

Public services

Summary

July 2007

# Hearts and minds: commissioning from the voluntary sector

# Summary

## Central government aspires to develop the voluntary sector's role in delivering public services...

- A diverse supply base is more competitive and more likely to meet service users' requirements.
- A thriving voluntary sector can contribute to community engagement.
- Many voluntary organisations share the government's aspirations for public service delivery.

## ... and the voluntary sector's involvement is steadily expanding.

- The public sector has become the voluntary sector's largest single source of income, a position that government can expect to see maintained.
- Councils currently spend over £3 billion with voluntary organisations.
- There are voluntary organisations of all sizes that receive most of their income from public bodies, although larger voluntary organisations are more likely to deliver public services than smaller ones.
- Many smaller voluntary organisations are keen to act as advocates, or to deliver some public services, but are unwilling or unable to compete for contracts.

## Government initiatives to strengthen the voluntary sector's ability to deliver public services have had limited success.

- Capacity-building programmes do not show substantial local impact, to date.
- Smaller voluntary organisations are sceptical of the potential of these programmes to improve their position.
- Other necessary improvements include appropriate funding mechanisms and sound partnership working.
- Capacity building should complement good commissioning practice.

## A few, highly effective commissioners adopt intelligent commissioning, rather than offer special treatment, to get the best from the voluntary sector.

- They maintain a detailed understanding of what services their users need, and involve voluntary organisations in identifying them.
- They develop a good understanding of the market, knowing who can supply these particular services at an affordable price.
- They run an effective procurement process, balancing the need for short-term efficiency gains with longer-term market development objectives.

**In commissioning intelligently, councils need to ensure that their chosen funding mechanisms help to achieve their objectives...**

- Councils need to align the funding mechanisms that they choose to use, with the objectives of the funding.
- Some voluntary organisations believe that service contracts are replacing grants, and that this is harming the voluntary sector.
- In fact, councils are not reducing total expenditure on grants, but are aligning their grant giving better with their strategic priorities.
- Councils are also using more service contracts and contract-like mechanisms for sound, value for money reasons.
- When contracting, competition generally determines a suitable price for the service.
- When grant funding voluntary organisations to deliver services, commissioners and bidders should ensure that the amount paid in grant makes the provision sustainable. In the absence of competition, councils need to work with the voluntary sector to develop a pragmatic approach to full-cost recovery, within budgetary constraints.

**... and commissioners need to develop a better evidence base to demonstrate value for money.**

- There is very little evidence, at either a national or a local level, on the performance and value for money secured from voluntary sector providers.
- Local public bodies should collect and analyse financial and performance data in a form that enables them to make robust judgements about the value for money delivered by service providers from all sectors.
- Commissioners should consider wider community or market development objectives as well as the costs and benefits of specific services when measuring value for money.

# Recommendations

## 1. Local public bodies should:

- Engage local voluntary organisations in service planning, to benefit from their knowledge of clients.
- Engage voluntary organisations in designing commissioning processes that encourage a diverse supply base.
- Assess the impact of their commissioning practice on the size and diversity of their local supplier base, and the consequent prospects of securing improved value for money.
- Apply intelligent commissioning practice, thinking carefully about:
  - the kind of services that they want to procure for a range of service users;
  - the types of organisations that are likely to be able to deliver at an affordable price; and
  - how best to construct a commissioning process that will ensure that a variety of delivery organisations have the opportunity and incentive to deliver services, where they are well placed to do so, and that they receive funding in the most appropriate form.
- Improve how they measure value for money in public services, by shifting the current focus on inputs, outputs, and unit costs, towards long-term measurement of outcomes and effectiveness.
- Develop their financial management information systems to enable them to assess the value for money they secure from different providers and to assess the impact of their commissioning practice on the voluntary sector.

## 2. Voluntary organisations should:

- Improve their understanding of their costs and submit high-quality, fully costed bids for service delivery contracts that address commissioners' service objectives.
- Evaluate their own value for money and use that evaluation to make the case for service delivery through the voluntary sector to local public bodies.

- Work closely with local public bodies, regulatory organisations and improvement agencies to develop consensus on measuring value for money.

### **3. Regulatory bodies should:**

- Signpost the guidance and best practice that is already available to help public service commissioners with the procurement process.
- Include the effectiveness of commissioning and procurement in their assessments of performance and value for money.

