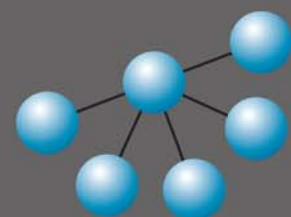




Evaluation of the National Programme for Third Sector Commissioning Baseline Report



February 2008



SHARED INTELLIGENCE
1 Fitzroy Square London W1

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1. INTRODUCTION

Purpose of the report

- 1.1. This Baseline Report is the first report from the outcome evaluation of the National Programme for Third Sector Commissioning.
- 1.2. The baseline research centred on quantitative surveys of third sector organisations (TSOs) and of commissioning organisations. The research explored current commissioning practices and attitudes to third sector involvement in public sector commissioning. This can be used for two purposes:
 - to provide a baseline against which to measure change over the course of the Programme (follow-up surveys are planned in spring 2009); and
 - to help design and focus the Programme so that it meets the needs of public sector commissioners and third sector organisations.

National Programme for Third Sector Commissioning

- 1.3. The National Programme for Third Sector Commissioning was announced in *Partnership in Public Services: an action plan for Third Sector involvement*, which was published by the Cabinet Office in December 2006. The Programme is hosted by the Improvement and Development Agency (IDeA) on behalf of the Office for the Third Sector (OTS). It is led by a Programme Board, including the Programme Director and key individuals from IDeA and OTS, and supported by an Advisory Group consisting of key third sector organisations and representatives from six key government departments.
- 1.4. The Programme's vision is to engender "*better public outcomes for individuals and communities, which yield efficiency gains and community benefits, through smarter, more effective and innovative commissioning, and optimal involvement of the third sector in public service design, improvement and delivery and holding the public sector to account.*"
- 1.5. The Programme is intended to contribute to this vision through delivering the following benefits:
 - implementation of policy to include greater involvement of the third sector in the shaping and delivery of public services by the most significant 2,000 commissioners;
 - high-quality commissioning that enables the providers to meet the needs of local communities and service users;
 - processes that set out what is necessary to involve the third sector in service design, improvement, delivery and holding the public sector to account;

- improved access to service delivery for smaller third sector organisations;
- recognition of the third sector as a partner in designing services and a constructive campaigner for change; and
- a comprehensive package of training on what the third sector can offer.

Evaluating the Programme

- 1.6. The Programme is being evaluated by Shared Intelligence. The evaluation is designed both to **assess the Programme's outcomes** and impact on the involvement of the third sector in commissioning and **learn about 'what works'** in improving this involvement.
- 1.7. In order to assess outcomes, we have developed indicators that measure both 'hard' factual data about commissioning practices and involvement in commissioning and 'softer' attitudinal data such as perceptions of the third sector, views on commissioning and understanding between sectors. The evaluation is designed to measure change in attitudes and seek evidence of behaviours and practices that reflect such change. We will also look at change in actual involvement of the third sector in all stages of commissioning.
- 1.8. The evaluation comprises three main elements:
 - **Baseline research and analysis (August to December 2007)** – to record and understand current commissioning practices, attitudes to/of the third sector and opportunities for its involvement in commissioning. The findings of this stage are presented in this report. The baseline research included quantitative surveys of commissioners and TSOs, supplemented by focus groups and qualitative stakeholder interviews. More information on those participating in the research is given in Chapter Two.
 - **Case studies of four 'commissioning communities' (March to December 2008)** – to understand and track the process of change through which the Programme's activities improve the involvement of the third sector in commissioning.
 - **Outcome research and analysis (January to April 2009)** – to compare the situation after the Programme has been running for 12-18 months with the baseline and collect feedback on the usefulness and impact of the Programme. At the end of this stage, all the evaluation data will be drawn together to give an informed assessment of the Programme's impact and effectiveness.

Structure of the report

1.9. Following this introduction, the report is structured as follows:

- **Chapter Two** gives a breakdown of survey respondents and other groups contributing to the baseline research;
- **Chapter Three** explores views on involvement of the third sector in public sector commissioning in the context of a fast changing policy environment;
- **Chapter Four** uses the baseline surveys and qualitative research to explore current levels of involvement of the third sector in commissioning;
- **Chapter Five** takes each of the Eight Principles of Good Commissioning in turn and looks at how far they are currently embedded in practice;
- **Chapter Six** explores barriers to involvement;
- **Chapter Seven** identifies public and third sector needs for skills development, awareness raising and capacity building, to improve commissioning; and
- finally, **Chapter Eight** includes our conclusions about what the research says and what we think this means in terms of implications for the Programme as it develops.

1.10. A separate Summary Report is also available, drawing out key findings from the baseline research under thematic headings.

2. WHO CONTRIBUTED TO THE RESEARCH?

Who did the surveys go to?

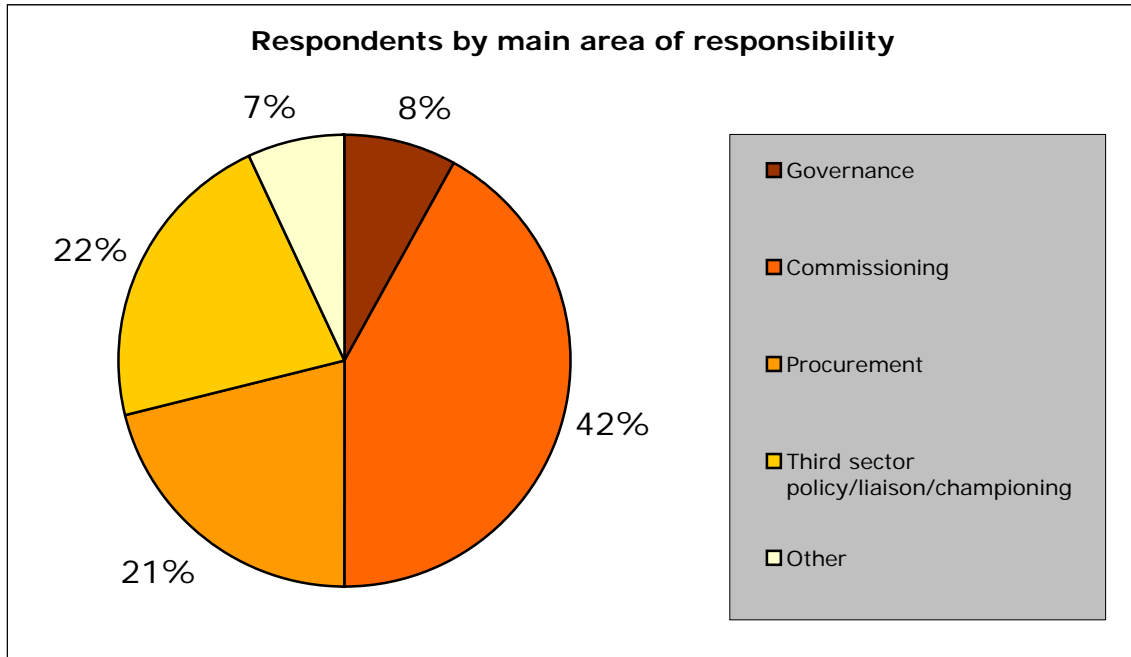
- 2.1. Separate surveys were sent to commissioners and third sector organisations. A snowballing method was used to distribute the survey. This means that respondents were asked to send the survey to other colleagues within their organisations who had a role in commissioning, and to other organisations who would be interested in responding.¹
- 2.2. As such, the commissioners' survey was sent to:
 - Seven central government departments;
 - 389 Local Authorities;
 - 150 Primary Care Trusts;
 - 10 regional NOMS;
 - 42 sub-regional Learning and Skills Councils; and
 - 12 regional Legal Services Commissions.
- 2.3. The survey was sent to Chief Executives or senior managers, who were asked to pass the survey on to relevant people in the areas of governance, commissioning, procurement, and third sector policy/liaison.
- 2.4. The third sector survey was sent to:
 - 332 local and regional CVS's; and
 - 10 regional Development Trusts.
- 2.5. It was also sent to voluntary and community organisations across the country through national organisations including NCVO and BASSAC. These organisations were asked to cascade the survey to organisations on their databases. We requested that the survey be sent to Directors and Chief Executives, who were asked to complete the survey themselves and/or pass it onto other staff or volunteers with a responsibility for fundraising, as well as trustees and board members.

Who responded to the commissioners' survey?

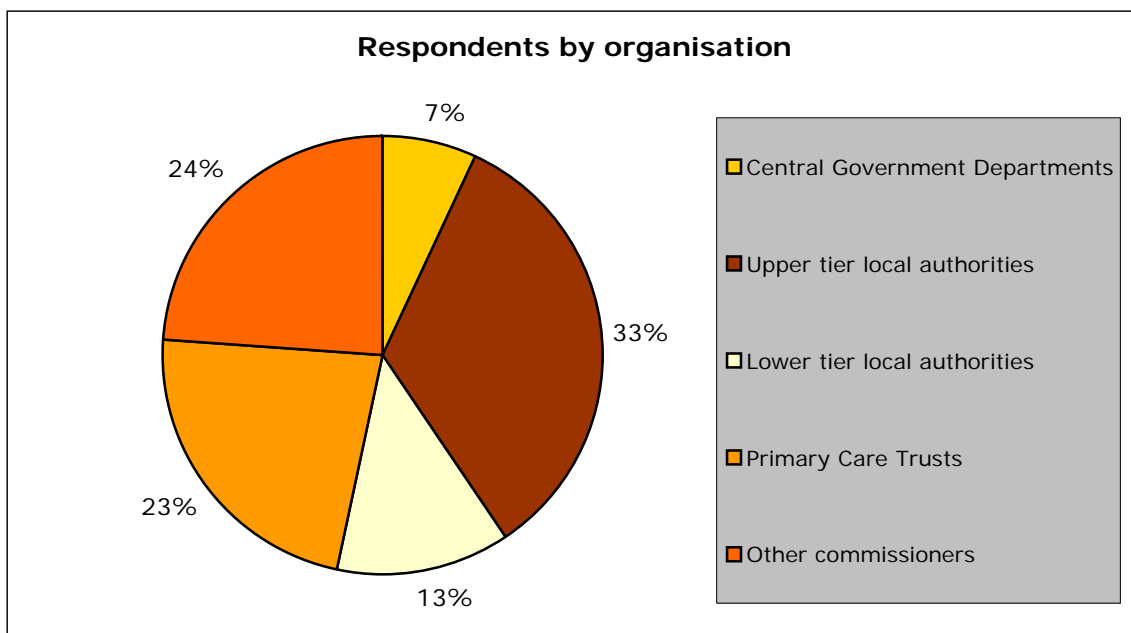
- 2.6. 162 responses to the survey were received from commissioning organisations.

¹ The method of distribution means that it is not possible to calculate a response rate, since we cannot track the total number of organisations and individuals who received the surveys. However, it was felt that in order to get the surveys out to the largest possible number of consultees, cascading it through organisations would be the most effective way of distributing it.

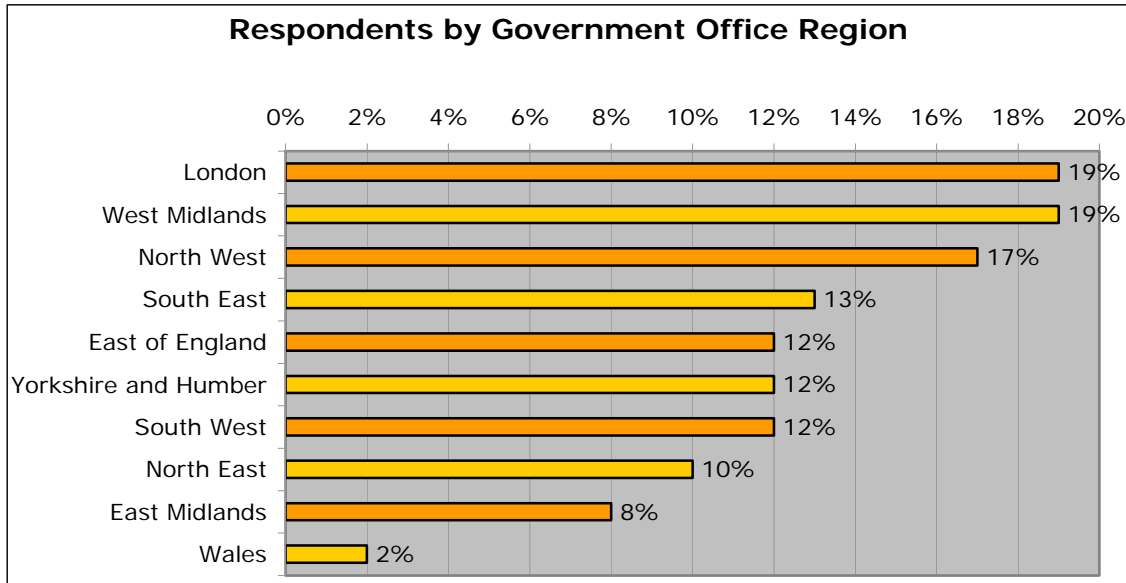
2.7. Responses from commissioning organisations came mainly from commissioners (42%), but there were also a sizeable proportion of respondents involved in procurement (21%) and third sector policy, liaison and championing (22%) roles. A relatively small proportion (8%) were in governance roles.



2.8. There was also a relatively good spread by type of organisation, with a third of respondents (33%) coming from upper tier local authorities and just under a quarter (23%) from PCTs. The remainder of the breakdown can be found in the chart below.

