapted to fit any intention, context, timeline, or budget, and don't need to be run through the stages of a competitive process.

### **Innovation**

Grant flexibility enables the test-and-learn approach necessary for innovation and the piloting of new approaches. Terms, timelines, and the focus of grants can all be adapted in response to emerging needs and priorities. Grant terms enable a focus on trust, reflection, and revision, improving outcomes and insights.

### **Systemic health**

Grants' differences from rigid contract culture make them attractive and accessible to a greater diversity of organisations for commissioners to draw upon. They enable broad and sustainable outcomes and can be targeted all parts of systems and pathway, from early intervention, through to recovery and sustainment.



**Figure nine: The advantages of grants.**

### **Sustainable relationships**

As grant processes can be minimally disruptive, they allow commissioners to foster purposeful collaboration with VCFSE organisations. They also make it easier for actors within systems to build and maintain relationships.

### **Learning**

As grant processes and terms can be relatively open, they allow for greater dialogue and information sharing to the benefit of the wider system.

### **Empowering community and place**

Grants can build local assets, volunteer participation, and community wealth. Because they have no threshold of entry, they are accessible to smaller organisations working to meet emerging needs.

Commissioners can also use grants to help the VCFSE sector attract further external funding to a locality, by enabling VCFSE organisations to meet core costs and build capacity and capability. However, it is critical to ensure additionality – in other words, to ensure that grants meet the true costs of delivering services (typically known as ‘full cost recovery’) and do not require VCFSE organisations to subsidise delivery with other charitable funds or reserves.

### **London Councils grants at scale – £840,000 emergency specialist refuge in London**

On behalf of all 33 London local authorities, London Councils commissions four-year grants for specialist refuge provision for women otherwise excluded from mainstream refuge. The consortium is led by Ashiana Network. The grant is part of a wider grant programme tackling homelessness and violence in London that commissions over £24.65 million in grants.



The grant is £840,000 annually. Its outcomes are designed to dovetail with Section 4 accommodation funding under the Domestic Abuse Act. Pathways funded by the grant are embedded within each of the 33 London councils.

### **Manchester City Council strategic grants programme**

The Our Manchester Voluntary and Community Sector (OMVCS) grant fund by Manchester City Council has used grants to shift from traditional funding arrangements to more modern ones: moving from transactional, output-based funding to more collaborative relationships that emphasise impact and outcomes. The grant fund recognises and invests in the work that the voluntary sector is uniquely capable of undertaking.

OMVCS grants total £2.4 million per annum on a three-year cycle (£7.2 million total). Grant awards are made through 43 core-funding grants to the VCFSE sector. As well as funding effective delivery to communities, the grants provide opportunities to build relationships with marginalised communities, whose expertise and experience are essential to the city council's outcomes.

### **Regulatory context**

Grants are an appropriate approach to commissioning VCFSE sector activity. When commissioners use the professional discretion and reasonableness afforded them under public law, grants used to create public benefit rarely raise regulatory concern with a legitimate challenge.

### **The Subsidy Control Act 2022**

The purpose of the Subsidy Control Act is to prevent distorted competition in competitive markets, by unfairly advantaging providers over others.

Most VCFSE organisations operate outside of 'commercial markets' because their activities are not for payment, but rather delivered direct to communities. Grants to VCFSE activities outside commercial markets sit outside the Subsidy Control Act regulation.

Where the activity is within a commercial market (such as, for example, the generation of community energy by the Bath & West Community Energy co-operative), some exemptions apply, and grants can be made below permitted thresholds (called Minimal Financial Assistance).

### **Grant terms: managing risk and accountability**

There is a widespread misconception that grants don't provide commissioners with sufficient accountability to ensure risk. This is not the case. The only practical difference between how councils can manage grants as opposed to contracts is that councils cannot sue for compensation if a grant fails to deliver.

In every other way, commissioners can adopt proportionate terms within grant agreements to ensure accountability, quality, and outcomes.

Councils should take assurance from the fact that charities are governed by charity law and regulatory oversight, and are accountable to their regulator, the Charity Commission. Charity law ensures that charities put all resources and capacity towards their public benefit mission. It also requires charities to publish annual accounts detailing their spend.

## Other forms of subsidy

Councils can use other forms of subsidy to support communities and community activity at minimal public cost, for example:

- **Preferential loans:** may be appropriate to develop projects and organisations.
- **Community asset transfer:** enable councils to transfer underused or unused properties to VCFSE organisations and communities. Locality have case studies and an explanation of the process and legislation.

## The Procurement Act 2023

The Procurement Act is intended by government to increase flexibilities and reduce bureaucracy. To this end, prescriptive procedures are not required when procuring the person and community focused services ('Light touch Regime') in which the VCFSE sector specialises. Instead, councils are expected to use the reasonableness, objectivity, and professional discretion required of them under public law to develop suitable and proportionate approaches to procurement.

### Procurement principles

The fundamental principles of procurement law are:

- proportionality
- equality of treatment
- transparency.

### New objectives under the Procurement Act

In conjunction with the fundamental principles, the Act requires all procurement processes to achieve four objectives:

- delivering value for money
- maximising public benefit'
- sharing information for the purpose of allowing suppliers and others to understand the authority's procurement policies and decisions
- acting, and being seen to act, with integrity.

### **Removing barriers to small and medium enterprises, and social enterprises**

The Act requires public authorities, including councils, to have regard for disproportionate barriers for small and medium enterprises (SMEs – a definition that includes the majority of VCFSE organisations).

Removing barriers can include:

- acting in accordance with the procurement principle of proportionality
- learning from VCFSE what barriers they face, and addressing these
- using collaborative and non-competitive approaches to procurement, where possible.

### **Transparency notices**

The Act requires public authorities to publish notices about intentions and decisions in procurement. These are intended to allow potential providers the opportunity to enter suitable procurements. The Welsh Government has created a [flowchart showing when notices are required](#).

For the person and community focused services which constitute most of VCFSE sector contracts, a transparency notices are only required in direct award procurements over the financial threshold.

### **Light Touch Regime**

The government's stated intention with the Procurement Act 2023 was to increase flexibilities and reduce bureaucracy. Under the 2015 regulations and now the Procurement Act 2023 Section 9, commissioners are able to follow the 'Light Touch Regime' when procuring in the majority of service areas in which the VCFSE operate.

The Light Touch Regime is procedurally non-prescriptive (except in the requirement to publish transparency notices). The Light Touch Regime under the new Act gives commissioners full flexibility and discretion to create procurement processes that are proportionate to their context and potential VCFSE providers, as long as they adhere to the procurement objectives set out in the Procurement Act.

### **Light Touch Regime – which services are included?**

The light touch regime can be used for certain social, community, health, education, and other services. Government guidance states that because these services are provided to individuals or groups of people, to be proportionate these services 'warrant special treatment and greater flexibility' (Cabinet Office (19 July 2024) '[Guidance – Light Touch Contracts](#)').

The list of services that can be procured under Light Touch Regime is in [Schedule 1 of the Procurement Act](#).

