

Public Sector Commissioning – The Voluntary and Community Sector Experience in Greater Manchester

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Introduction

This paper will give an overview of the findings of a research project that was commissioned by the GMCVO-based Health Partnership Project (HPP) in 2008. Funded by the PCT, the HPP is a cross-sector collaboration of health providers, commissioners and third sector infrastructure providers that seeks to maximise the contribution of the voluntary and community sector (VCS) toward improving health and tackling health inequalities in Greater Manchester. As one of the broad aims of the HPP is to inform the commissioning process from a VCS perspective the HPP wanted to know more about the experiences of VCS organisations in Greater Manchester with public sector commissioning.

The research was intended to address the following questions:

- Is there a level playing field for VCS organisations with regard to obtaining public sector contracts?
- Are VCS organisations involved in designing services?
- What is the impact of public sector contracts on the VCS organisations that deliver them?

Methodological Reflections

Semi-structured interviews were considered to be the best way of obtaining a wealth of detail in a short space of time. With the help of the HPP officer twenty interviewees from VCS organisations that had public sector funding were chosen for participation. These included organisations that had service level agreements, contracts or block grants. Whilst some organisations had experience in competitive processes – tendering or competitive bidding – the project also interviewed those that had gone through non-competitive informal processes.

Because the intention was to provide a VCS perspective of commissioning arrangements, the research only conducted interviews with VCS staff. This had the advantage that a variety of VCS perspectives could be obtained, which would have not been possible if the project had interviewed statutory contacts as well. To develop a full understanding of each of the processes organisations went through and to contextualise an individual organisation's experience it would have been useful to speak to other stakeholders in the process as well. However, the intention of this research was not to develop a complete understanding of the context and all sides of the matter, but to understand how this context is perceived and experienced by the VCS and to make a voice heard that is often unfamiliar to public sector commissioners.

Discussion

Is there a level playing field for VCS organisations with regard to obtaining public sector contracts?

Despite the perception that obtaining statutory funding is becoming an increasingly competitive process findings from this research indicate that competitive processes are far from the norm and continue to co-exist with more informal ways of funding. There is a wide range of commissioning arrangements and funding processes in each locality and organisations are often unsure how to find out about opportunities and whom to approach. Personal relationships and networking play a significant role, as opposed to advertising of opportunities and transparent processes.

There is a move towards putting more contracts out to tender, however findings showed that historic funding relationships are still prevalent. Some interviewees blamed these for opportunities never being advertised in the first place and for a situation in which the best possible provider is not necessarily chosen. They mainly blamed this on commissioners' lack of awareness of the VCS market offer: because it is convenient commissioners stick to the organisations they have known for years, rather than making an effort to find out what else the VCS market has to offer. Some interviewees acknowledged that some historic contracts might be maintained by a legitimate desire to maintain a working relationship that has proven successful and safeguarding the investment that has been made into an organisation.

However, other interviewees thought that existing providers were not always doing the best job and that inadequate contract management allowed them to hold on to the contract despite poor performance. The findings provided evidence of both situations. Some of the interviewees' own contracts were barely monitored, whilst others had regular contract management meetings with the statutory funder. One organisation's experience indicates that statutory funders might sometimes continue historic relationships because they want to safeguard the investment that they have made over the years. This organisation had been providing a day centre service over many years when day centre services became subject to a major review. Based on the recommendations of this review the funder confronted the organisation with the choice between modernising the service or losing funding. In the end, the organisation and funder went through a long and sometimes difficult mutual process of adaptation and change in order to arrive at a service that better reflected the new priorities. It might have been more convenient to the funder to put the new service specification out to tender, but this would have meant a devastating blow to the organisation, possibly risking its existence in this district and therefore losing the prior investment into it.

In addition to historic funding relationships standing in the way of competition, the findings indicated that some organisations are better positioned than others to find out about opportunities, for example by being on local partnership boards or by simply having better connections within the public sector. This reliance on personal relationships tends to favour the organisations that already have their foot in the door and/or have time and resources to devote to relationship-building and networking. Infrastructure

organisations are still insufficiently utilised by commissioners to advertise opportunities among the wider sector. But even when opportunities are publicly advertised, timescales are often too short for VCS organisations to respond and, as this research found, this affects organisations with a track record of bidding successfully as much as inexperienced organisations. More importantly, timescales that are too short affect VCS organisations' ability to come up with a good bid and properly consult with staff and/or partners and might therefore result in lower service standards. This research has also found that even seemingly transparent processes of putting a contract out to tender can be marred by back room dealing and that communication throughout the process is sometimes not even-handed, giving some players an advantage over others. It therefore appears that personal relations are of great importance to the VCS.

Are VCS organisations involved in designing services?

VCS organisations are typically seen as having their ear closer to the ground than statutory agencies, theoretically making them an ideal partner when it comes to planning services. However, in reality, the extent to which VCS organisations are enabled to utilise their direct experience with service users to shape services varies greatly. This research did not find much evidence of genuine broad-based approaches to systematically gather a broad range of VCS input into service and specification design. The research identified the following approaches:

- Consultation events
- Service review processes that gather VCS perspectives through interviews
- Raising service and specification design issues at local partnership meetings that have a VCS representative
- Individually responding to VCS organisations' ideas for new services
- Involvement of VCS providers at the policy level

Consultation events appeared to be quite common, but had the reputation among interviewees of being time-consuming tick-box exercises. These events had the advantage of at least making the local VCS aware of opportunities to come and making the situation more transparent in that regard, but interviewees usually had no indication that their input was being taken into account in the design of the service and/or the specification. Worse still, some interviewees told us that VCS input had been deliberately ignored.