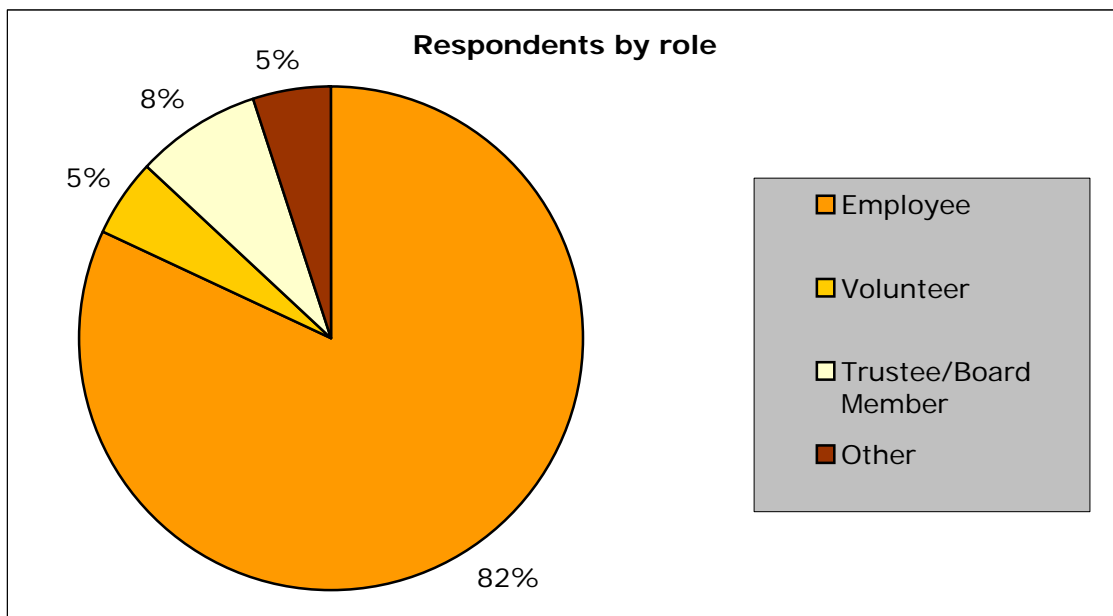


2.9. The highest proportion of respondents were based in London and the West Midlands, but there was relatively good representation across all the English regions, as illustrated in the chart below.



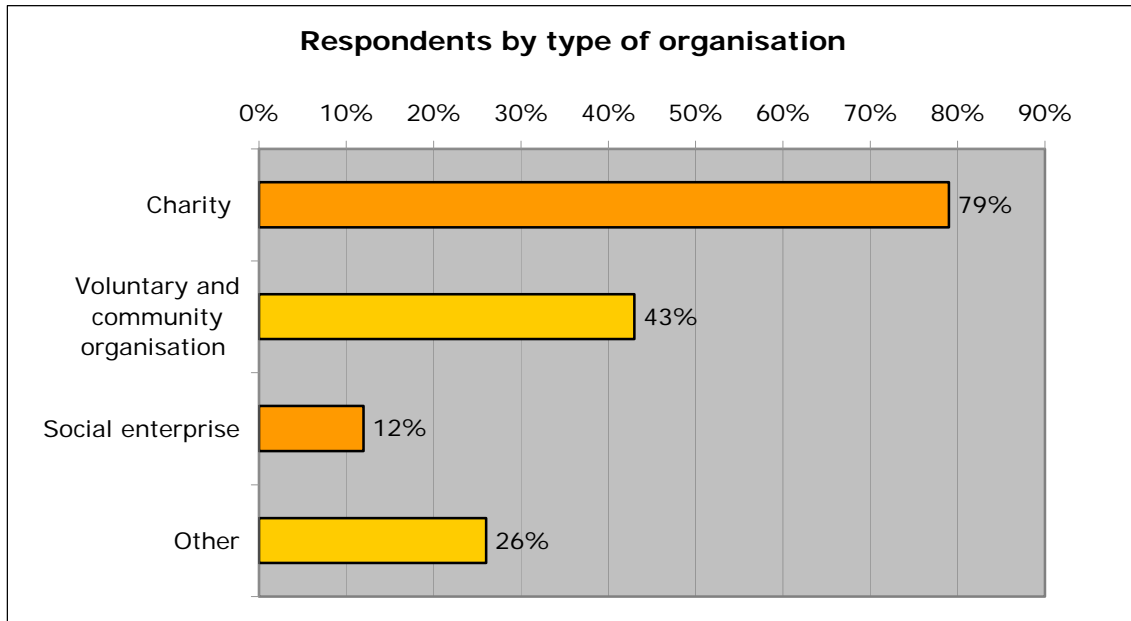
Who responded to the third sector survey?

2.10. There were 417 responses to the survey from third sector organisations. The majority of respondents (82%) were employees; a small proportion (8%) were volunteers, trustees or board members.

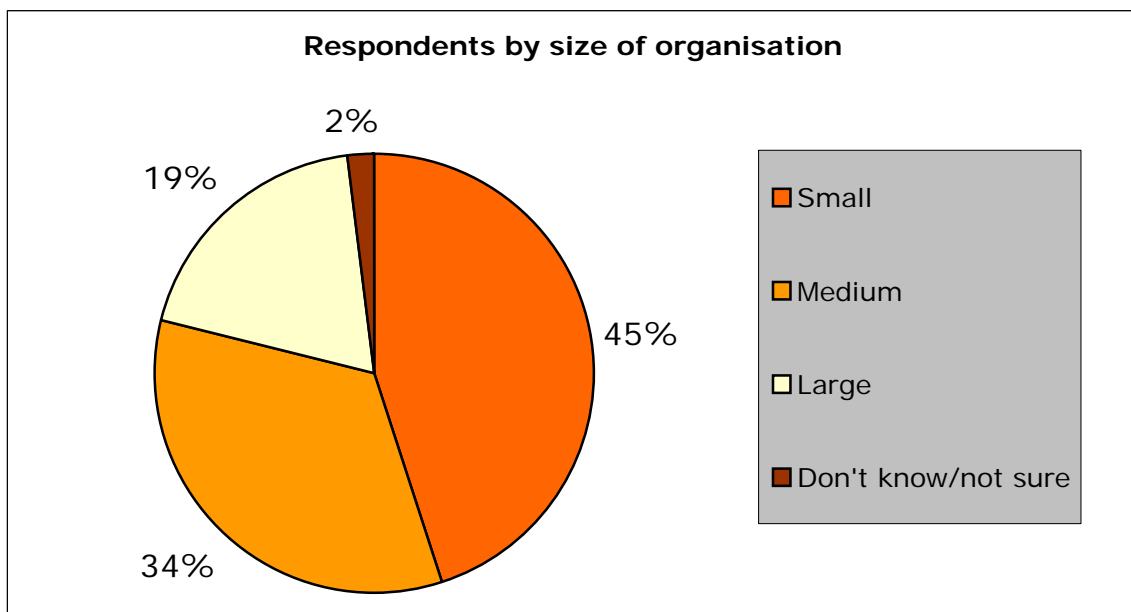


2.11. The vast majority of respondents (79%) defined their organisation as a charity and a sizeable proportion (43%) as a voluntary and community organisation. While 12% were social enterprises, other organisations included

community businesses, community interest companies, development trusts and social action centres.²



2.12. Just under half (45%) of respondents were from small third sector organisations (categorised as under 10 full time equivalent employees), a third (34%) medium sized organisations (10-50 FTE employees) and 19% large organisations (over 50 FTE employees).



² As these categories are not necessarily mutually exclusive, respondents could choose as many answers to this question as applied.

Qualitative research

- 2.13. Following the analysis of the baseline surveys, we facilitated five focus groups of different survey respondents to explore key issues in more depth.³ These were:
- Public sector: commissioners, procurement officers/heads, and third sector policy/liason officers and champions
 - Third sector: employees and volunteers
 - Third sector: trustees and board members
 - Mixed public and third sector: health and social care
 - Mixed public and third sector: employment and training
- 2.14. In addition to the focus groups, we carried out 15 interviews with key stakeholder organisations, including a sample of those on the Advisory Group. These included representatives from:
- Communities and Local Government
 - Department of Health
 - Department of Work and Pensions and Jobcentre Plus
 - Department for Innovation, Universities and Skills
 - Department for Children, Schools and Families
 - Ministry of Justice
 - Home Office
 - Office of the Third Sector
 - Capacitybuilders
 - NCVO
 - BASSAC
 - Foyer Foundation
 - Home Start
 - IDeA
- 2.15. This combination of data has been analysed to produce this report.

³ On the recommendation of the Programme Board and Advisory Group, a further focus group with BME third sector organisations will be carried out to complete the baseline.

3. VIEWS ON COMMISSIONING

Introduction

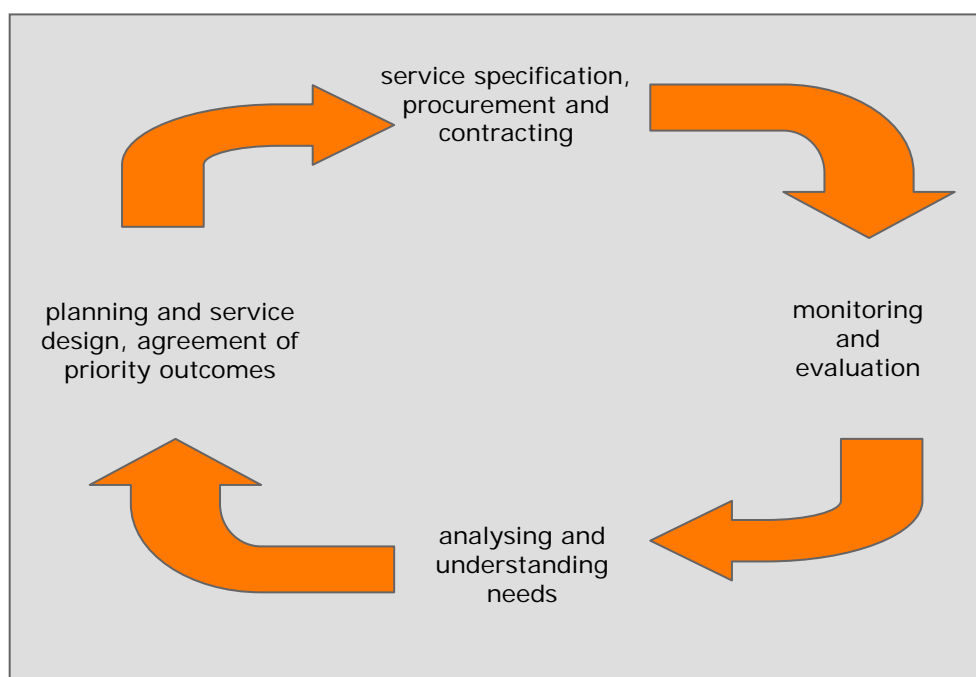
- 3.1. Third sector involvement in the commissioning of public services is becoming increasingly high profile within government policy. Yet it is a complex agenda and can be politically charged. The baseline research highlighted some differing perceptions and understandings of commissioning and its implications for the public and third sectors.
- 3.2. We discuss these issues before exploring the detailed survey findings, as they provide the context against which the baseline surveys can be understood.

What is commissioning?

- 3.3. The Programme starts from the position that commissioning can be thought of as a **strategic process**, distinct from procurement. The Cabinet Office and Office for the Third Sector's *Partnership in Public Services: an action plan for Third Sector Involvement* describes commissioning as:

'the cycle of assessing the needs of people in an area, designing and then securing an appropriate service.'

- 3.4. To complete the cycle, appropriate monitoring and evaluation of commissioned services is needed to assess whether and how people's needs have been met. This cycle is illustrated in the diagram below.



- 3.5. Advisory Group members contributing to the baseline research agreed that the distinction between commissioning and procurement is fundamental to the National Programme for Third Sector Commissioning, which looks at commissioning as a whole and not only the procurement process.
- 3.6. However, given that commissioning is relatively new to many public agencies, the perception of those contributing to the scoping research was that **this distinction is not always well understood.**

'It's a huge challenge to get across the strategic nature of commissioning and that it's not just procurement.'

Stakeholder, Central Government
Department

A shared agenda?

- 3.7. The National Programme for Third Sector Commissioning is framed within a background of increasing government commitment to greater involvement of the third sector in public service design and delivery, as well as the continued drive for service improvement and smarter commissioning, and a broader commitment to promoting a thriving third sector.
- 3.8. Recent policy developments reflect a growing recognition of the potential benefits of involving third sector organisations in commissioning, recognising the different potential roles that the sector can play: 'shaping and designing effective services, representation and advocacy, lobbying and influencing policy', as the Local Government White Paper *Strong and Prosperous Communities* puts it. The measures in the White Paper put the third sector on a more formal footing in relation to local strategic partnerships (LSPs).
- 3.9. More recently, *The Future Role of the Third Sector in Social and Economic Regeneration* (HM Treasury and Cabinet Office, July 2007), stated a clear case for the involvement of the third sector in 'transforming public services'. The *Action Plan for Third Sector Involvement*, meanwhile, described a cross-government commitment to better commissioning in partnership with the third sector, introducing eight principles underpinning good commissioning.⁴ These principles are now at the heart of the Programme (and are described in full in Chapter Five below).
- 3.10. Yet while there is broadly a shared agenda across government to increase third sector involvement in commissioning, there are nevertheless some **differences between government departments** in emphasis and objectives. The Office of the Third Sector, for example, has a clear remit to '*promote a thriving third sector*', and this is now one of the indicators underpinning government's new cross-departmental Public Service Agreements (PSAs). Creating an 'environment for a thriving third sector' is

⁴ *Partnership in Public Services: an action plan for Third Sector involvement*, p17, Office of the Third Sector, December 2006

also one of the new national indicators that local authorities can choose to include in their new Local Area Agreements (LAAs).