## Low value contracts

Contracts below an agreed financial threshold are subject to less prescriptive procedural requirements. The value of this threshold is regularly reviewed.

In 2024 it is:

- £663,450 for Light Touch Regime
- And £139,688 for all other local government contracts.

The majority of VCFSE contracts will be under threshold. The differences between Light Touch Regime over and under threshold are:

- under threshold: no requirement to publish transparency notices
- over threshold: requirements to publish public transparency notices.

## Example approaches under the Light Touch Regime

Given the flexibilities and professional discretion afforded commissioners in the Procurement Act, commissioners should consider the following approaches:

### Alliance contracting

An alliance contract isn't a legal term, but a collaborative approach bringing commissioners into shared governance and delivery collaborations with VCFSE organisations and other partners.

Alliance contracts produce equitable partnerships with shared governance, therefore enabling collective strategy, assurance, and risk. This replaces fragmentation and competition with collaboration and shared purpose.

### When is it suitable?

- When shared, multi-sector governance will strengthen outcomes.
- When issues are complex and/or collaborative efforts and resources are valued, and long-term development or sustainability is necessary.
- When commissioners are seeking to maximise the input of all parties through collaboration.
- When commissioners want sustained collaborative effort on an issue, equitable partnerships, collective accountability, and/or shared risk.

### Examples

Alliance contracting models are being developed by the social enterprise consultancy, Ideas Alliance.

Examples include Lambeth Living Well alliance in mental health; Plymouth City Council alliance for complex needs; and Calderdale Council drug and alcohol services.

### Direct award to a unique provider

Where only one suitable potential provider exists, a direct award can be made. This avoids the unnecessary costs and delays of an artificial competition when there are no other potential providers. This is set out in Chapter 3 of the Procurement Act 2023.

### **When is it suitable?**

- In highly localised or specialist areas, or in new innovations
- Direct awards are more likely to be suitable in areas of specialist provision, such as domestic abuse services, services by and for ethnic minority communities, and peer-led services.

Appropriate use is when:

1. Only one provider has the capability, capacity, and (if applicable) intellectual property to deliver the outcomes. This is judged by commissioner's reasonable professional discretion that no viable competitive market of other providers exists.
2. Or where urgent circumstances make a competitive or alternative process impractical, provided it can be demonstrated that alternatives were considered. The definition of what is urgent can only be challenged if it is manifestly not reasonable.

There are two routes to identifying whether there is only one potential provider. These are both undertaken by making known your intentions to other potential providers:

1. Publish a Transparency Notice (formerly known as 'Voluntary ex-Ante Transparency Notice' in the Public Contract Regulations) making known the intention to make a direct award. There is a 15-day standstill period for other providers to make themselves known.
2. Publish an invitation for 'requests to participate' (formerly known as a 'Prior Information Notice' in the Public Contract Regulations).

If no other credible provider makes themselves known, then after the standstill period the commissioner can move directly into negotiation and award.

### **Examples**

Extension of the London Borough of Barnet Single Homelessness Social Impact Bond to six London boroughs.

### **Frameworks and 'Dynamic Markets' (formerly 'dynamic purchasing systems')**

These enable commissioners to pre-qualify a pool of providers, from whom commissioners can 'call off' provision as needed or conduct further mini competitions within the pre-qualified provider group.

### **When is it suitable?**

The government's Sourcing Playbook advises that frameworks and 'Dynamic Markets' should be used for 'common' services requiring frequent call offs, such as homecare or high-volume placement services. However, Dynamic Markets cannot be used for under threshold procurements.

Both the Sourcing Playbook and NCVO warn of negative consequences when frameworks and dynamic markets are poorly used, including:

- locking out smaller or specialist providers, therefore reducing innovation
- unintentional price inflation.

## **Innovation partnerships**

Innovation partnerships are a collaborative commissioning model in which the commissioner secures a partnership to co-design and co-develop an innovative service.

To deliver the innovation designed by the partnership, the commissioner can:

- include delivery within the same innovation partnership agreement
- make a direct award
- award under a competitive Light Touch Regime procurement.

Innovation partnerships came into being under the Public Contract Regulations, and, although not cited in the Procurement Act, are still permissible.

### **When is it suitable?**

Where challenging issues require the combined innovation of co-design between commissioners and the VCFSE, innovation partnerships 'go a step beyond market engagement' to a more formalised collaborative co-development process (Government Sourcing Playbook).

### **Example**

Oldham Social Prescribing used an innovation partnership to co-design and deliver a with a local VCS consortium. This enabled the consortium to design a localised service with the flexibility to continue evolving in line with needs. According to E3M, the result has been a 62.5 per cent reduction in GP appointments and a 90 per cent reduction in A&E attendance by target populations.

### **Reserved Contracts**

This is where competition is limited to providers of only two defined legal types:

- 'Supported Employment Providers' – defined as organisations in which at least 30 per cent of the workforce are disabled or disadvantaged; or
- public service mutuals with employee participation, public benefit purpose, and non-profit-distributing status.

This recognises that some services and activities are distinctively appropriate for the VCFSE because they are non-profit and because the structure and nature of their organisation achieves desirable social outcomes.

Reserved Contracts are set out in Sections 22 and 23 of the Procurement Act. and the provisions in the Procurement Act are similar to the provisions of the Public Contracts Regulations, with some minor changes.

## Investment

Commissioners can invest in VCFSE organisations and facilitate investment from third parties. Investment is not subject to procurement law. Investment examples include:

- **Community Wealth Fund:** London Borough of Camden's £30 million community wealth fund provides loans, repayable finance, grants, and non-financial support to people, businesses, and organisations across Camden.
- **Co-funding with VCFSE provider:** London Borough of Sutton and Barnardo's are jointly funding the project management for a partnership that is redesigning children's services.
- **Catalytic investments:** Bath & North East Somerset Council has a long-standing agreement with Bath and West Community Energy (BWCE) co-operative. The council has provided start up grants and project investments. BWCE now has over 1,000 members and produces 14.3MW of community owned renewables. The council and BWCE are collaborating to retrofit buildings and improve energy efficiency.

Independently, VCFSE organisations draw in income of around £58.7 billion annually for public benefit purposes (NCVO Civil Society Almanac 2022: what is the state of the sector's finances). Examples include:

- **Third party collaborative grants:** Plymouth City Council and partners secured funding from the National Lottery Community Fund to undertake trust-building as the first stage of developing the city's multi-sector complex needs alliance.
- **Social investment:** The Preston Road Women's Centre in Hull has enabled women's organisations across England and Wales to draw down £17.6 million to purchase and long-term lease safe accommodation for women and children fleeing violence and abuse. Preston Road Women's Centre established a social investment fund and runs an accompanying catalytic grant fund to facilitate access to the fund. Preston Road Women's Centre itself now owns 155 properties and leases a further 35 as housing for women in Hull.

## Step two: develop documentation

Commissioners create documents outlining the purpose, requirements and process for resourcing (figure ten). These documents present the resourcing opportunity to potential providers. The quality of this documentation influences the quality of responses.