### **4. Central government can play a supporting role. It should:**

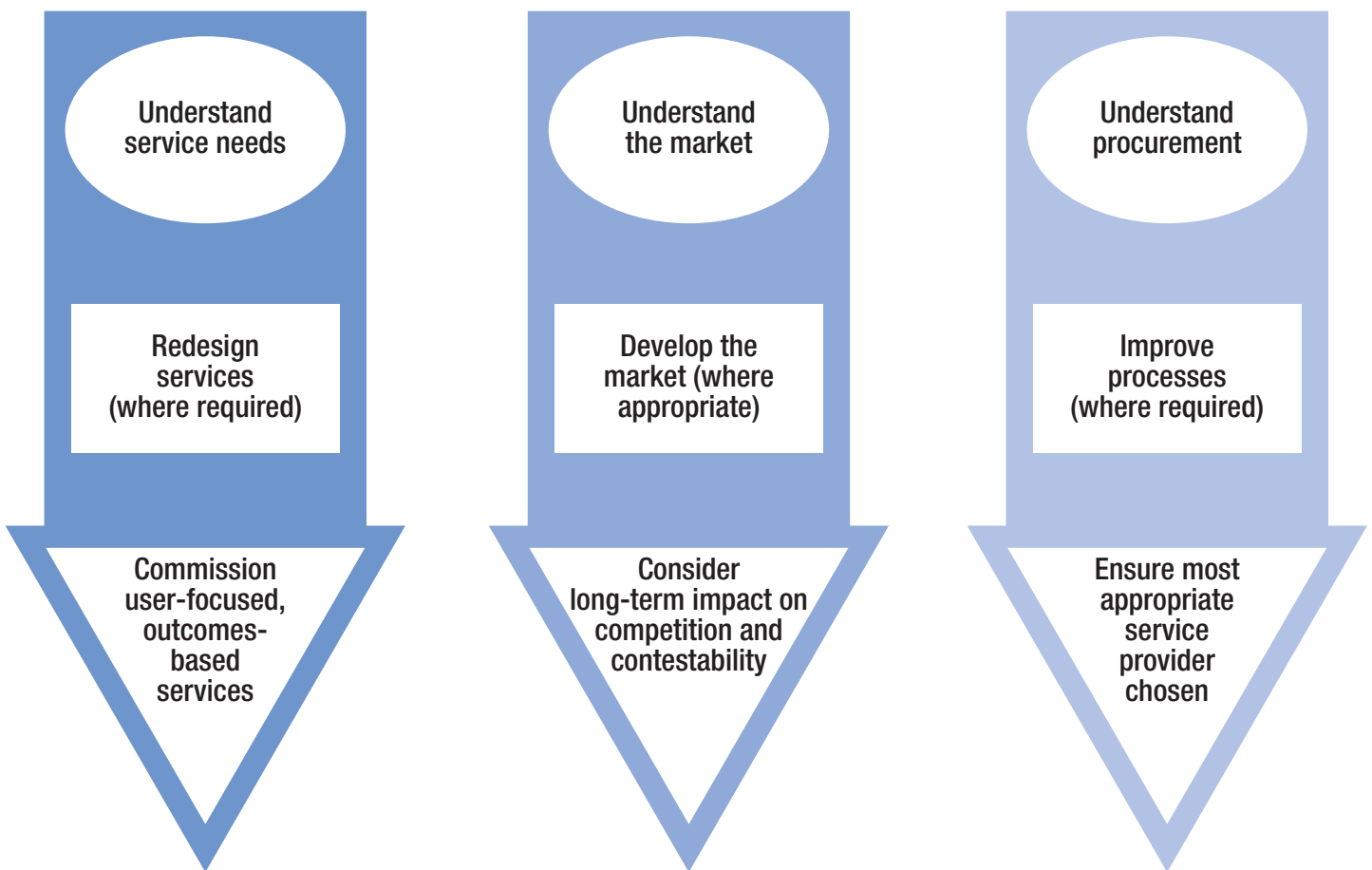
- Communicate the aims of capacity-building initiatives effectively to the voluntary sector, and across all government departments, to ensure that sponsoring government departments actively support these initiatives in the future.
- Consider how best to use wider initiatives, such as local area agreements, as drivers to improve the relationship between local public bodies and the voluntary sector, since these are more likely to be successful than stand-alone programmes.
- Advise local public bodies on the data they need to collect in order to measure the impact of their commissioning practice on the local voluntary sector.
- The Office of the Third Sector should draw on the expertise available within the Audit Commission, when developing training and tools for commissioning and procurement.

### **5. The Audit Commission will:**

- Contribute to the development of the national training programme for third sector commissioning, which the Office of the Third Sector is sponsoring.
- Continue to assess councils' commissioning as part of its judgements on their use of resources.
- Consider how to assess the risks associated with councils' and their partners' work with the voluntary sector, in developing Comprehensive Area Assessment.

# Intelligent commissioning

## INTELLIGENT COMMISSIONING



## VALUE FOR MONEY SERVICES

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