- 3.11. Communities and Local Government (CLG) sees a role for itself in '*creating the environment in which the third sector operates*' adding that '*the sector's strengths make it relevant to our strategic priorities*⁵. The Department for Children, Schools and Families has a specific policy to increase third sector provision to address inequalities and reach out to 'hard-to-reach' groups, which it is building into its new Third Sector Strategy and Action Plan.
- 3.12. Some other government departments see a less clear distinction between the potential contribution of the third sector and other sectors in the commissioning of public services. For example, DWP's Green Paper *In Work, Better Off* states that '*private and third sector organisations have a key role to play in delivering more specialised support [for customers]*' but does not point to a unique role for the third sector.
- 3.13. This type of difference in emphasis plays out, for example, in the extent to which different government departments see it as within their remit to invest in building capacity of the third sector provider base, and the extent to which departments are actively engaged in promoting third sector involvement in commissioning, as opposed to taking a 'sector blind' approach and more neutrally 'creating a level playing field' between providers.

An opportunity or a threat?

- 3.14. The baseline research reflected views that the shift towards commissioning may be bringing a fundamental **change in the way the third sector is funded**. Around three quarters (73%) of TSOs responding to the survey saw delivery of public sector contracts through commissioning as a key opportunity for the future. Yet the scoping interviews and focus groups also highlighted that the implications of commissioning mean it can be politically sensitive.
- 3.15. Some TSOs, for example, were concerned that in future, funding would only or mainly be tied to commissioned services. This could lead to 'mission drift' for some organisations and threaten the future of others that did not see service delivery as core to their activities. 37% of third sector survey respondents were worried about losing their independence and 41% thought that the delivery of public sector contracts would make it difficult for them to play an advocacy or campaigning role.

'There is a strong movement to refuse to be involved in commissioning – it's mission drift, acting as an agent for the state.'

Third sector organisation

⁵ *Third Sector Strategy for Communities and Local Government*, Discussion Paper, June 2007, Communities and Local Government

4. INVOLVEMENT IN COMMISSIONING

Introduction

- 4.1. The baseline research explored involvement of the third sector in different stages of commissioning, focusing on involvement in needs analysis, priority setting, service planning and design; and in delivery of public services. This chapter sets out the findings from the baseline research around current involvement of TSOs in commissioning.
- 4.2. Broadly, the research found that **the third sector was involved** - to some extent - by all types of commissioning organisation surveyed. Most of the TSOs responding had been involved in commissioning in some way.
- 4.3. Nevertheless, **frequency, level and depth of involvement in commissioning varied widely** between different commissioning organisations and service areas, and within the third sector. There was a strong sense from the baseline research that TSOs were not only a minority provider when it came to public service delivery, but somewhat a marginal partner in the early stages of commissioning as well.
- 4.4. In all stages of commissioning, **smaller TSOs were much less likely to be involved** than medium sized or large TSOs.⁶

Analysing needs, setting priorities and designing services

- 4.5. Respondents to the commissioners' survey said that they frequently involved the third sector in the early stages of the commissioning process, and most TSOs responding to the baseline survey had contributed in one way or another to service planning, design and needs analysis. Yet in focus groups, TSOs often expressed concerns that their contributions were marginalised in practice.

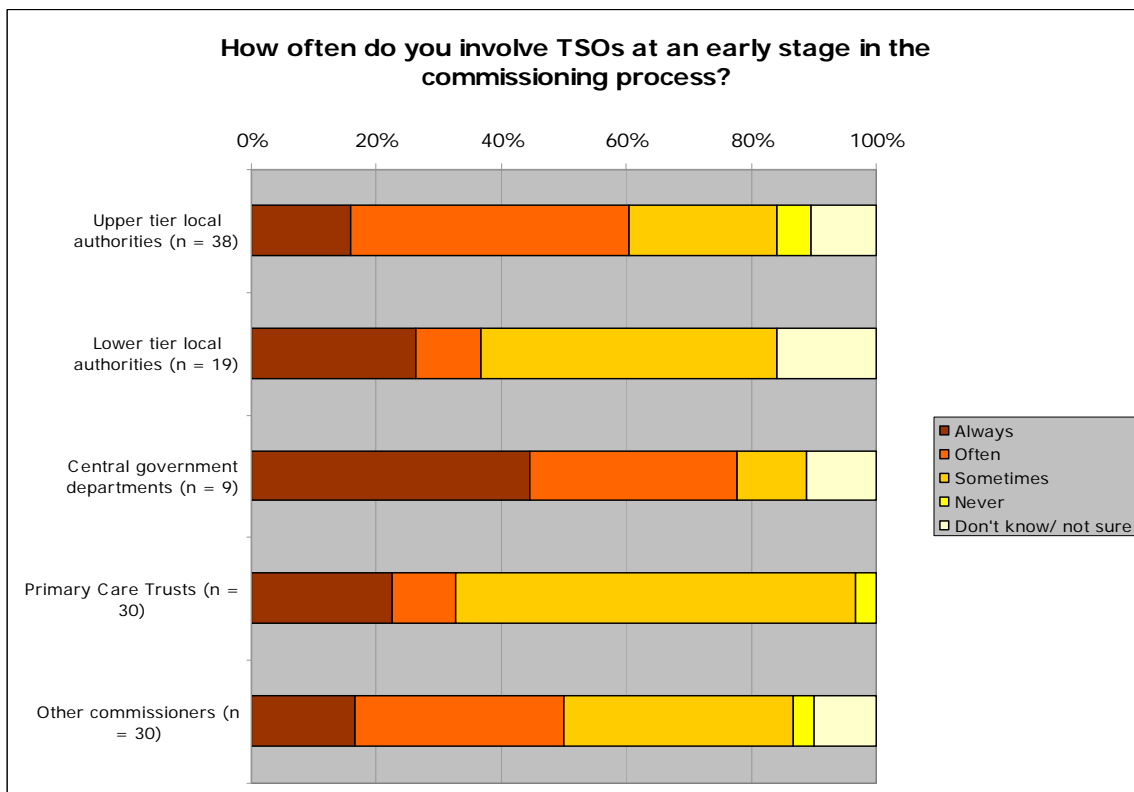
Key statistics:

- 42% of TSOs were members of local strategic partnerships (LSPs)
- 22% of TSOs had never been involved in service planning or needs analysis
- 49% of commissioners 'always' or 'often' involved TSOs in these stages of commissioning

⁶ For the purposes of the baseline research, small TSOs were defined as those with fewer than 10 full time equivalent employees; medium as those with 10 - 50 FTE employees; and large as those with more than 50 FTE employees.

How far did commissioners say they involved TSOs?

- 4.6. The **majority of commissioners said that they involved TSOs in the early stages of commissioning at least 'sometimes'**: in fact, 21% said that they 'always' involved TSOs; 28% said they 'often' involved them; and a further 38% said that they involved TSOs 'sometimes'.
- 4.7. The most common ways of involving the third sector were through specific service consultations (76% of commissioners involved TSOs in this way) and through the local strategic partnership and/or its sub groups (mentioned by 71% of commissioners).
- 4.8. There was some **variation by type of commissioning organisation**. PCTs were most likely to involve TSOs at least 'sometimes', although upper tier local authorities and central government departments were most likely to involve TSOs 'always' or 'often', as the chart below shows.



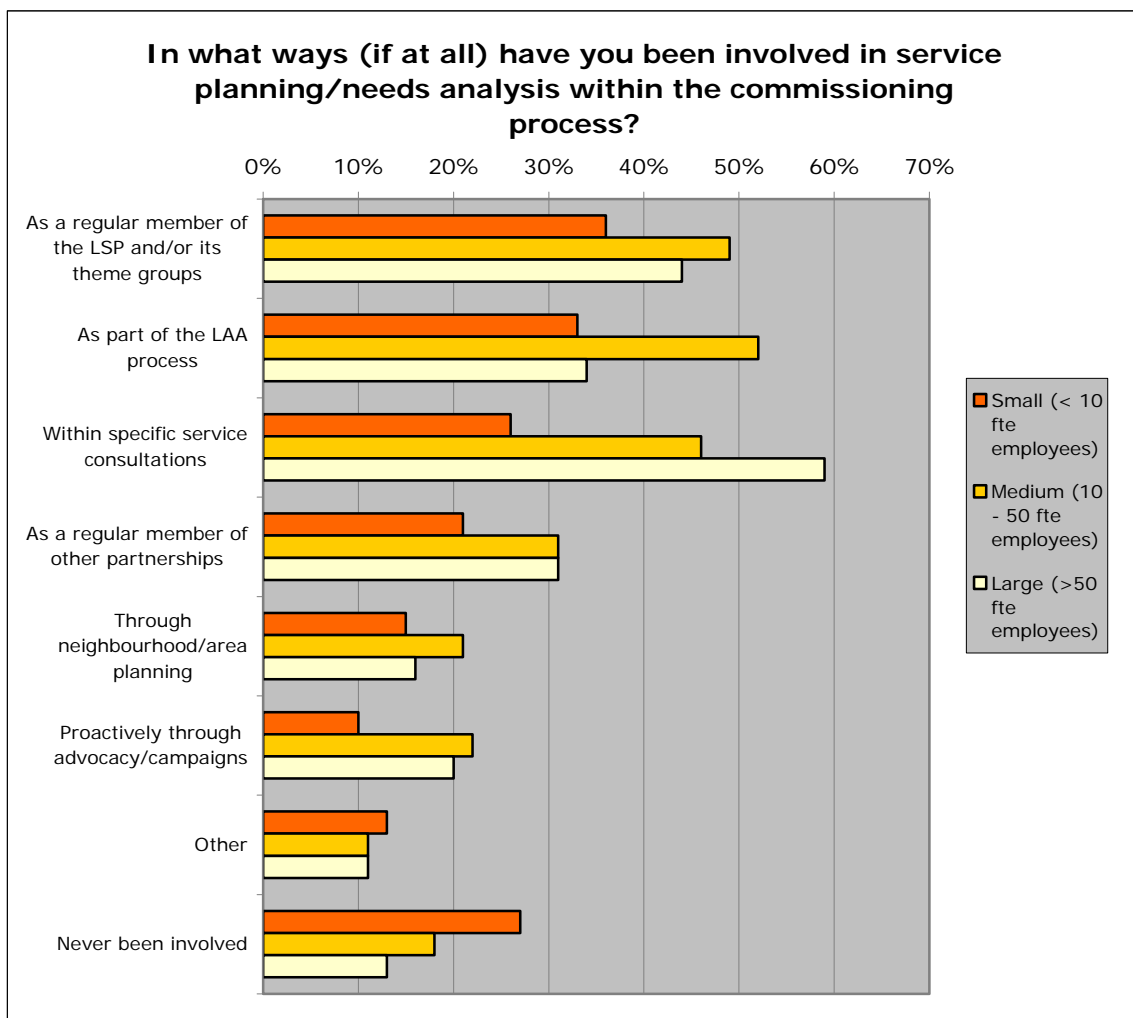
How far did TSOs say they were involved?

- 4.9. Most TSOs responding to the survey had been **involved in service planning and needs analysis in some way**. Closely reflecting commissioners' responses, the most common forms of involvement were through membership of the local strategic partnership or its sub groups (42% of TSOs had been involved in commissioning through LSPs) and through

contributing to specific service consultations (38%). Meanwhile, 26% had been involved in other local partnerships (e.g. Crime and Disorder Reduction Partnerships) and 16% said they were involved through their active campaigning or advocacy work. Overall, 22% had never been involved in early stages of commissioning.

4.10. Although these are relatively positive headlines, some important caveats emerged from the research.

4.11. To start, **smaller TSOs were much less likely to have been involved** than medium or larger ones. For example, as the chart below shows, 59% of large TSOs had been consulted through specific service consultations compared with only 26% of small TSOs. Medium-sized TSOs were the most likely to be involved in LSPs and as part of the LAA process.



- 4.12. Another key issue emerging from the qualitative research, which would warrant further exploration in the outcome evaluation, was the **perceived limited impact of TSOs' involvement**. Many TSOs felt that decisions had often already been made when they were consulted, and that they were involved just to 'tick a box'. This was a particular issue with regards to involvement on LSPs, where third sector organisations often felt that they were marginalised or their voice was not heard.

'The VCS reps are really just there as the icing of legitimacy on the cake. Half the time the decisions have already been made.'

Focus group participant, third sector organisation

'We sit on partnership boards, but are not consulted or involved in the planning... We feel very much as if we "have to be there" to tick boxes for the statutory sector.'