### **Purpose**

- public benefit purpose
- context
- needs, and strengths to be built
- relevant council strategies
- equality Impact Assessment
- system and pathways
- sources of funding.

### **Requirement**

- public benefit outcomes
- service objectives
- people and communities who use services
- quality standards and statutory duties
- system values and behaviours
- location
- budget
- heads of terms: including financial model, duration, extensions.
- assets (if relevant), TUPE, property
- relational approach: performance management, learning to improve service.

### **Process**

- timeline
- submission process (including portal access, if relevant)
- pre-funding engagement
- clarification process
- assessment criteria and weighting
  - assessment process
  - pass/fail criteria
- application form
  - quality questions, including track record
  - partnership questions, if relevant
  - financial, governance and due diligence questions
- contact details.

**Figure ten: Documentation provided to potential providers**



## Service specification

Commissioners provide service objectives explaining intended outcomes for people, communities, and the wider system. Accompanying this are parameters of the specification – for example, relevant service standards; statutory requirements; and expected values and behaviours necessary for purposeful collaboration.

VCFSE organisations, as the experts in delivery, are invited to co-produce service specifications to meet those objectives with people using services.

## Financial model

The financial model sets out the budget, payment terms, and payment schedule. The following factors support sustainable delivery of outcomes.

- **Informed by pre-funding engagement:** understanding which terms are accessible to and supportive for potential providers.
- **Responsive to historic underinvestment:** there are sectors in which historic underinvestment prohibits payment in arrears and requires corrective price uplifts or core investment, for example, organisations led by and for the people they work with. Pricing and payment terms account for and seek to correct these dynamics.
- **Prices track inflation:** financial risk does not sit with VCFSE organisations where it can make delivery unsustainable over time.
- **Size according to potential bidders:** if necessary, break down services into smaller lots to allow smaller VCFSE organisations to bid or access funding
- **Full cost recovery:** including overhead costs related to delivery, such as monitoring, management, governance, and collaboration.

## Terms of agreement

Contracts and grant agreements should be exclusively designed for the purpose of delivering public benefit. This means that they should include:

- **Co-design:** develop mutuality and fairness by co-creating terms openly through pre-funding engagement.
- **Focus on success:** create contract terms from the perspective of facilitating success, not from focusing on everything that can possibly go wrong.
- **Balanced and fair contract terms:** the basis for an effective, sustainable agreement is terms that are mutually beneficial, balanced, reasonable and fair, and supportive of purposeful collaboration between commissioner and provider.
- **Variations:** enabling delivery and relationships to continually adapt to changing context and demands
  - For example, the Plymouth alliance contract for complex needs has had 64 variations to the contract from 2019 to summer 2024.
- **Duration:** Government states that ‘where possible, commissioning should be conducted on a long-term basis to encourage consistency and security’ (Department

for Levelling Up, Housing and Communities (2021). Statutory guidance: Delivery of support to victims of domestic abuse in domestic abuse safe accommodation services. Sustaining outcomes, relationships and investment in services and systems requires continuity and assurance. Truly sustainable funding is for upwards of five years.

- **Break clauses:** create balance and flexibility by giving commissioners and VCFSE providers room for adaptation and negotiation.
- **An approach to manage challenges:** include early-stage processes for addressing arising challenges in delivery.
- **Simple terms:** easy to read, practical, and proportionate.

### **Disproportionate practice – contravening procurement and public law**

Agreements and process that are not proportionate contravene the fundamental proportionality principle in procurement law. Where process takes precedence over public benefit purpose, this contravenes public law. Contracts may become disproportionate when they:

- **Are adapted from commercialised contracts:** where more technical terms and extrinsic motivations have been required that are not relevant to VCFSE sector delivery.
- **Focus only on protecting the public authority:** and not on how to best enable public benefit outcomes through collaboration.
- **Are risk averse:** rather than being practical and focused on enabling success.

### **The system impact of short-term funding**

shorter term funding impedes public benefit outcomes by:

- destabilising workforce and service continuity
- increasing stress
- increased fundraising and bidding costs
- disrupting strategic contribution and relationships across the system
- inhibiting organisational investment and innovation.

### **The impact of procurement – VCFSEs ruling themselves out**

The CEO of an ethnic minority women’s domestic abuse service describes why their organisation may choose not to bid for a contract:

‘Tenders have a massive impact on my time. During a tender process:

- I have to free up at least three weeks in my diary and limit external meetings, making me absent from partnership spaces and policy matters
- time with managers is limited
- I can’t respond to all emails: after this last tender I had 700 emails in my inbox!’

‘Responding to this tender took up 115 hours of the organisation’s time, costing a total of £4,865. This is equivalent to six months senior advocacy support to 4.7 women.

‘On a personal note, tenders are really stressful. So much depends on getting this right and being successful. If not, services could close, staff could lose their jobs. Sleepless nights are a regular occurrence. I don’t think you can overestimate the impact tenders have on small organisations that don’t have the same infrastructure and resources to cope with tender processes.’

The impact of disproportionate procurement processes can lead VCFSE organisations to rule themselves out at the tender stage, despite potentially being the best organisation to deliver good outcomes for people and communities.

### **‘Gagging’ clauses**

A ‘gagging clause’ is wording written into a contract to prevent the disclosure of certain information.

Gagging clauses are anti-democratic in intent and inconsistent with charity law principles of the legal independence of charities. Speaking on domestic abuse provision, the All-Party Parliamentary Group on Domestic and Sexual Violence Inquiry has described gagging clauses as ‘alarming’ and ‘unfair’ (Hawkins, Sian, and Taylor, Katy (2015). The changing landscape of domestic and sexual violence services: All-Party Parliamentary Group on Domestic and Sexual Violence inquiry).

### **Intellectual property**

Intellectual property principles should be reflected in agreements:

- Generally, providers will bring ‘background’ intellectual property rights. They can choose to licence these background rights for limited, legitimate use by councils. Councils should not demand the transfer of such background rights.
- Councils can contract for the generation and delivery of new intellectual property, for example copyright for a commissioned report.

## **Step three: invite, evaluate, and agree**

### **Invite and evaluate**

Potential providers are invited to bid or submit proposals, and these are evaluated.

### **Drafting bid questions**

Questions should be focused and limited in number, seeking information about how the potential provider will deliver public benefit outcomes and how they will operate as a collaborator within the wider system.

- **There is no inherent relationship between ability to write a bid and ability to deliver outcomes:** and the bidding process structurally advantages larger, wealthier organisations with commercial marketing skills. Writing is also not the best way to communicate for everyone: many people speak English as a second language, and up to 10 per cent of the population have dyslexia.
- **To get a good answer, write a clear question:** questions should give providers the opportunity to present at their best. This means being clear what answer is required. Check wording with other VCFSE organisations to see how questions are interpreted.
- **Only ask narrative questions on what is relevant to public benefit:** there are four basic areas to ask questions about:
  - Track record – including delivery, local relationships, and how public benefit is created.
  - Approach – how the service or activity will be delivered, and key behaviours and values.
  - Engagement – how people and communities will be engaged within the service at all levels, including through co-production and representation.
  - Needs and outcomes – knowledge around context and the needs being addressed.
- **Technical and essential criteria do not need narrative questions:** these can be answered by binary pass / fail questions, or supply of necessary documents, such as safeguarding policies. Interviews can be used to explore these issues, if needed.

### **Evaluation criteria and weighting**

Weighting and criteria should be explained to potential providers, so they can plan their responses accordingly. Weighting should be proportionate to:

- the aspects of delivery, values, and behaviour understood to be fundamental to the successful delivery of public benefit outcomes, including collaborative system behaviours.
- council and community priorities and needs, as identified in research and analysis and design and readiness stages.

### **Award on quality, not price**

Within the allotted budget, services should be awarded on the basis of quality, not price, as long as the bid falls within the set budget. This split in weighting between quality and price may vary with size and nature of service. Approaches to pricing should be proportionate to the non-profit nature of VCFSE organisations and their public benefit purpose.

A sexual violence service was awarded 100 per cent on quality using the following method:

- Pass / fail criteria was applied to bids falling within the budget.
- 100 per cent of the bid scoring was attributed to quality,
- An accompanying financial questionnaire was scrutinised to ensure proposed costs were feasible, realistic, and proportionate to the proposed service delivery plans.
- Where proposed costs were considered unrealistic – judged substantially too high or too low compared with other bids – clarification was sought from bidders on how the costs were constructed.
- If the bidders' explanation was insufficient to justify the costs, the commissioner had discretion to reject the bid as unrealistic.

### Methods of evaluation

Written bids are more of an exercise in literacy and marketing than they are a true assurance of how well suited a VCFSE organisation is to deliver public benefit outcomes and sustain a purposeful collaboration with the commissioner. With this in mind, consider alternative means of evaluation:

- **Interviews:** use interviews for a more rounded understanding of the offer.
- **Lived experience:** involve people who use services and communities in designing evaluation methods and evaluation panels.
- **Alternative communications:** invite VCFSE organisations to choose preferred methods of communicating impact, approach, and relationships with people who use services – for example, audio or video recordings.
- **Deepen understanding:** seek to verify and deepen understanding through site visits, testimonies, and case studies from people who use services (being mindful to be proportionate in what is sought).
- **References:** use references ascertain values, behaviours, and potential to sustain collaborative relationships.

### Social value

Councils are required to give due regard to 'social value' under the Public Services (Social Value) Act 2012. The purpose of this is two-fold:

- recognising intrinsic social value within public benefit purpose organisations
- and incentivising commercially motivated providers to create additional social value.

These two purposes and actors have sometimes been confused. This has led to VCFSE organisations not having their intrinsic social value taken into account and being asked to provide further additional social value. For example, in a recent tender,

a local ethnic minority women's charity was asked to provide additionality on issues like recruiting apprentices, even though this would be unsafe in their work context. Another charity scored zero points against the social value section of the tender because they were not planning to donate any of their 'profits' to charity – which was the specified way that bidders had to show they were adding 'social value'.

Confusion like this fails to realise the purpose of the Act to recognise and appreciate the intrinsic social value of the VCFSE sector in its existing structure, activity and impact.

### **Tips – how to identify and engage VCFSE intrinsic social value**

- **Identify intrinsic social value that matters:** engage with VCFSE potential providers to understand what social value they already have that contributes to the public benefit outcomes. This could include collaborative behaviours within the system, or inherently creating volunteering opportunities.
- **Seek responses to these in bids:** asking for descriptions or examples.
- **Additional value:** if additional social value is sought, this is funded through full cost recovery.

### **Example of intrinsic social value: the ethnic minority women-led VCSFES working to end violence against women and girls**

These organisations create intrinsic social value through:

- drawing charitable funds to the locality
- using volunteers, including trustees
- representing lived experience in strategic spaces
- innovative, trauma-centred, survivor-led practices
- collaborative mindset and networks
- creating deep roots and trust in communities, thereby reaching women unsupported by other services.

In addition to funded outcomes, the sector supports councils' wider strategic objectives by:

- delivering eight of the 17 UN Sustainable Development Goals for 2030
- contributing to statutory duties on homelessness, safeguarding, human rights, modern slavery, equality, and ending violence against women and girls
- contributing locally, regionally, and nationally to policy, strategy, research, and representation
- successfully lobbying for greater protections for citizens through the Female Genital Mutilation Act 2003, Forced Marriage Act 2007, and Domestic Abuse Act 2021.

## Common issues to avoid

- **Grants not being considered:** because of habitual funding practice and risk aversion.
- **Missed investment opportunities:** failure to take up social investment and third party grant and match funding opportunities.
- **Misconceived application of procurement law:** contravening public law by prioritising procurement process over public benefit; and contravening fundamental procurement law principles of proportionality when not using the full permissive flexibilities of Light Touch Regime procurement.

**Unsuitable commercial contract terms:** terms copied over from unrelated commercial contracts.

Terms written around failure: lack of time to co-design terms, process and agreement, and lack of time for VCFSE organisations to co-produce with people and communities who use services.

Not planning or allotting sufficient time: failing to provide sufficient time for commissioners to undertake the many tasks of this stage; failing to give VCFSEs sufficient lead-in and time to co-produce services and maximise the opportunity for innovation.

Rushed evaluation design and untested paperwork: leading to insufficient quality in answers and unsuitable providers being selected.

## Training and support

- [Transforming Social Care – a guide to better tendering](#) – is written by the Welsh cooperative CWMPAS
- [Art of the Possible in Public Procurement](#) is a guide by Frank Villeneuve-Smith and Julian Blake about the permissive principles of UK procurement law
- [Four principles to shape grant making](#) – a blog from the Institute for Voluntary Action Research
- [Grants for Good](#) is a VCFSE campaign for better public sector grant making
- [Understanding Community Asset Transfer](#) – a guide by Locality
- A collection of [think pieces, guides and events on impact measurement and evaluation](#) from NPC
- [Social Value UK](#) is a body supporting social value impact measurement
- [Social Value 2032](#) is a programme by Social Enterprise UK to increase social value practice across the UK
- [Government guidance](#) on Light Touch Regime procurement.

# Outcomes

In this chapter:

- good practice
- relationships
- monitoring and assurance
- decommissioning
- common issues to avoid
- external support and training

## Purpose

The purpose of this stage is the successful delivery of outcomes – in other words, addressing and meeting people’s needs. This is achieved through purposeful collaboration between providers and commissioners, enabled by the functioning of surrounding systems and pathways. The commissioner and VCFSE provider’s working relationship is at the centre of this stage. A strong relationship based on trust and communication allows for adapting delivery to context; providing assurance and accountability to communities; and working alongside the wider system’s actors to continually improve outcomes. This stage represents a step change in the collaboration.