Survey respondent, third sector organisation

Procurement, contracting and service delivery

- 4.13. Although there is no single, reliable dataset that shows the scale and extent of third sector delivery of public services, national research by the Audit Commission suggests that voluntary organisations are increasingly earning their income through, for example, delivery of public services (some 48% of income was earned in 2004-5, compared with 43% in 2001/2), and that at least half of earned income comes from the public sector.⁷
- 4.14. The baseline research also demonstrated the scale and importance of income from delivery of public services for third sector organisations. Nearly half of those responding to the survey were already receiving funding for delivery of a public service. Nevertheless, TSOs were still a minority provider across all commissioning organisations.

Key statistics:

- 46% of TSOs were currently in receipt of funding for the delivery of a public service
- Half of the TSOs responding to the survey said that over 50% of their income came from the public sector; 16% said that public sector funding accounted for less than 10% of their income
- Virtually all commissioners said that the third sector delivered some services on their behalf

⁷ *Hearts and Minds: Commissioning from the Voluntary Sector*, Audit Commission, July 2007

- 4.15. There was again significant variation in involvement in public service delivery by size of third sector organisation. Of those responding to the survey, 69% of large TSOs were delivering public services compared with just 30% of small ones. 21% of small TSOs received less than 10% of their funding from the public sector, compared with 10% of large TSOs.
- 4.16. TSOs were most likely to be involved in commissioning within the fields of health and social care and children and young people. But even in these service areas, the third sector was **still a minority provider** - for example, 77% of Primary Care Trusts said that TSOs held less than 10% of their total number of contracts.
- 4.17. The baseline research also found a range of barriers to involvement of the third sector in delivery of public services. These ranged from ability to take on financial risk and concerns about 'mission drift' to practical barriers such as knowing when procurement processes are taking place and being able to negotiate public sector bureaucracy. These issues are explored further in subsequent chapters of the report.

5. EMBEDDING THE EIGHT PRINCIPLES OF GOOD COMMISSIONING

Introduction

- 5.1. One of the aims of the National Programme for Third Sector Commissioning is to help embed the Eight Principles of Good Commissioning that are outlined in the *Action Plan for Third Sector Involvement*. The baseline surveys included questions relating to each of the principles - most were explored through a combination of questions.
- 5.2. This chapter of the report takes each of the principles in turn and uses the research to look at how effectively they are being embedded into policy and practice.

The Eight Principles of Good Commissioning

The Eight Principles of Good Commissioning are:

- understanding the needs of users and other communities by ensuring that, alongside other consultees, you engage with third sector organisations as advocates to access their specialist knowledge;
- consulting potential provider organisations, including those from the third sector and local experts, well in advance of commissioning new services, working with them to set priority outcomes for that service;
- putting outcomes for users at the heart of the strategic planning process;
- mapping the fullest practical range of providers with a view to understanding the contribution they could make to delivering those outcomes;
- considering investing in the capacity of the provider base, particularly those working with hard to reach groups;
- ensuring that contracting processes are transparent and fair, facilitating the involvement of the broadest range of suppliers, including considering sub-contracting and consortia building, where appropriate;
- ensuring long-term contracts and risk sharing, wherever appropriate, as ways of achieving efficiency and effectiveness; and
- seeking feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local needs.

Awareness of the Eight Principles

5.3. The surveys showed that awareness of the Eight Principles was mixed, with commissioning organisations more likely than TSOs to be aware of the principles. 21% of TSO respondents and 39% of commissioners said that they were aware of the Eight Principles of Good Commissioning.

'The third sector is really able to understand what the needs are and help commissioners to come up with different ways of addressing those needs, because of their capacity for innovation and experience of working with diverse groups.'

Focus group participant,
commissioning organisation

5.4. Given that not all commissioners were aware of the Eight Principles, the research did not look at whether organisations were explicitly trying to embed the principles. Instead, the research looked at current practices to establish the extent to which they *reflected* the principles.

Engaging with TSOs as advocates to understand users

5.5. The first principle states that commissioners should engage with TSOs as advocates to build an understanding of the needs of users and communities.

Key statistics:

- 87% of commissioners agreed that the third sector understands hard-to-reach clients
- 21% said they always consult TSOs at an early stage in the commissioning process

5.6. The research clearly showed that most commissioners recognised that engaging with TSOs could help them gain an understanding of users' and communities' needs; this at least indicates a willingness to involve the third sector. Nevertheless, as Chapter Four suggests, this has not yet flowed through to consistent and meaningful engagement of the third sector in service planning and needs analysis.

'The third sector brings experience to the table ... a key benefit is the ability to reach the 'final 5%' – the most difficult, hard-to-reach cases.'

Key stakeholder, central government
department

Consulting in advance to set priority outcomes

- 5.7. The second principle encourages commissioners to consult potential providers, including TSOs, well in advance of commissioning new services in order to set priority outcomes for that service.

Key statistics:

- 49% of commissioners said that they involve TSOs at an early stage in commissioning 'always' or 'often'
- 63% of TSOs thought that public sector commissioners do not understand the contributions that third sector organisations can make in planning and delivering public services

- 5.8. The research suggested that there were a number of ways in which TSOs were involved in service planning and needs analysis in advance of new services being commissioned. Most commissioners involved TSOs at least sometimes; 21% said that they 'always' involved TSOs in the early stages of commissioning.
- 5.9. Yet the qualitative research also showed that when they were involved, TSOs tended to feel that their contributions were not valued and that they were sometimes only consulted in order to 'tick a box'. Further, there were questions over whether a sufficient range of TSOs were involved, with larger TSOs much more likely to be involved than smaller ones. In a telling statistic, the majority of TSOs (63%) thought that commissioners did not fully understand the third sector's potential contribution to commissioning.
- 5.10. The involvement of TSOs in the early stages of commissioning is further discussed in Chapter Four above, and barriers to involvement are discussed in Chapter Six.

Focusing on outcomes

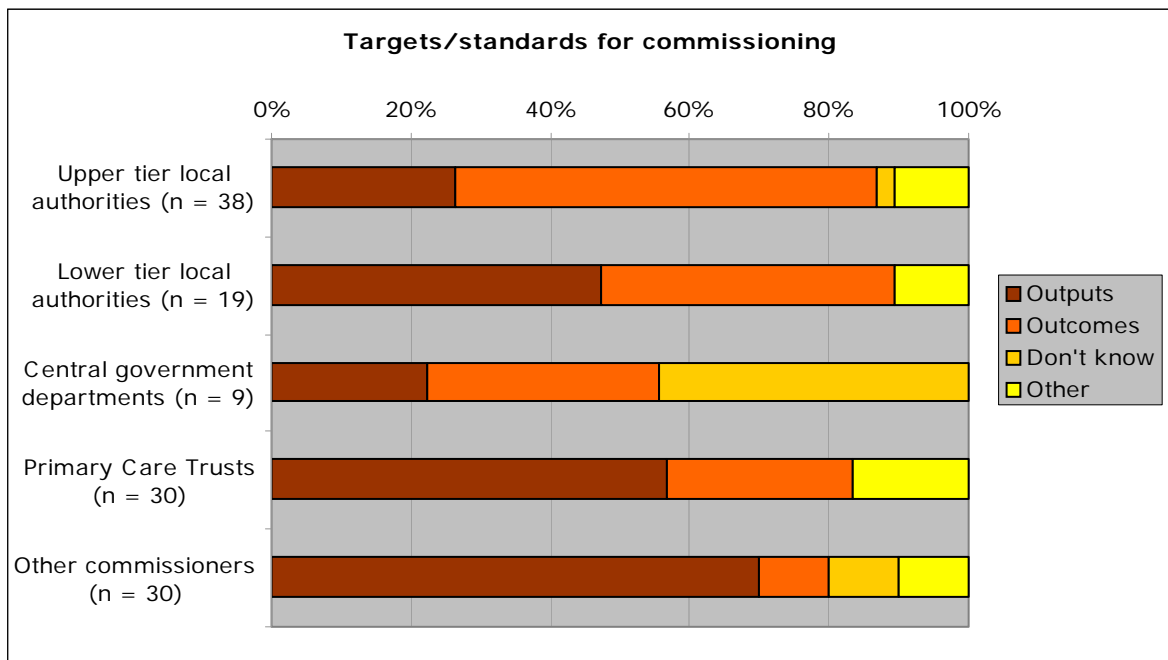
- 5.11. The third principle encourages commissioners to put outcomes for users at the heart of strategic commissioning. This implies moving from using outputs – for example, the delivery of particular activities to a certain number of people – as the basis of service specifications, and instead placing a stronger emphasis the outcomes or benefits for users and local communities that are to be achieved.

Key statistics:

- 47% of commissioners said that they most often used outputs as targets or standards when commissioning services
- 36% said they most often used outcomes
- 11% said they used 'other' targets or standards - this was most often specified as a mix of outputs and outcomes

5.12. The commissioners' survey suggested that outputs were still widely used as a base for commissioning - nearly half said these were most often used - although this varied between different organisations.

5.13. Local government was most likely to use outcomes when commissioning. This is illustrated in the chart below.



5.14. Yet findings from the qualitative research suggested that practices varied considerably between individual agencies. For example, as one research participant explained:

'Two different [district] authorities we work with commission in completely different ways. In one, the local authority requires time sheets for individual young people, while the other looks at outcomes.'

Focus group participant, third sector organisation

- 5.15. Interviews with stakeholders and commissioning organisations also suggested that while there are still some that have a narrow focus on outputs, the change of emphasis from outputs to outcomes is taking place within the commissioning process. Several participants spoke of the need to become outcome focused, which was being strongly promoted by central government - for example, development of new Local Area Agreements requires a clear focus on outcomes. A number of local commissioners were currently working towards developing outcome-based commissioning frameworks.
- 5.16. There was a sense, though, of some confusion within both sectors around the definition of 'outcomes' as opposed to outputs or other measures.

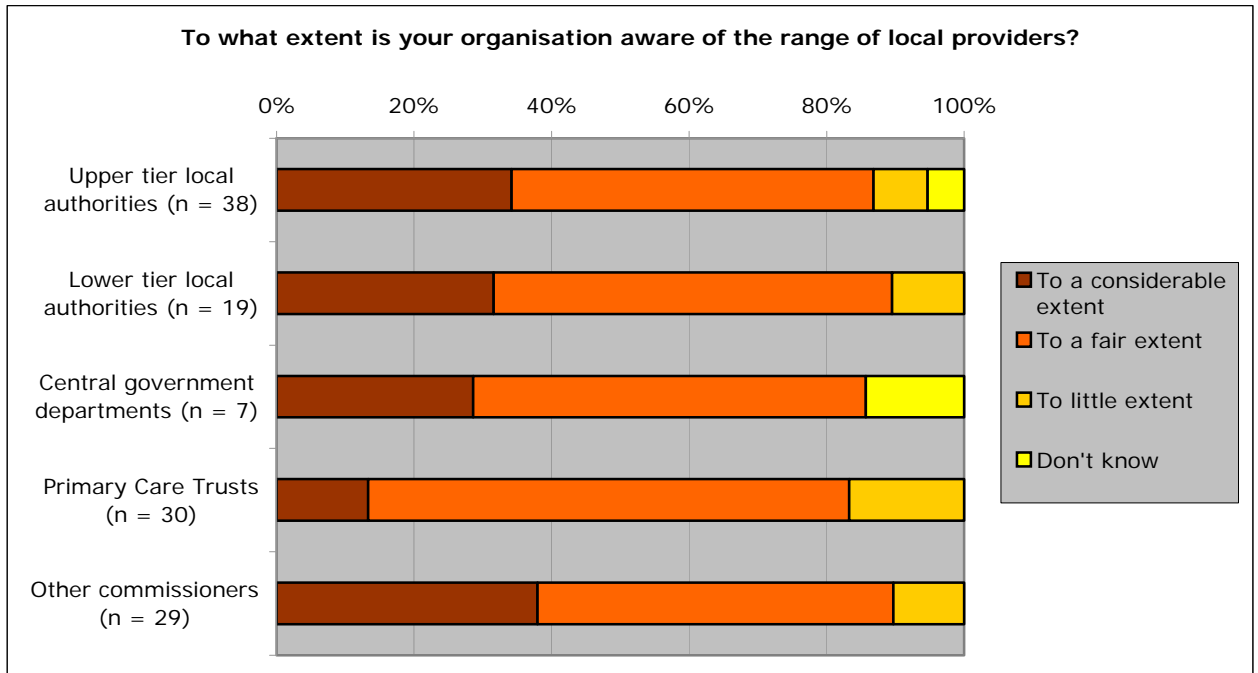
Understanding the range of providers

- 5.17. The fourth principle encourages commissioners to map the fullest practical range of providers in their area, with a view to understanding how they can contribute to delivering priority outcomes set through the commissioning process.