## Good practice

- **Purposeful:** commissioner and VCFSE provider are united around shared public benefit outcomes.
- **Inclusive:** co-produced monitoring frameworks.
- **Proportionate: only** collecting monitoring information that is necessary and used for assurance, learning, and understanding sustainability. Remove metrics that aren’t useful. Keep monitoring within budget.
- **Informed:** quality is assessed by drawing on various information sources. People and communities who use services and wider system actors are given opportunities to feedback on what is and isn’t working.
- **Systemic:** insights are used to understand how the system enables or inhibits



outcomes, driving improvements and informing commissioners' stewardship.

- **Flexible:** to reduce duplication, monitoring is adapted around VCFSE organisations' existing monitoring approaches and data collection systems.

## Relationships

Good outcomes for people and communities are best enabled by trust and collaboration. Commissioners trusting the intrinsic and legally binding public benefit mission of VCFSE organisations have less need to call on extrinsic motivations.

### **Commissioners' role in relationships with VCFSE partnership and consortia**

VCFSE organisations often deliver services collaboratively through consortia, alliance contracts, or sub-contracting. Commissioners can support their effectiveness through:

- **Modelling trust-based, relational behaviours:** at the top of the supply chain.
- **Avoiding prescriptive terms:** which reduce the effectiveness of collaborative working; and adapting terms, such as intellectual property, where this reflects the collaborative context.
- **Test the fairness of risk allocation within the partnership:** manage cherry picking by reviewing the volume and type of demand met by each partner.
- **Clarify why the lead partner was chosen.**
- **Shared strategic access:** encourage partners to have shared or rotating access to strategic spaces (for example, advisory boards) to make the most of diverse expertise.
- **Collaborative standards:** where available, require partnerships to sign up to relevant sector standards and available local agreements, such as a local compact.

Research from NCVO has identified a number of behaviours for organisations wanting to become more collaborative and build trust, including:

- Focusing on impact and what can be achieved together
- Judging organisations on merits and culture, and avoiding blanket assumptions
- Allowing for and learning from organisational differences
- Investing time and energy in establishing relationships early on.

Commissioners can both model these behaviours as well as encourage, support, and set an expectation for them amongst VCFSE partners.

## Monitoring and assurance

‘It is not the intention of commissioners to set performance indicators and tightly monitor providers as a ‘command and control’ tool. Monitoring and reporting arrangements will be tools for generating useful discussion and for shared problem solving within a mutually trusting relationship.’

Transforming social care: a guide to better tendering, CWMPAS

Monitoring demonstrates whether and how outcomes have been achieved and agreements fulfilled. The three grounding principles of effective monitoring are proportionality, purpose, and trust. The three objectives of monitoring are:

- **Assurance:** ensuring outcomes and agreements, including duties and standards, have been met.
- **Learning:** contributing evidence about:
  - needs and strengths of people and communities
  - what is working in practice and across the system, and where improvement or change is required.
- **Sustainability:** tracking the sustainability of services and outcomes, to ensure outcomes are sustained over time.

### Co-producing frameworks

Monitoring frameworks are co-produced by commissioners and providers so they are suitable to both parties, providing commissioners with sufficient assurance, learning, and confidence about sustainability. Gateshead Council, applying the principles of the Human Learning Systems approach, monitors providers by asking both providers and people using services three questions: is it effective, is it efficient, and is it sustainable?

#### Tip – how to co-produce a monitoring framework

- **Build on VCFSEs’ existing monitoring:** research by CIPFA identified a local authority who deemed a charity’s existing internal reporting sufficiently robust to double up as contract monitoring.
- **Use theory of change and system analysis to identify what matters:** by showing the dependent activities, behaviours, and values that indicate or create outcomes.
- **Be logical:** use NPC’s five types of data to identify the types of data to be collected.
- **Agree:** method, frequency, targets (if relevant), and reporting timeline.
- **Build a narrative understanding:** that is deeper than written monitoring

submissions by:

- Considering outcomes and activities of the service within the context of the wider system.
- Spending time in the service, including where appropriate, with people using the service.
- Supplement or replace written submissions with people's testimonies.
- **If uncertain:** use shadow metrics to gather insights into how outcomes are being generated, without requiring commissioners to apply performance measures.

### **Alternative methods of understanding impact – PhotoVoice participatory photography**

PhotoVoice, a community interest company that supports people to tell their stories using photography, was commissioned to help evaluate Scotland's first managed alcohol programme (MAP). The programme gives people experiencing alcohol dependency and homelessness a place to stay and controlled access to alcohol. PhotoVoice supported people within the service to show how the service had impacted their lives.

## Decommissioning

Good decommissioning is a planned change to either part or all of a service with the aim of putting in place an alternative that allows for new innovations or improved outcomes.

In reality, decommissioning can and has been used as a tool for cuts. While good decommissioning is evidence driven, decommissioning is also, in part, a political decision. Organisations representing marginalised communities have the least political leverage to avoid decommissioning, making equalities impact assessments a necessary scrutiny tool to ensure fairness and equity in decisions.

### **Managing challenging decisions**

Decommissioning produces costs to providers and the wider system – instability and stress, redundancies, TUPE, and loss of assets – which should be mitigated, where possible. It may provoke strong resistance. This should be listened to, even if the process is uncomfortable. It is valuable to maintain relationships developed throughout the commissioning cycle.

## Common issues to avoid

- **Lack of openness:** failing to take a relational, trust-based approach can lead to problems being poorly addressed. This can undermine good outcomes.
- **Disproportionality:** gathering information that isn't used to evaluate the service, is repetitious, or could be gathered in less time consuming manners.
- **Not using co-production:** and thus creating duplication and information that doesn't convey what is needed.
- **Not understanding what matters to measure:** failing to use a theory of change to understand the relevant factors that lead to outcomes, what the system needs to know, and what factors VCFSE organisations can be accountable for.
- **Failing to use monitoring insights to inform future commissioning**
- **Poorly managed decommissioning processes:** which damage relationships and trust and do not follow clear and fair processes that allow affected organisations, people and communities to be heard.

## Support and training

- The Relationship Project – tools and ideas for building better relationships
- Good impact practice: five types of data – identifying what data to collect, from NPC
- Understanding your impact: using theory of change to develop a measurement and evaluation framework, from NPC
- The Government's Local Partnerships initiative has developed the Contract Management Pioneer Programme. This provides free accredited training to council staff.

# Appendices

## Appendix A: introduction

### The impact of transactional commissioning and loss of grant making

Councils historically funded VCFSE organisations primarily through grants. This changed from the 2000's onwards as the 'new public management doctrine' took hold. This framed relationships between the sectors as transactional, rather than collaborative. In the 11 years from 2004 to 2015, the value of grants made by the public sector to the VCFSE shrunk by 60 per cent. These changes were heavily shaped by NHS commissioning behaviours, allowing little room for local government to develop a practice native to its own needs and context.