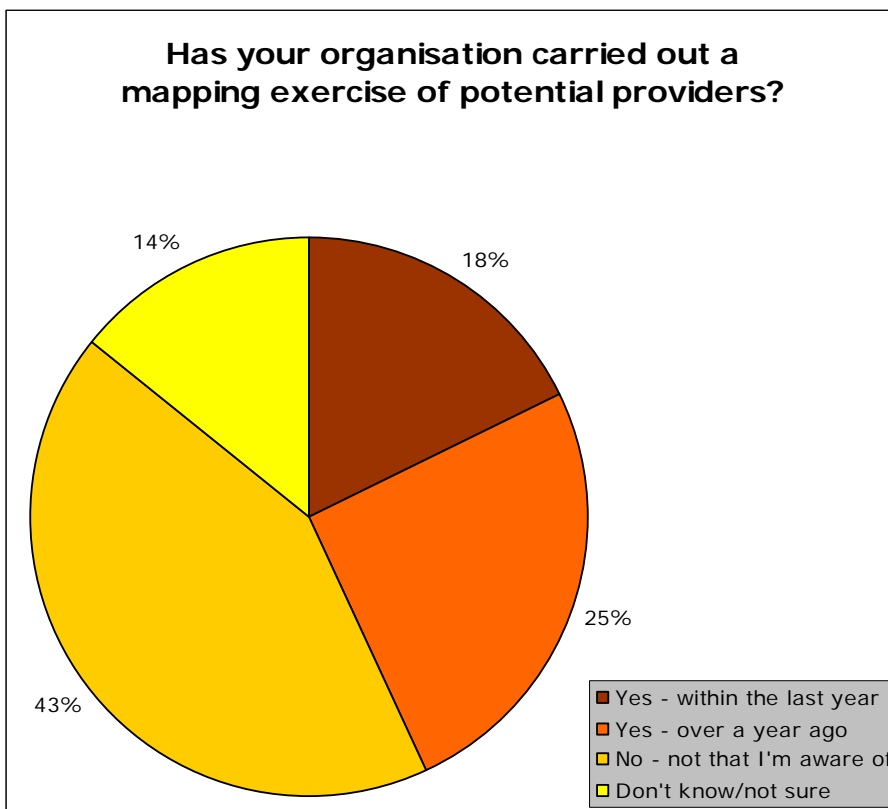
Key statistics:

- 29% of commissioners said that they were aware 'to a considerable extent' of the providers in their area and how they can contribute
- 57% said they were aware 'to a fair extent'
- 18% had carried out a mapping exercise in the last year
- 82% agreed that 'access to a diverse provider base makes it easier to commission high quality services'

- 5.18. The survey suggested room for improvement in commissioners' awareness of the range of providers in their area. Overall, 86% of commissioning organisations said that they were aware of the range of potential providers in their area to a considerable or fair extent - but only 29% were aware to a considerable extent. 11% said they were aware to a little extent.
- 5.19. PCTs were least likely to say that they were aware of the range of providers in their area 'to a considerable extent', with only 13% of PCTs agreeing to this.



5.20. One reason for gaps in awareness could be because less than a fifth of all commissioners had carried out a mapping exercise of potential providers in the last year, and nearly 60% thought that no mapping exercise had been carried out, or were not sure - as the chart below shows.



- 5.21. It was suggested that one of the barriers to better knowledge of the range of providers is a perception that third sector mapping is of limited value because third sector organisations 'come and go' very quickly.
- 5.22. Yet at the same time, the majority of commissioners **recognised the potential value that awareness** of a range of providers could bring: 82% agreed that access to a broad provider base made it easier to commission high quality services.

'New organisations spring up throughout the year – we all have difficulty keeping databases up to date, unless new organisations speak up. How often is it possible to do a mapping exercise?'

Focus group participant, third sector organisation

- 5.23. The qualitative research highlighted some of the problems a lack of understanding of the range of providers could cause, particularly for newer and smaller TSOs, who often felt they were missing out on opportunities because they were not known to commissioners.

Investing in the capacity of the provider base

- 5.24. The fifth principle states that commissioners should consider investing in the capacity of the provider base, particularly those working with hard-to-reach groups.

Key statistics:

- 67% of commissioning organisations agreed that their organisation 'sees a role for itself in investing in the capacity of our provider base'
- 38% provided capacity building support for providers in the third sector and others 'on a regular basis'
- 50% of TSOs said that they had never received any support around commissioning
- Among TSOs who had received capacity building support around commissioning, 19% said it was very helpful and 47% said it was fairly helpful

- 5.25. Most commissioning organisations involved in the research saw a role for themselves in investing in the capacity of their provider base and the majority said that they provided support on a regular basis (38%) or had at least done so in the past (a further 40%).
- 5.26. Yet not all commissioners saw a role for their organisation in building capacity of the provider base; some clearly thought that this was not their role. For example, while upper tier local authorities were most likely to see a

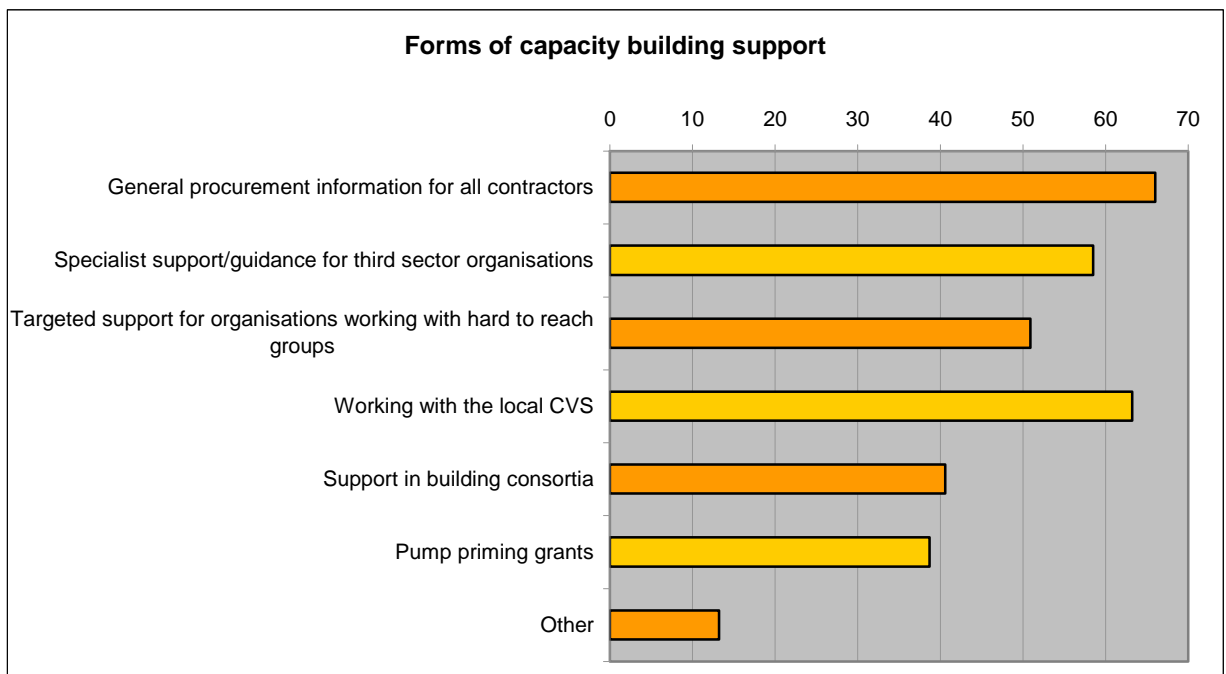
role (76% agreed), Primary Care Trusts were less likely to do so (52% agreed).

5.27. Some of those taking part in the qualitative research cited other organisations or programmes that they saw as taking responsibility for this (such as ChangeUp and Capacitybuilders, or local CVS's). There was also a view among some consultees that public sector intervention in the 'market' was not necessary or appropriate, as long as providers existed to deliver services to be commissioned. So although most commissioners recognised that the third sector could bring something unique, not all saw a need - or thought it was appropriate - to intervene to help the third sector compete.

'[Elected] members don't care who's delivering services – they just want to know things are getting done.'

Focus group participant, commissioning organisation

5.28. Commissioning organisations that said they had provided, or planned to provide, capacity building support were asked for further details. It was most common to provide general procurement information for all contractors (66%), but over half said that they had provided specialist support/guidance for third sector organisations and targeted support for those working with hard-to-reach groups. Of the TSOs who had received capacity building support, most thought it was helpful - suggesting a demand for such support.



Fair and transparent processes

- 5.29. The sixth principle is to ensure that procurement processes are transparent and fair, including considering sub-contracting and consortia where appropriate.

Key statistics:

- 41% of TSOs did not agree that procurement processes were generally fair and transparent. Only 20% agreed that they were, while the remainder were unsure
- 80% of commissioners agreed that their procurement processes, and the bureaucracy around them, could be difficult for TSOs to negotiate
- 80% of TSOs agreed that 'most public sector organisations seem to prefer to commission services from larger organisations'
- 52% had worked in partnership with other TSOs before and 29% had been part of consortia with different types of agencies

Transparency and fairness

- 5.30. The research measured perceptions of transparency and fairness and found that **overall, TSOs did not feel that procurement processes were fair and transparent**. Interestingly, larger TSOs - perhaps with more direct experience of these processes - were *more* likely than small TSOs to say that processes were not fair and transparent (47% for large organisations compared with 38% for small organisations).

'There is an issue around how decisions are made on contracts – a lot of things happen behind closed doors. There is a lack of clarity around the process – they are not always open about the scores.'

Focus group participant, third sector organisation

- 5.31. The qualitative research highlighted the links between fairness and transparency, with TSOs commenting that because procurement processes were often not transparent, consequently it was difficult to know how fair they were. For example, one focus group participant from a third sector organisation explained that they did not know how criteria within the bidding process were weighted, so did not know how their bids would be assessed against others.

Collaboration and consortia building

- 5.32. Third sector organisations commonly thought that commissioning organisations would prefer to commission from (often larger) organisations that they already knew and had worked with previously. For example, as one consultee explained:

'For smaller voluntary organisations to survive in this atmosphere, it is essential they work in partnership with other organisations.'

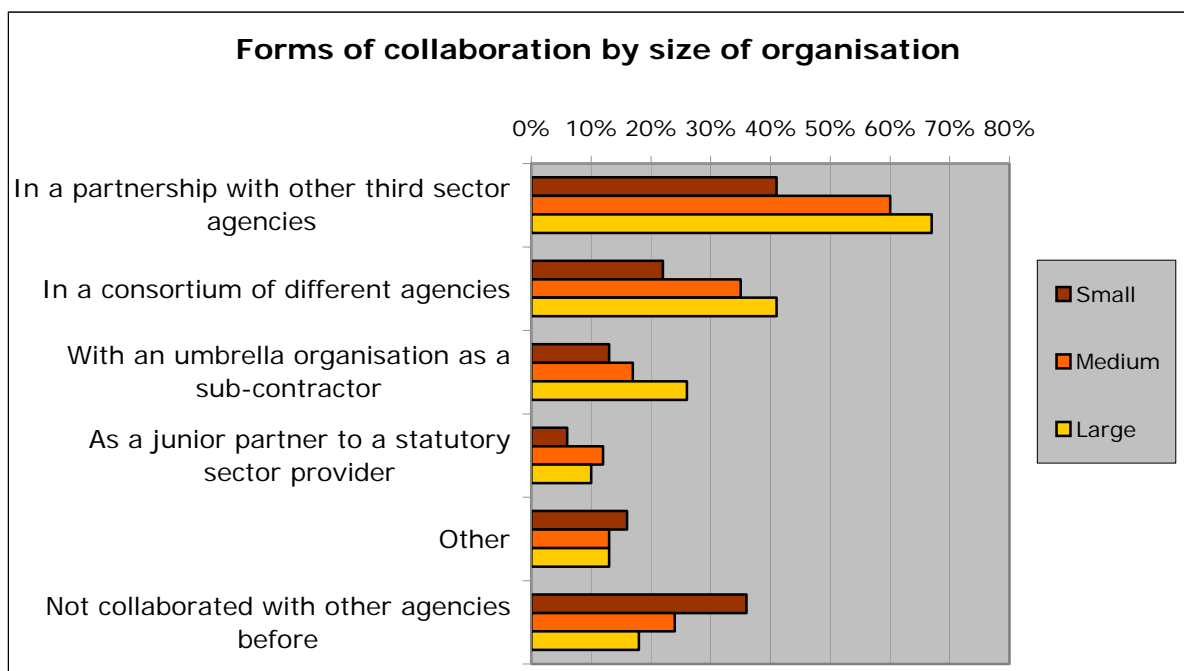
Focus group participant, third sector organisation

- 5.33. TSO respondents recognised that sub-contracting and participating in consortia would be a means to access contracts that might otherwise be out of their reach. As one focus group participant explained:

'We have bid for contracts that we know we will not get, even though we have the right expertise. The bigger organisations – the usual suspects – usually get the contracts. It is not an open and transparent system.'

Focus group participant, third sector organisation

- 5.34. Around half of TSOs (52%) said that they had worked in partnership with other TSOs before; 17% had sub-contracted to an umbrella organisation and 29% had participated in a consortium. Some 29% had never collaborated with other agencies before. There were, however, clear differences by size of organisation, with large TSOs far more likely to have collaborated with other providers before. This is illustrated in the chart below.



- 5.35. The qualitative research revealed a strong interest in consortia building, but also highlighted barriers to doing so, including knowledge and cultural issues, which are discussed further in Chapter Six below.
- 5.36. The survey showed that only 15% of TSO respondents had received support in building consortia, although 41% of commissioning organisations said they had provided this kind of support. In the qualitative research, TSOs suggested that commissioners could do more to encourage consortia building:

'Commissioners really need to think about incentivising partnerships. It's about keeping the range of providers – if one organisation delivers on its own, we will lose the diversity of providers who represent different communities. Of course a local authority won't want to let 25 contracts, but if organisations have a model built up already then they wouldn't need to.'

Key stakeholder, third sector organisation

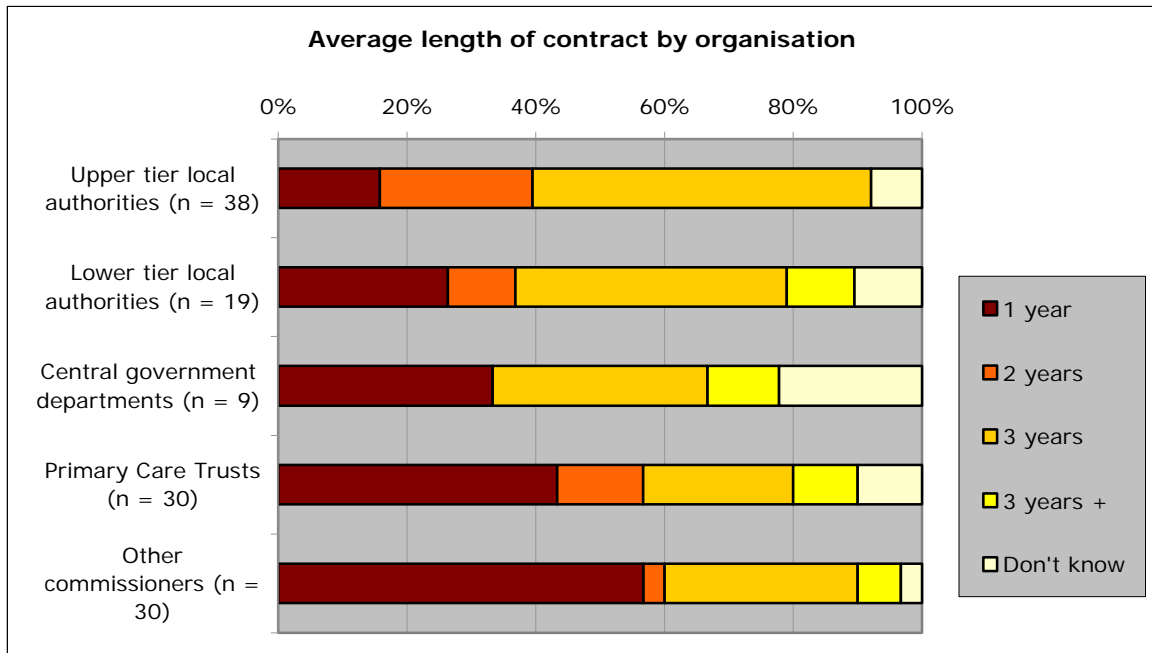
Long-term contracts and risk sharing

- 5.37. The seventh principle is to ensure long-term contracts and risk sharing, wherever appropriate, as a means to achieving efficiency and effectiveness.

Key statistics:

- 44% of commissioners said the average length of a contract commissioned by their organisation was three years or more
- 46% of TSOs agreed that delivery of services under contract required them to take on more financial risk than they could manage
- 71% of TSOs agreed that public sector contracts rarely offer full cost recovery
- 81% of TSOs thought that the public sector did not understand the impact on the third sector of switching from grant-based funding to contract-based funding through a commissioning process

- 5.38. 44% of commissioners said the average length of a contract commissioned by their organisation was three years or more, with most of these saying that average contracts lasted three years. 13% said the average contract length was two years; 35% said one year.
- 5.39. Average contract length varied significantly between different types of organisation, with local authorities most likely to offer contracts for three years. These differences are highlighted in the chart below.



5.40. Although three year contracts were relatively common, many TSOs (47%) still found the level of risk involved in public service delivery unmanageable.

5.41. The qualitative research also brought out a perception that the public sector was increasingly transferring risk to contracting organisations through commissioning, for example through outcome-based payment.

5.42. This was exacerbated by a lack of full cost recovery in public sector contracts, which the survey highlighted as an ongoing issue (even though full cost recovery is a key tenet of the Compact). 71% of TSOs responding agreed that public sector contracts rarely offered full cost recovery.

'No contracts offer full cost recovery – finance is the biggest issue for third sector organisations. We often don't put a bid in with full costs because we are told it'll be too expensive – we have to pull on other funds.'

Focus group participant, third sector organisation

5.43. This was for a variety of reasons, relating both to commissioners' and TSOs' practices. Further exploration of the barriers to full cost recovery is given in Chapter Six below.

Reviewing the effectiveness of the commissioning process

- 5.44. The final principle states that commissioners should seek feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local needs.

Key statistics:

- 21% of TSOs said that their feedback on commissioning was always or often sought by the public sector
- 27% of TSOs said that their feedback had never been sought
- 40% of commissioners said that they always or often sought feedback from providers
- 51% of commissioners said they always or often sought feedback from service users and local communities

- 5.45. The baseline surveys suggested that **TSOs were less likely to be involved in reviewing the effectiveness of commissioning processes** than in contributing to the early stages of service planning and needs analysis. The research indicated that just 40% of public sector commissioning organisations always or often seek feedback from their providers on the effectiveness of the commissioning process.

'There are few opportunities to feed back on the commissioning process in my experience. I have written letters before and had no reply. I feel ignored because my views aren't important or they don't want to hear them. It may be that things are taken on, but you don't know. It can be quite soul-destroying – you're trying to help but it's seen as criticism.'

Focus group participant, third sector organisation

- 5.46. As with involvement in the early stages of commissioning, questions were raised in qualitative research about the **impact of TSOs' involvement in reviewing services**. In focus groups, TSOs often felt that even when they did give feedback on the commissioning process, they were unsure how the information was used or if it had been used at all, and whether anything had changed as a result.

- 5.47. Commissioning organisations seemed to **seek feedback from service users and communities more frequently than from providers**. 51% said they always or often sought feedback from users and communities, while a further 36% said that they sometimes sought feedback from these groups.

6. WHAT GETS IN THE WAY OF THIRD SECTOR INVOLVEMENT?

- 6.1. As the preceding chapters show, third sector organisations are regularly involved in commissioning - but not always, and not to the extent that the Eight Principles would encourage. There is still a widespread sense amongst TSOs that when they are consulted it is often to 'tick a box' and that their potential contribution to commissioning is not understood. There is also evidence to suggest that commissioners do not engage with a wide enough range of TSOs. Meanwhile TSOs are still minority providers of public services.
- 6.2. Yet the survey also showed an appreciation amongst commissioners of the value that the third sector could bring to public service commissioning.
- 6.3. So what gets in the way of greater involvement of the third sector? There is in fact widespread recognition amongst policy makers and within the third sector that considerable **barriers currently exist to involvement in commissioning**. A recent report by Acevo and Futurebuilders⁸, for example, shows that even where there is a mutual desire to increase the role of the third sector, barriers in commissioning and procurement processes may prevent joint working and exclude many but the larger and more 'professionalised' third sector organisations.
- 6.4. This conclusion was reflected to a large extent in the baseline research. The reasons for this are many and interlinked. They include, for example:
 - a range of **resource and capacity** constraints amongst TSOs that can limit their involvement in commissioning;
 - **limited commissioning skills** within the public sector more generally, in part reflecting the fact that commissioning is relatively new for many public agencies; and
 - **perceptions and attitudes** that can limit positive partnership working around commissioning between the third sector and the public sectors.
- 6.5. This chapter uses the baseline research to explore each of these barriers. Quantitative evidence from the surveys highlights some of the issues, which were further explored through the qualitative elements of the research.

⁸*The Future of Commissioning: Leadership Challenges*, Acevo, 2007

Resources, skills and capacity of TSOs

- 6.6. The research found that a lack of resources and capacity within TSOs often forms a barrier for third sector organisations in getting involved in commissioning. Issues ranged from lack of skills to understand commissioning frameworks, to a shortage of staff time to identify opportunities for involvement, attend partnership meetings, and write bids in the necessary timeframe. Skills of trustees and board members - and their ability to understand the implications of involvement in commissioning - were also raised as a key issue.
- 6.7. The research showed that all of these problems affect smaller TSOs to a greater extent than larger ones, although they were experienced by TSOs across the board.

Key statistics:

- 84% of TSOs agreed it was difficult to find funding to cover involvement in the early stages of commissioning
- 69% of TSOs agreed that TSOs often 'don't have the resources or capacity to successfully bid for and manage public sector contracts'
- 46% of TSOs agreed that delivery of services under contract required them to take on more financial risk than they could manage
- 71% of TSOs agreed that public sector contracts rarely offer full cost recovery
- 75% of TSOs agreed that commissioning 'raises challenges for trustees and board members'

Costs of involvement

- 6.8. A key practical barrier highlighted in the research was the **cost of involvement in the early stages of commissioning** - overall, 84% of third sector survey respondents agreed that this was difficult for them (although large TSOs were less likely to see this as a problem than small or medium sized organisations - only 66% of large TSOs agreed with this statement).
- 6.9. Those participating in qualitative research commented that releasing staff to take part in consultation was difficult when finances were tight. Yet there were also other barriers, for example timing of meetings, that could stand in the way:

'There are practical barriers to involvement in consultation – volunteers can't make it to meetings, and there is the travelling time and expenses.'

Focus group participant, third sector organisation

Bidding capacity

- 6.10. 69% of TSOs agreed that **capacity to bid for and manage public sector contracts** was a problem. The qualitative research drew out several different factors contributing to this, which were wide ranging, and often (though not always) related to the bidding process. For example, these included:
- absence of **technical skills and IT systems** needed to quickly produce the required information and get to grips with e-tendering processes
 - **gaps in TSOs' knowledge**, for example about legal and financial requirements and the protocols needed to develop consortia
 - staff **time and skills to prepare bids**, and particularly to calculate the full costs of service delivery
 - skills to **demonstrate added value**, for example using social accounting methods
 - time and resources to respond to **monitoring requirements** as part of contracts, which could seem disproportionate to the size of contracts and were sometimes perceived to be greater for TSOs than private sector or public sector contractors.

'Sometimes, there is a lack of skills in knowing what the real costs are. It is very difficult to recruit people with financial expertise. There is a difference between the day-to-day running and strategic planning. People don't want to take responsibility for getting it wrong.'

Focus group participant, third sector organisation

'Most [third sector] organisations in my experience don't have a clue what things cost. They don't work things out in unit cost terms.'

Focus group participant, third sector organisation

'We looked at social accounting but the model we were shown, we just don't have the resources for. It was unworkable – we're good at what we do and measuring how we add value – but this was way beyond our resources.'

Focus group participant, third sector organisation

Financial risk

- 6.11. The **financial risk** involved in service delivery, compounded by a common view that public sector contracts rarely offer **full cost recovery**, was also picked out as a major barrier to involvement as providers. As already noted, overall 47% of TSOs thought that 'public sector commissioning requires us to take on more financial risk than we can manage' and 71% thought that contracts rarely offered full cost recovery. There was little variation between different sizes of TSO in responses to these questions.

6.12. A variety of reasons were offered by focus group participants as to why contracts did not offer full cost recovery. Some commissioners involved in the research noted that TSOs often did not submit their tenders at full cost. TSOs recognised that in some cases this was because their organisations lacked skills to calculate full cost of service delivery. Yet this was not always the reason: smaller TSOs, in particular, noted that because they could not offer the economies of scale that a larger organisation could achieve, they felt they needed to keep costs low in order not to be undercut.

'The private sector and third sector will cost things very differently. The private sector would build in costs and profit margin, whereas the third sector might do it for goodwill... the sector needs to value itself – it sometimes undervalues its services.'

Focus group participant, commissioning organisation

6.13. However, TSOs pointed out that commissioners' values, knowledge and perhaps prejudices also came into play in making full cost recovery difficult. For example, it was suggested that some commissioners lacked understanding of the full costs involved in service delivery (especially in services that had only recently been externalised, as there was a perception that overheads were often underestimated in these cases).

6.14. TSOs also stressed that they did not think that commissioners always recognised the added value that the sector could bring, tending instead to judge bids primarily on cost. This made it even more important to be able to demonstrate social added value.

Skills for involvement

6.15. The qualitative research found that adapting to the quickly developing and relatively new climate around strategic commissioning was difficult for many third sector practitioners. TSOs contributing to focus groups commented that they were generally stretched to capacity delivering services and raising funds, and felt that they needed more time in order to adapt and learn skills to operate in a commissioning world.

'The problem is it is so new – third sector organisations are used to grant aid and the pace of change has been phenomenal.'

Key stakeholder, third sector organisation

6.16. It was also pointed out that some of those working or volunteering with TSOs were not in fact well placed to be involved in commissioning - their interests and skills were focused on the mission of their organisation, rather than a wider agenda.

6.17. There seemed to be a particular issue around bringing trustees and board members up to speed with commissioning and in particular, the implications of service delivery under contract. Three quarters of TSO survey respondents agreed that commissioning raised new challenges for governance. Focus group participants spoke of a low level of awareness among their board members and trustees about what commissioning meant for their organisations.

'There's a skills issue – some [volunteers] are very locally involved and this is the extent of their world.'

Focus group participant, third sector organisation

'Trustees think bidding is gambling with the charity's money.'

Focus group participant, third sector organisation

6.18. Further to this, there were concerns that the personal liabilities that trustees may have to take on if their organisations were involved in public service delivery would put off many individuals from becoming trustees. Some focus group participants even said that they would be wary of explaining the implications of service delivery to their trustees.

'It's a very onerous things to be a trustee ... so if you're trying to get people to come on a board, you try and tell them what it means but you're careful not to scare them... If your status as a trustee means that you're so responsible – it's something people don't want to do, for no pay.'