This cultural and practice shift negatively impacted the relationship between councils and the VCFSE sector. It also drove other negative changes, including:

- **Rising process costs:** rigid procurement processes took hold, which were often not proportionate to the inherent purpose of VCFSEs or the lack of need for competitive processes.
- **Knowledge and capacity in the system reduced:** community insights were squeezed out by the structures and processes required to support competition, leading to a reduced understanding of needs and reduced capacity to design and provide solutions.
- **Near universal violation of the 'proportionality' principle:** one of the four fundamental principles of procurement law.
- **Reduced collaboration within the VCFSE sector:** thus weakening local systems for delivering public benefit.
- **Power imbalance between the two sectors:** reducing trust and collaboration – making everyone's jobs harder.

Financial challenges, particularly cuts to local authority spending power, have made it hard to mitigate these consequences or have scope to explore new ways of working. Cuts to the number of commissioners have increased pressures on the role.

The COVID-19 pandemic was a turning point. The emergency context required immediate and radical change to ways of working. Collaboration was immediate – as was a return to the use of grant funding. During the pandemic, the government launched 243 grant schemes, distributing a staggering £152 billion to the voluntary and community sector, businesses, and individuals (Agnew, 2021). Councils across the UK engaged in rapid, collaborative grant funding programmes, with positive impact on public benefit outcomes and on the quality of council and VCFSE relationships.

## Appendix B: commissioning

### The building blocks of commissioning

There are a set of recurring themes – ‘building blocks’ – throughout all commissioning of all public service areas where VCFSE providers predominate. These issues are the central considerations at each stage of the commissioning cycle (figure eleven).

<b>Outcomes</b>	User and community outcomes Statutory and strategic requirements
<b>Needs and strengths</b>	Population Cause and characteristics Scale and trends Unmet needs Strengths and expertise
<b>System and service quality</b>	Service System Performance management Benchmarking
<b>Resources</b>	Spend Projections Third party sources
<b>Market</b>	Collate data and insights from all parties, including communities and VCFSE

<b>Opportunities and risks</b>	<ul style="list-style-type: none"> <li>Innovation</li> <li>Collaboration</li> <li>Digitisation</li> <li>Status quo</li> <li>Equality impact assessment</li> <li>Mitigation and management</li> </ul>
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**Figure eleven: the building block central themes that run through each stage of the commissioning cycle in public service**

**System change approaches**

System change approaches will vary across contexts. However, principles of collaboration, equality, trust, listening, and learning are common to all successful system change initiatives. The systems change work initiated by the public health team at Plymouth City Council, which has produced the alliance contract for complex needs, has developed the following framework of principles and methods (below).

Further insights on system change are captured in the Human Learning Systems model.

## **Key principles for system change in Plymouth**

- Change is a cultural project, rather than a structural project.
- Culture change takes time and work.
- Public servants want to do good in the world.
- To do good in the world, public servants need Mastery, Autonomy, and Purpose.
- People are often highly affiliated with their service: our role is to build bigger affiliations.
- Public servants should always be learning through listening.
- Dissonance is necessary, but not sufficient.
- Every system is unique, so bespoke approaches are necessary.
- Model what you want to see – humility, transparency, mutuality, generosity, etc.

## **Methods for system change**

- Start with the purpose: ‘what is the system set up to do, and is it doing it?’ This is often obvious from the data.
- Use listening to understand, surface, amplify, and create dissonance.
- Listen to everybody in the system. This builds shared endeavour.
- Create, iterate, and value learning spaces. Continuous learning is crucial, because without learning there can be no change.
- Be bespoke – what you did in one system might not be salient in another.
- Take a curatorial role rather than command and control.
- Focus on ‘value’ rather than targets.
- Focus on assurance rather than performance management.



## Tools and attributes of a learning culture

<b>Attributes to develop</b>	Transparent, communicated and shared approaches around risk and failure – with a purpose of supporting piloting and improvements.
	Active identification and mitigation of biases and power imbalances.
	A ‘psychologically safe’ space for stakeholders.
<b>Enabling tools</b>	Upskilling in facilitation, research and analysis
	System-wide learning priorities
	Reflective learning practice within teams and stakeholder groups
	Pilots and relationships with innovation funders to trial improvements
	Standing items on agenda for system feedback and learning and research projects
	Open-innovation forms, learning seminars and practice visits (locally and further afield)
	Incentivise learning and curiosity through job descriptions, annual appraisals, prizes and internal communications
	Senior staff set tone, communicate impact, and encourage managers to prioritise learning.
	<b>Create a culture of learning and curiosity</b>

**Figure 12: Tools and attributes for a commissioning learning culture supportive of purposeful collaboration.**

## Appendix C: set up

### Influencing internal stakeholders

No argument is won on the basis of evidence alone. You need a mix of relational skills and data and insights to influence internal stakeholders.

#### **Tips: influencing internal stakeholders**

- Identify who you need to influence, their role and their priorities and concerns. Get to know them – what keeps them up at night?
- Invest time to build rapport and personal relationships.
- Create a shared purpose.
- Be present: act early to influence thinking on your area well before decisions are made, and be present in all the spaces (such as committees and forums) where your subject is discussed and decided on.
- Identify tensions and diverging priorities that arise from people's roles, and try to unite thinking around your priorities.
- Create empathy through face to face meetings and updates on developments and successes.
- Be system focused – develop business cases that cost the impact and value to the wider system, and consider the potential of demand reduction.
- Think about the kind of information that will persuade. For example, user voice and user journeys are a powerful means of validation.
- Draw on external independent thinking to validate ideas.
- Being able to 'speak the language' of different services builds trust and respect and enables validity (and don't be too 'corporate').
- Use data to build your story, and share knowledge so it is not exclusively owned.
- Make people confident in your capabilities: one commissioner described winning the trust of their procurement team by sharing how they had successfully managed large scale European grants over many years.
- Make people confident in your expertise: maintain your skills and knowledge so you can speak authoritatively around best practice provision and stakeholders, relevant legislation, internal strategies and projects, and internal procurement rules.
- Make people confident in your impact: highlight your successes and additional value.
- Financial literacy is valuable: if you can demonstrate your understanding of local financial pressures and priorities, this creates trust that savings will be prioritised and budgets will be managed.

## Influencing councillors

### Tips: influencing councillors

- **Start with the vision and relevant cabinet member:** enable the cabinet member to shape the vision through one-to-one meetings.
  - The Cabinet Member can then shape this vision further with the Leader and the Cabinet.
  - Attend informal Leaders and Cabinet briefings to build awareness of the vision.
- **In a commissioning context, make sure there is a clear line of influence:** this helps ensure that subsequent funding decisions are not open to influence, once vision is agreed.
- **Practical hooks:** build into the vision practical points of engagement for councillors, such as community budgeting exercises, through which you can engage ward members across the political spectrum (if appropriate).
- **Engage Scrutiny:** once projects have started to be delivered, engage scrutiny to review the project.
  - Work with scrutiny officers so that they are well informed about the wider vision when they brief scrutiny chairs.
  - This helps ensure guidance and challenge in scrutiny review is relevant and helpful and enables the council to maintain commitment to the project.
- **Appeal to different councillors:** councillors are individuals with different interests, who are responsive to different types of information. Some are motivated by stories, other more by data. Adapt information and communication style to suit.
- **Respond quickly to councillors:** prioritise responding to councillors' emails.
- **Build external accountability:** running projects and commitments through the sightlines and processes of partner organisations and public consultation creates greater visibility and anchors political buy-in. Councillor engagement increases when ideas are socialised with partner organisations and come up in meetings and conversations.

## Governance of commissioning projects

### Tips: commissioning governance

Effective governance values and facilitates the input of different perspectives from internal parties, the VCFSE sector, and communities.

- **Respect lived experience:** make decisions as close to people and communities as possible, giving people decision-making power where feasible.
- **Involve the right people:** include people who have the skills, understanding, and authority to make decisions
- **Define clear roles:** everyone should understand their role and have the opportunity to feedback on whether their contributions feel meaningful.
- **Record decisions:** keep records of decisions and their rationale, and cascade decisions to relevant parties to ensure that they are actioned.
- **Ensure accountability:** put accountability mechanisms in place to ensure decisions are fair and equitable to equalities groups.
- **Empower your senior sponsoring officer:** a commissioning project will have a senior lead, with authority to make decisions and ability to advocate for those decisions at the necessary levels. Enable this lead to be effective by:
  - Providing a role description – including behaviours, knowledge, and availability.
  - Supporting them to make decisions, and scheduling check in points to sustain their engagement.

## Appendix D: research and analysis

### Research questions

Figure thirteen: Research questions for each of the building block commissioning themes.

#### Outcomes

- What outcomes are delivered? Where is progress strongest?
- How did outcomes differ from intentions, and why? What unintended outcomes occurred?
- What outcomes matter most to users and communities?
- What outcomes are needed across the whole system? What enables and inhibits these?
- What outcomes are required under corporate plans and statutory duties?
- What are the equalities outcomes we want?

## Needs

- How do users and communities describe their own strengths and needs and how these are enabled or inhibited by context and systems, including inter-personal relationships?
- What are hopes and drivers for users? What is the impact of users' needs on their wider lives, including their socio-economic opportunities, wellbeing and inclusion?
- What are the characteristics of our user group: location, shape of need, strengths, demographic characteristics, statutory entitlements?
- Are there any segmentations in the user group which can be resourced differently?
- How do segments of the user group use services differently: duration; access; engagement; volume; rates and types of outcomes; barriers?
- Do marginalised groups have specific needs? Do these differences make them priorities?

**System  
and service  
quality**

- What impact is the wider system having on service quality?
- What works well in the current service? What is essential (activities, behaviours, attitudes) to achieving outcomes?
- How do need, strengths and outcomes result from different parts of the system/service?
- What does not work well and why?
- Are there opportunities to reduce demand through earlier intervention?
- Are there services elsewhere achieving better results, and why? Are there options for doing things differently?
- Commissioning approach:
  - Were outcomes understood by all parties?
  - Did the agreement allow for a timely and effective relationship? Were incidents, breaches or disputes resolved? Were variation clauses sufficient?
  - Was the model of resourcing and agreement the most suitable for outcomes and the service?
  - Were payment terms and prices sustainable and suitable? Did they have negative impacts?
- Map the system: what are the interfaces, pathways, bottlenecks, points where needs are positively or negatively affected; points where outcomes occur; points of reception; and values, qualities and behaviours which determine outcomes and their sustainment?

**Resources**

- What is the total volume of demand and spend?
- How much demand is not being met? How is this projected to change over five-10 years? What will be its impact?
- What are the unit costs relevant to understanding future spend?
- How will demand and unit costs affected by political, economic, sociological, technological, legal and environmental (Pestle) factors?
- What are the system-factors driving spend and what levers are there to affect these?
- What will future demand look like: timing, duration, nature (severity, repetition), outcomes and rates of success; location?
- What does this mean for the future projection of demand? How does this vary across user groups and equalities groups?
- How will this affect total cost and cost per activity/outcome?
- What are the available community resources, including trust and foundation funding, which can be secured?

**Potential providers**

- What assets, volunteerism, and specialism is there in the VCFSE relevant to the system and outcomes?
- Who are the potential providers, and do they have a track record in meeting the needs of all user groups equally?
- What is the profile of potential providers: track record on outcomes, technical skills and capacity to innovate, reputation with users and communities, governance and risk compatibility, capacity building needs, strategic alignment and attitudes?
- Do potential providers understand council's needs and priorities?

- What are the future political, economic, sociological, technological, legal and environmental (Pestle) risks and opportunities that may affect outcomes?
- What are current realised and potential risks to users and communities? How do these compare with the risks of innovation and change?
- Opportunities: what is the potential for:
  - Adopting innovation from others?
  - Piloting changes/new approaches?
  - Collaboration in governance and delivery?
  - User-led/community-led delivery?
  - Digitisation?
- What is the equality impact assessment of the current system and service?

## Appendix E: design

### Case study: We Are Juno: co-designing not-for-profit transformation of children’s residential care in Liverpool City Region

Every day in the Liverpool City Region Combined Authority (LCRCA) a child is taken into care. However, the national crisis in the children’s home sector has led to children receiving worsening care and increasingly being placed far from home. There has been a worsening of children’s health, increasing breakdown of placements, and of missing children episodes.

As well as the human costs associating with these failings, placement costs to councils have been rising despite the lowering standards. Nationally, costs to councils for residential care home placements rose by 3.5 per cent above inflation between 2016 to 2020.

Wirral Council children’s services identified the dominance of private sector provision – nationally accounting for 83 per cent of residential care placements – as a root cause of these issues. In response, Wirral and the five other councils of LCRCA – Halton Borough Council, Knowsley Council, Liverpool City Council, Sefton Council and St Helens Borough Council – worked with non-profit public service design agency, Capacity, to develop a new strategy for local, not-for-profit residential children’s care.

Co-designed with children and young people in care, the design process resulted in the formation of a new community interest company, We Are Juno, in 2020. Juno’s



mission is to create a network of high quality, not for profit residential children's homes to serve the communities of Liverpool City region.

We Are Juno was established with a £1 million loan from Wirral. Further grants from charitable trusts and foundations and a £800,000 grant from LCR have supported continued development. A partnership approach is taken to governance, incorporating council and VCFSE representation, including the social enterprise Catch 22.

We Are Juno opened its first residential home in May 2023, with the second and third homes scheduled to open by spring 2025. Mayor of the LCRCA, Steve Rotherham, says that 'the development of these homes will play an important role in improving the mental and physical health of children living in them, while contributing to further positive outcomes.'

## Appendix F: resourcing

### The impact of competition

#### **Procurement law's distorted origins: competition law**

Procurement law originates in competition law, with the intention of preventing the unfair distortion of market competition in public expenditure, for example, by preferential treatment of one potential provider over another. These roots - exacerbated by the transactional ideology of new public management beginning in the 1980s - have come to drive procurement's purpose away from public law's focus on enabling public value.