Focus group participant, third sector organisation

Commissioners' processes, capacity and skills

6.19. The research highlighted that commissioning processes - both in terms of consultation and procurement - could present barriers to involvement of the third sector. Meanwhile TSOs were not the only ones with skills gaps and resource constraints - participants in the research noted that these faced commissioners too.

Key statistics:

- 80% of commissioners agreed that their procurement processes, and the bureaucracy around them, could be difficult for TSOs to negotiate
- 78% of TSOs agreed that 'procurement processes are too bureaucratic'

Commissioning processes

6.20. Although procurement is only a small part of the commissioning process, this was a focus of concern for many TSOs. The surveys showed agreement both by commissioners and TSOs that procurement processes were bureaucratic to an extent that disadvantaged many third sector organisations. Common complaints included the amount of paperwork and requests for very detailed information.

6.21. In some cases this was deliberate - commissioners regarded ability to negotiate the procurement process as a test of organisations' capacity. Yet feedback from focus groups suggested that even for smaller contracts, procurement processes could be very complex and time consuming, causing particular problems for smaller organisations that could find it difficult to spare staff time to prepare tenders.

6.22. Some TSOs expressed frustration at an insistence among some commissioners that procurement processes are 'sector blind' and provide a 'level playing field', on the grounds that this did not take account of inherent disadvantages facing TSOs, such as the ability to spare staff time to prepare tenders. This was felt to be linked to a lack of understanding amongst commissioners of the third sector and the pressures under which it operates.

6.23. Yet it was not only procurement processes that could cause problems. Some focus group participants noted that the style of meetings with public sector commissioners and the level of the discussions mean that third sector organisations often feel they are not equipped with the necessary skills to fully contribute to the discussions. Further, the ways in which opportunities to be involved in commissioning were communicated and publicised was often thought to exclude some TSOs, particularly smaller ones.

'With contracts this large you have to make very sure that the organisation you're contracting with does have the capacity to deliver. So we do make them jump through some hoops.'

Key stakeholder, Central Government
Department

'I'm not sure whether staff are aware of all organisations they could be working with or all the issues they face.'

Focus group participant, commissioning
organisation

'We make it a point of pride that we don't treat anyone differently.'

Key stakeholder, Central Government
Department

'We'll send [information] out to relevant umbrella organisations.... sometimes maybe there can be an over-reliance on organisations to cascade information - we probably need some opportunities to communicate directly.'

Focus group participant, commissioning
organisation

'We need better publicity of commissioning opportunities with realistic timescales.'

Survey respondent, third sector
organisation

Resource constraints

- 6.24. Another theme emerging from the qualitative research were the constraints - particularly in terms of time - placed on commissioners, which could discourage them from fully engaging with the third sector. With budgets time-limited, there was often pressure to spend, meaning that strategic commissioning processes could be curtailed. Commissioning was also seen to be resource intensive and it was thought that commissioners sometimes underestimated the amount of effort needed.

'Engagement is time consuming, and they don't build in enough time to do this early in the process.'

Focus group participant, third sector organisation

- 6.25. A common way of engaging with TSOs, and of building their capacity, was by working with or through the local CVS. However, discussions within the interviews and focus groups suggested that the success of this method depended on the CVS having a well established network, and that this varies considerably in different areas.

'We don't have a funnel through which we can communicate and work with the [third] sector as a whole because the CVS isn't up to shape.'

Focus group participant, commissioning organisation

Skills for commissioning

- 6.26. It was also widely noted that commissioners often lacked skills in commissioning more broadly, not just in relation to involvement of the third sector. The ability to be strategic - to use evidence to commission services that met identified needs, rather than simply put existing services out to tender - was questioned.

Attitudes and perceptions

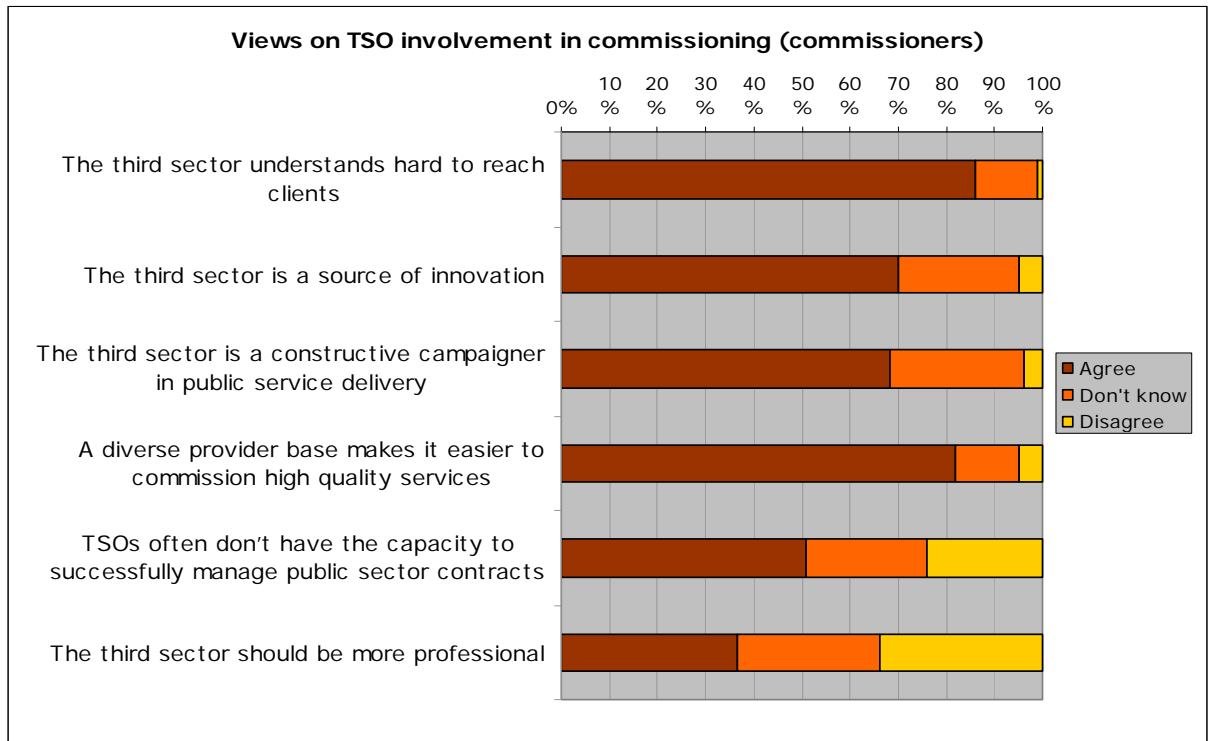
- 6.27. A key theme emerging from consultation with both third sector organisations and public sector commissioners was a need for a shift in attitudes and an increase in understanding amongst both sectors. At the same time, the research revealed a willingness amongst both sectors to work together more closely - at least in principle.

Key statistics:

- 83% of commissioners said the third sector brings something unique
- 37% thought that TSOs should be more professional; 34% disagreed
- 64% of TSOs thought the public sector viewed them as amateurish
- 67% of commissioners disagreed that 'TSOs are well meaning but amateurish'; only 11% agreed

Commissioners' perspectives on working with the third sector

- 6.28. The research suggested that while there are some positive views of the third sector among commissioners, the same individuals could simultaneously hold assumptions that act as a barrier to involving TSOs in commissioning.
- 6.29. For example, on the one hand, commissioners recognised the value of the third sector as a campaigner or advocate for users and communities: 69% said that the third sector was 'a constructive campaigner in public service delivery' and 87% agreed that the third sector 'understands hard-to-reach clients'.
- 6.30. The value of a broad provider base was not in question; 82% said that a broad provider base made it easier to commission high quality services. Meanwhile, 90% of commissioners said that a thriving third sector was beneficial for their organisations, suggesting recognition of the value of the third sector more broadly, beyond its involvement in commissioning.
- 6.31. Yet the research suggested that commissioners were generally less confident in the third sector's ability to deliver public services. Over a third (37%) thought that TSOs needed to be 'more professional' and 51% thought that TSOs 'often don't have the resources or capacity to successfully manage public sector contracts'.



- 6.32. The focus group research also suggested that commissioners sometimes hold negative assumptions about the way TSOs will behave in a commissioning environment. For example, commissioners commented that the third sector tended to behave in a confrontational or unprofessional manner and adopt defensive positions.
- 6.33. As well as this, there were often real or perceived **tensions or conflicts of interest** between the 'provider' and 'representative' roles of third sector representatives on LSPs and other partnerships when setting priorities.

'The third sector should grow up and stop whingeing'

Stakeholder, commissioning organisation

'The third sector has a vested interest in presenting their need as the need.'

Focus group participant, commissioning organisation

'Off the record, I switch off half the time. They answer the questions they want to be asked.'

Focus group participant, commissioning organisation

TSOs' perspectives on working with commissioners

- 6.34. It was not just commissioners' attitudes towards the third sector that came through as barriers to involvement in commissioning. Commissioning organisations contributing to the research also suggested that TSOs held negative perceptions about commissioning, which could act as barriers to involvement - and this was to some extent borne out by views of TSO consultees. Amongst TSOs, focus groups revealed a degree of mistrust in the commissioning process, for example a strong view that procurement was not open and transparent and that consultation was often tokenistic.
- 6.35. Further, some TSOs taking part in focus groups felt that contributing to service design could lead to them losing funding for a service they were already providing.
- 6.36. There were also some cultural issues, recognised both by commissioners and TSOs, that were thought to act as barriers to adjustment to the new commissioning climate. For example, it was pointed out that consortia working goes against a history of competition between smaller CVS organisations in particular, which have traditionally had to demonstrate how unique they are to win funding.

'We'd be concerned that we'd put a good idea forward and then it would go out to tender and we wouldn't get the work!'

Focus group participant, third sector organisation

7. DEVELOPING SKILLS AND BUILDING CAPACITY

Introduction

- 7.1. This chapter sets out the skills development and capacity building needs for third sector commissioning that were identified throughout the research. These can be grouped into three main categories:
- training for commissioners and procurement officers;
 - training and capacity for the third sector; and
 - joint working and learning events.
- 7.2. Each of these are covered in detail below, alongside research participants' suggestions as to how the Programme could help meet these needs.

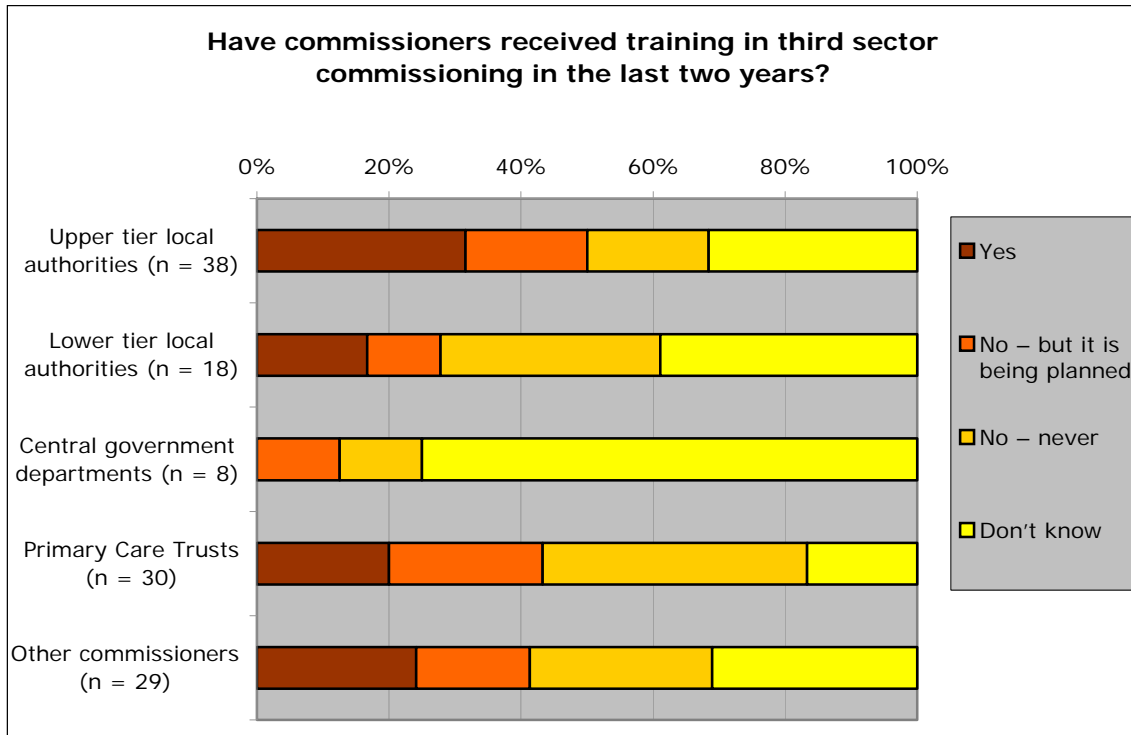
Training for commissioners and procurement officers

- 7.3. The baseline research highlighted a need for training and development for commissioners and procurement officers. Most commissioning organisations had not yet trained their commissioning staff on the involvement of the third sector, although some had planned this for the future.