This distortion towards competition has fragmented relationships and fundamentally inhibited potential collaboration between councils and the VCFSE sector. Even where procurement regulations allow flexibility and relax prescriptive procurement procedure for social services, the dominant atmosphere of procurement remains commercialised market competition - a distorting starting point for purpose-driven, collaborative efforts to achieve social outcomes.

#### **Why competitive markets are not a relevant frame for most VCFSE commissioning**

- As a non-profit sector intrinsically motivated by public benefit - and legally required to deliver public benefit in their stated mission - the VCFSE is not motivated by the same incentives as profit-led sectors.
- The VCFSE is collaborative by nature, not competitive.
- Often there is no 'market' but only one or few potentially capable providers for a service or activity, making competition an unnecessary cost.
- 'Social value' considerations in competitive processes remain in their infancy, with not yet enough value awarded on intrinsic social value of non-profit public benefit organisations.

## **Alliance contracting**

The social enterprise Ideas Alliance is leading on development of alliance contracting models. While different in all contexts, an outline of one way to develop an alliance contract is set out below. Helen Sharp, co-founder of Ideas Alliance, describes communication and support as two necessary tools to enable the process to help people to approach their roles and relationships differently.

### **The Ideas Alliance approach to developing an alliance contract**

- The whole process is co-produced: equal, listening, collaborative.
- Begin with the original providers, commissioners, and key system partners;
  - come into a room together and do a look back at how things have been, and a look forward, surfacing challenges and opportunities
  - common issues will emerge, and the group will start understanding the system differently and building consensus.
- Begin an appreciative co-design process that is open to everyone interested – including wider partners, people who use services and their families, communities;
  - use story-telling to understand what has worked well
  - use a creative approach to dream about what could be so that people design from abundance rather than scarcity and limitation.
- Resulting from the co-design process are;
  - outcomes which matter to everyone, and are grounded in the lived experience of people who use services
  - qualities necessary for services and the system to generate these outcomes
  - a service specification and objectives for the alliance contract.
- Create an inclusive governance leadership team in which everyone – including commissioners and providers – has an equal say;
  - this promotes transparency, which can be challenging at first
  - shared purpose and value-based decision making
  - shared accountability for risk and opportunities
  - a deeper level of collaboration which drives the alliance and achievement of outcomes.
- Another commissioner sits outside the alliance – they have the role of contract assurance on behalf of the council.
- Beneath the governance team is the operational leadership and delivery teams.

## Case study: £2m savings to Somerset County Council through co-design and joint partnerships

A partnership with the charity Shaw Trust has saved Somerset children's services £2 million through improved outcomes in the past year.

The partnership, secured through a competitive dialogue procurement to identify a collaborative partner, was created to respond to worsening outcomes and rising costs in the placement of children and young people in care. A lack of local quality provision meant children were being placed increasingly far from home, and children's crisis admissions to hospital, episodes of going missing, and breakdown of placements were all increasing.

Wanting to reduce these harms, Somerset began co-designing a solution in 2021, working alongside children, young people, and families with lived experience of care. This built political commitment to support fundamental change. To develop their options and solutions, Somerset began market testing ideas with 13 locally experienced VCFSE organisations before entering into formal competitive dialogue with eight.

The competitive dialogue process enabled Somerset to develop the detail of their solution, the delivery specification, including the housing model and approach to therapeutic services, and a financial model which would enable sustainability of placements for those children in highest need by guaranteeing providers full cost recovery.

The specification was tendered, and four bidders responded. In October 2021, the Shaw Trust and Somerset entered into a £70 million 10-year joint partnership, with children and young people continuing to be involved in co-design and strategy.

The partnership is delivering:

- ten new children's homes by the end of 2024 – the first two opened in February 2023
- a new fostering service offering 20 high-needs placements
- two new therapeutic education sites offering continuity while children and young people reintegrate into mainstream schools.

The partnership continues to evolve in response to needs. It has secured money for move -units and is exploring the potential of a specialist unit for children and young people during crisis.

## Case study: sustaining collaborative community-led outcomes across procurement cycles

In Calderdale, a radical community-led movement of people using drug and alcohol services developed, hosted in the basement of Halifax and District YMCA. Beginning as a breakfast club for people in recovery, the group's ethos was contrary to the then-clinical approach to opiate and other active substance misuse.

Over time, the group grew to 300 active members, becoming known as the Basement Project. This growth was aided by capacity building small grants and training from Calderdale Council public health.

The Basement Project began informally working with the specialist complex needs charity, Humankind. Led by Humankind, together they successfully secured the contract for the public health integrated drug and alcohol treatment and recovery project, valued at approximately £4 million, in 2015.

This contract enabled closer working – purposeful collaboration – between the VCFSE organisations and commissioner. The service won awards and has been cited for its good practice in From Harm to Hope: a 10-year drugs plan to cut crime and save lives, published by the UK government in 2021.

Reissuing the contract in 2024, Calderdale public health made a non-competitive award to the Humankind and Basement Project alliance, following an eight-day standstill period. This was in response to there being no suitable competition for the contract locally. This approach was an efficient procurement process in which the relationship between council and provider was reviewed and strengthened under new terms, and was not disrupted by unnecessary competitive processes.

Under the new contract, Basement Project's community-led, strengths-based component has grown from 15 percent to 40 per cent of delivery. Outcomes continue to be excellent in terms of numbers of people in treatment, reduced deaths, and reduced re-offending rates. The service has been rated Outstanding by the Care Quality Commission.

## Case study: using direct award procurement to save councils £8.5 million through social investment partnerships

The Single Homeless Prevention Service (SHPS), led by the London Borough of Brent, has saved £8.5 million in reduced homelessness costs across six London councils. An independent evaluation showed SHPS saved a further £23 million to the wider social economy, including other public services.

SHPS was developed as a joint venture to prevent and alleviate homelessness between Brent and the social investment intermediary, Bridges Outcomes Partnership, in 2017. It aims to increase investment into the system, giving councils protection and assurance over long-term outcomes, through the use of social investment and an outcomes-based contract.

Bridges acts as a specialist intermediary. When SHPS began in Brent, Bridges secured £1.4 million in social investment, managing delivery of outcomes through homelessness specialist charities Crisis and Thamesreach.

Success of SHPS drew interest from 13 other London councils, with five choosing to pursue the collaboration: London Boroughs of Enfield, Hackney, Waltham Forest and Ealing. Bridges secured a £4.2 million Life Chances Fund grant to expand the work. A transparency notice was issued (then known as a Voluntary ex-Ante Transparency Notice under the Public Contract Regulations 2015) to enable any other suitable providers to come forward. No competitor organisations were identified, so a direct award was made to Bridges.

As of May 2024, the service has achieved positive housing outcomes for 7,025 people who were homeless or at risk of homelessness. The same model has been replicated across five councils in Norfolk using a shortened one month procurement process. The project is now delivered by Bridges with Crisis, Hestia, Single Homeless Project, and the Benjamin Foundation.



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