Key statistics:

- 23% of commissioners said that their organisation had provided training and development in commissioning the third sector in the last two years
- A further 18% said this was planned for the future
- 28% said that commissioners in their organisation had never received this sort of training and development, while 32% were unsure

- 7.4. Around a quarter (23%) of all survey respondents from commissioning organisations said that commissioners in their organisations had received training or development around the third sector's involvement in commissioning in the last two years. Some 59% said either that training had not been provided, or did not know whether it had been provided.
- 7.5. Respondents from upper tier local authorities were most likely to say that training had already been received, while PCTs were the most likely to say that training was planned for the future.



- 7.6. Survey respondents who had received training were asked who had provided this. Responses showed that a range of providers were used, with no evidence of any particular providers 'dominating the market' (although there were only 28 responses to this question and it needs to be borne in mind that respondents may not have known the details of all training delivered within their organisation).
- 7.7. It was most common for respondents to say that training had been delivered in house (nine responses) or in conjunction with the local CVS (five responses). LSC national, Legal Services Commission and the Prison Service were all mentioned as having provided training. External providers included NCVO, Birmingham University, CIPFA and IDeA.
- 7.8. It was not always clear what the focus of training and development had been, although some respondents mentioned specifically that it had been focused on procurement. Most training, however, seemed to be one-off awareness raising events, conferences or workshops on third sector involvement in commissioning.

Training and capacity building for the third sector

- 7.9. The research also showed that there was a significant need for and interest in **training and capacity building** within the third sector.

Key statistics:

- 4% of TSOs had regular forms of capacity building support on commissioning
- 50% said that their organisation had never received support around commissioning

- 7.10. Half of third sector organisations responding to the survey had never received any capacity building support on commissioning. Only 4% of TSOs said that they had regular forms of capacity building support on commissioning, although a further 25% had received support previously while 10% were aware of support planned in future. The remainder (12%) were unsure.

'They [third sector organisations] need decent training to be able to compete – yes we want to run with the change and yes we want to compete, but we have jobs to do.'

Key stakeholder, third sector organisation

- 7.11. The importance of providing this kind of support came through strongly in the open comments to the survey and in the interviews and focus groups. In fact, although TSOs tended to feel strongly that commissioning practices needed to change, the research also revealed a recognition that TSOs themselves needed to develop in order to take part effectively in commissioning.

Filling the gaps

- 7.12. The research showed a high level of support for training and capacity building - of the public and third sectors - as a means of improving involvement in commissioning.

Key statistics:

- 72% of TSOs said that 'better knowledge, skills and understanding among the public sector of working with the third sector' would be very effective in improving involvement of the third sector in commissioning

Improving commissioners' understanding of the third sector

- 7.13. The research revealed a strong interest amongst some commissioners in gaining a first hand understanding of the way that the third sector works, for example through secondments or work shadowing.
- 7.14. In the qualitative research, consultees often suggested that in order to change 'hearts and minds', training needed to be ongoing with messages constantly reinforced.

'I would welcome a secondment from the third sector into my organisation to drive forward more innovative work.'

Survey respondent, commissioning organisation

'There should be secondments from the public sector to the third sector for first hand experience.'

Survey respondent, third sector organisation

Responding to development needs within the third sector

- 7.15. Open responses to the TSO survey, and qualitative research, brought out a wide range of suggestions as to the types of training and capacity building that might be needed within the third sector. These included:
- support around how to get involved in commissioning
 - training on procurement, including how to draft bids and becoming more 'market competent'
 - IT training on contracting software and the e-tendering process
 - support with financial planning, including account management, calculating full/unit costs and social accounting
 - awareness raising on commissioning for trustees and board members

'The VCS needs training in how to get involved in procurement and commissioning - where to find opportunities, how to complete PQQs, legal advice on topics such as TUPE. VCS organisations need assistance in forming partnerships to deliver larger contracts.'

Survey respondent, third sector organisation

- 7.16. Some consultees felt that the Programme's **indirect impact on third sector capacity to be involved** would be more important than its direct impact. For example, raising commissioners' and procurement officers' awareness of third sector issues might lead to an improvement in processes, so that less capacity building of the third sector would be needed. Similarly, if the Eight Principles of Good Commissioning were better embedded, commissioning organisations would be encouraged to provide more capacity building support for their provider base. In the final outcomes evaluation, it will be interesting

to see whether third sector capacity to be involved has in fact changed through these types of mechanism.

7.17. The role of the CVS and other infrastructure organisations in providing capacity building support was emphasised in focus groups by both third sector and commissioning organisations. Both felt that CVS's and other infrastructure organisations should play a significant role in capacity building, since they would be well placed to deliver training locally and keep third sector organisations up-to-date with what is going on in commissioning locally.

'The role of infrastructure bodies in training third sector organisations is crucial.'

Survey respondent, commissioning organisation

7.18. It was suggested that this support might include specific training events and 'master classes', but an important role would be around sharing learning and information, with local infrastructure organisations in a good position to offer on-going contact and support such as regular emails providing up-to-date information on potential contracts and opportunities.

7.19. Some TSOs also information on how to approach larger organisations in order to negotiate involvement in sub-contracting arrangements and consortia. It was suggested that infrastructure organisations might be well placed to link potential partners up as well as sharing learning and good practice across the third sector from third sector organisations who have been delivering under contract and or who have had experience of the commissioning process.

'Many third sector organisations haven't got the capacity to organise large scale partnerships, there therefore needs to be some structure to enable them to do this.'

Survey respondent, third sector organisation

'Training for local umbrella groups to improve their skills and pass down information to their members is needed.'

Survey respondent, commissioning organisation

7.20. It was recognised, though, that second-tier organisations might themselves need help in developing their own capacity before they could support other TSOs in the ways described above.

Working better together

- 7.21. Both third sector organisations and public sector commissioning organisations raised the importance of **joint working in improving the involvement of the third sector** in commissioning. While the research found some strong views both from commissioners and third sectors around how the other sector needed to change in order to improve involvement in commissioning, there was also a **widespread openness to work with each other** in order to improve understanding and build trust between the sectors.
- 7.22. Suggestions as to how to do this included joint local or regional events and workshops engendering open communication and on-going dialogue, joint learning events or workshops, with several respondents pointing to a role for the Programme for Third Sector Commissioning in setting up these sorts of opportunities.

'You have two tribes of people and they are all talking about the same agenda but they are each talking their own version of it from their own perspective.'

Focus group participant, commissioning organisation

'The Programme should look at the strategic relationships between commissioners and the third sector – maybe there could be regional events, or maybe local authorities could be incentivised to do it. This could help to dispel some of the myths by bringing the two sides together.'

Key stakeholder, third sector organisation

8. CONCLUSIONS AND IMPLICATIONS

Our conclusions: what is the research telling us?

- 8.1. The research generally reflected an openness amongst commissioners to work with the third sector, and a recognition that the third sector could add value to commissioning. Yet this had not yet flowed through to consistent, meaningful engagement with TSOs in each of the stages of commissioning. There seemed to be a willingness to involve the third sector in principle, but in practice, significant barriers to involvement remained.
- 8.2. The research highlighted many different perspectives on commissioning, and these views were quite often highly charged. For some TSOs, for example, commissioning was seen as a threat to the diversity and independence of the sector. Others saw it as an opportunity and a chance to move towards funding based on achieving the best outcomes for users, rather than a more 'patronage' based system of grant giving. Not all TSOs wanted to be involved in commissioning - but the majority of those taking part in the research wanted to be involved more than they currently were.
- 8.3. There was a strong sense that commissioning organisations did not fully understand the impact of commissioning on TSOs, or the barriers to involvement that existed - and in fact, some did not see it as their role to care about this. Yet the research also showed that TSOs, and in particular smaller TSOs, were disadvantaged by commissioning processes, so that they were not 'on a level playing field' with private or public sector organisations - particularly when it came to competing for contracts.
- 8.4. This suggests that a 'sector blind' approach is not enough to increase involvement, as treating all potential providers the same does not give them all an equal chance. The debate can be likened to that around equalities - there seemed to be a need to promote equality of *access* to commissioning opportunities (e.g. through capacity building, adjusting processes to enable TSOs to take part) as well as equality of opportunity. It also suggests a real need (as recognised by TSO survey respondents) for the third sector to 'make the case better' for their involvement.
- 8.5. The research also showed that skills and understanding need to be increased both in the third sector and in the public sector if third sector organisations are going to become more involved in commissioning. In particular, the sheer size and diversity of the third sector needs to be understood by commissioners. Yet the research also suggested that TSOs need to understand the pressures on commissioning organisations and to be willing to take part positively, rather than adopting a confrontational stance.

Implications for the Programme

- 8.6. The baseline research suggests a great deal of scope for improvement in the scale and impact of third sector involvement in commissioning, and showed gaps in current provision of training - both for commissioners and TSOs around this area. The research therefore supports the case for the National Programme for Third Sector Commissioning - as well as highlighting some of the challenges facing the Programme.
- 8.7. We suggest that the findings from this baseline evaluation have a number of implications for the approach, design and delivery of the Programme; these are outlined below.

Approach and communications

- 8.8. The baseline study has shown that the move towards **commissioning is perceived as new, challenging and politically sensitive**. We suggest that these factors need to be recognised by the Programme in its overall approach and communications so that it can reach those commissioners and third sector organisations that, while sceptical, could potentially benefit most from support.
- 8.9. The findings suggest that the programme should **focus** specifically on increasing the involvement of the third sector in commissioning, rather than on commissioning more generally. It should prioritise bringing all government departments on board in understanding the rationale for and benefits of this approach.
- 8.10. To do this it would be helpful if the Programme produced a **business case for the value of third sector involvement in commissioning**. This would make the purpose of the Programme clearer, particularly to those commissioners' who have not considered the 'value added' that the third sector can bring to service delivery.
- 8.11. This business case should include more **information on what is meant by 'strategic commissioning'** and its importance in needs-based, outcome-focused services, increasingly delivered through partnership. This would also distinguish it from procurement or indeed narrower definitions of commissioning.
- 8.12. The Programme should also explicitly recognise the **diversity and size of the third sector** in its approach. This includes ensuring the Programme comprises a range of activities to cater for different circumstances and needs including those of:
- Board members and trustees – who may require more understanding of the opportunities and risks of commissioning to make informed decisions;

- smaller voluntary and community sector organisations – which did not necessarily set out to deliver services but now find that moves from grants to commissioning means they want to explore their role in this;
 - third sector organisations that are interested in focusing on specific stages of the commissioning process (e.g. needs analysis or service design);
 - smaller third sector organisations that face barriers in bidding for or delivering larger contracts (even though they may have contributed to the design of these services); and
 - intermediary third sector organisations (e.g. CVS's) that have a remit to build the capacity of their members or networks.
- 8.13. Lastly, the findings have emphasised the importance of third sector commissioning becoming part and parcel of the mainstream strategic commissioning process for **sustainable change**. This confirms the importance of the Programme **building on existing activity** to improve commissioning and public service delivery, support partnership working and develop third sector capacity.

Design and delivery

- 8.14. Within the overall approaches suggested above, the baseline findings provide some guidance on elements of programme design.
- 8.15. One of the clearest messages to emerge from the survey, interview and focus groups was the importance of '**enabling a dialogue**' between commissioners and third sector organisations. These types of conversations, particularly at a local level, were seen as crucial to allow the public and third sectors to better understand each other and build a positive relationship for commissioning and partnership working more generally.
- 8.16. At a slightly more formal level, the findings showed that respondents favoured **joint training and learning events** over single sector interventions. These were seen to be able to 'raise awareness on both sides', which most commissioners and third sector organisations felt was essential to tackle the 'hearts and minds' necessary for real progress.
- 8.17. However, the usefulness of some more **technical training** was also recognised. This might include:
- raising awareness of the wider and service specific commissioning process for procurement officers;
 - supporting commissioners in mapping third sector organisations and local providers (and the overlap between the two) and build understanding about why this is important;
 - support for third sector organisations in how to engage in all stages of commissioning; and

- support for third sector organisations in bidding for contracts, including through consortia and sub-contracting.
- 8.18. The Programme could also contribute a third sector commissioning element to **add value to ongoing improvement work** in the public sector. This could build on activities in connecting with the:
- implementation of the new Compact (Compact Plus);
 - IDeA Peer Reviews and other local government improvement; and
 - LAA refresh development and delivery, including around the new PSA target 'creating a thriving third sector'.
- 8.19. This improvement work needs to reach **elected members**, and **senior officers and officials**, to provide leadership for a move to strategic commissioning that involves the third sector.
- 8.20. It is also important to reach **middle managers**. The baseline work found that these are often key to the commissioning process – either as service/policy leads or as procurement officers – but the two groups need to work together in a more collaborative, outcome focused way for strategic commissioning to be affective.
- 8.21. For the **third sector**, activities need to be relevant to the diverse organisations, and to Board members and trustees, as well as staff and volunteers.
- 8.22. For both the third sector and the statutory sector it will be important for the Programme to work in **collaboration with intermediary and umbrella organisations** at a national (e.g. NCVO, LGA, Capacity Builders, NIACE) and local levels (CVS, Regional Improvement and Efficiency Partnerships (RIEPs)).
- 8.23. Finally, as the Programme has limited funding, it will be important to use this in a way that makes maximum impact. We suggest that alongside the approach of mainstreaming third sector commissioning into **existing improvement and capacity building programmes** the Programme considers focusing on a relatively small number of innovative **flagship projects**. These can be designed on the basis of the feedback from the baseline work as discussed above, and used to **demonstrate success and disseminate learning** nationally to policy makers, commissioners and third sector organisations.