It also appeared quite common to raise service design and specification issues at partnership meetings. However, the extent to which the wider VCS is able to have input into such processes would be determined by the degree to which the VCS representative on such partnership meetings is an effective channel of communication between the wider VCS and the statutory sector representatives present in the partnership.

In many cases, service design and re-design appeared to be influenced by personal relationships. It is here that the role of VCS organisations seems to be most powerful, by bringing certain needs to statutory bodies' attention.

Typically, an organisation would first pilot the work from charitable funds and then make a case for statutory funding. Again, it becomes clear how much this relies on personal connections for the right person within the LA and/or PCT to approach. Clearly, organisations that are already involved with the public sector have recourse to these channels of communication to push for innovative services to be funded or secure a better deal for their service users.

Another potential arena where VCS organisations have a chance to influence service design is contract management. However, this research found that the degree to which this opportunity is realised depends on the quality of contract management and on the awareness of the organisation with regard to monitoring its own performance. There are contract management procedures that do not appear to feed back into service design at all and organisations end up delivering much more of the service for the same money as at the beginning. Organisations that are asked to supply performance management information that does not appear to make a difference at all tend to see monitoring as a useless exercise to satisfy funders. On the other hand, there are organisations that utilised monitoring data to showcase their achievements, flag up emerging needs or better understand their own performance.

What is the impact of public sector contracts on the VCS organisations that deliver them?

Much VCS commentary has focused on the risks of public sector contracts to VCS organisations, particularly the threat to their independence. However this research has found that organisations' experiences with delivering public sector contracts are mixed. Some organisations have experienced clear benefits as a result of working for the public sector. Many of our interviewees reported organisational growth, learning and improved focus and reputation as a result of public service delivery. The following were among the benefits that public sector working brought to study organisations, including smaller organisations:

- Government procedures and targets put work in focus that had previously been perceived as a bit vague
- Contract management requirements introduced more structure
- Duty to collect monitoring information led to improved internal understanding of impact and progress
- The contract facilitated the creation of an internal management structure
- Ability to market service to a wider range of clients
- Upgrade and formalisation of parts of existing operation (i.e. volunteer recruitment)
- Ability to make public sector services more appropriate to specific needs of a community
- Learning from working alongside seconded staff from statutory partner or from TUPEd public sector staff

The research found that wherever negative impacts were anticipated or experienced, organisations tried to hedge against these by maintaining a diverse funding base. It is the organisations whose funding is not diverse enough that are more easily thrown into disarray if things do not go smoothly with public sector contracts. Such organisations' confidence tended to be weaker, putting them into a weaker negotiation position. Being on the defensive in this respect does entail the risk of losing independence and control over one's work and having funders' views imposed on the organisation. Some organisations that were fairly or entirely dependent on one statutory funder had balanced this risk by developing a very close relationship to the funder, however, this turned out not always to be a guarantee for continued funding and sometimes backfired.

Regardless of their level of funding diversity, our interviewees had experienced threats to their independence in the sense that funders tried to impose their preferences. Reference was made to some funders' impression that they should have control over all the work the organisation is doing, including that which is not funded by the contract in question. Interviewees also noted that changes in national government guidance on certain services can put pressure on those organisations that are delivering contracts to align their operations accordingly, sometimes bringing them into conflict with their original missions. Similarly, public funders might not always realise fully the restrictions an organisation's mission imposes and might make inappropriate requests from the organisation. Organisations did manage to be assertive in these types of situations. Although this research does not indicate that assertiveness automatically risks alienating funders – to the contrary – the fear of this made organisations with a less diversified funding base less likely to defend their position.

An area closely related to independence is reputation. Interviewees felt very strongly about the need for organisations to maintain their identity as third sector providers in order to keep the trust of service users. However, this appeared to be mostly an issue of an organisation's image, rather than the realities of its funding. Most interviewees commented that service users do not typically make the connection between how an organisation is funded and the service they are receiving. The exception was one organisation, which closely serves and is supported by a specific community, and which reported that its move towards public service delivery had been a controversial topic within that community. Furthermore, the fact that the community supports the organisation through donations raises high expectations with regard to the organisations' duty to serve that community. However, it entered a contract with social services, which was predicated on delivering a specific service to a certain number of clients each year. When demand kept growing without concomitant increases in the contract sum, the organisation found itself subsidising this contract and at the time of interview saw itself reaching beyond capacity and faced with the prospect of having to turn clients down. It was anticipating damage to its reputation of serving the community as a result of that.

The findings showed that organisations are regularly forced to subsidise the services they deliver for statutory contracts from their charitable funds in times when funding or funding decisions are late. This sometimes posed unacceptable risks to the organisation, such as losing staff. One organisation that delivers public services for three local authorities reports going through a period of intense uncertainty every year and not having obtained funding for the service from one of the authorities for one complete year. There was the perception among organisations that had encountered uncertainties around statutory contracts that statutory funders might exploit the ethos of VCS organisations to put their service users first and relied on them to subsidise these services during times when funding is not disbursed in a timely fashion or funding decisions are made late. If there is indeed such a calculation, it appears to pay off, as organisations generally seek to cushion the effect of this on service users.

Conclusions

The operating environment for VCS organisations with regard to commissioning is extremely confusing. The chaos created by a variety of different processes happening side by side is exacerbated by a strong reliance on personal contacts, the existence of historic funding relationships and the lack of formal advertising of opportunities through recognised and established channels. The resulting playing field is not level for most VCS organisations, but is more than level for some who have historically delivered publicly funded services or have established relationships with key people in the statutory sector.

VCS organisations are trying to inform service design in a variety of ways, but this is once again easier to do when established relationships exist. In fact, more broad-based methods that would hold the promise of enabling a wider range of VCS organisations to contribute, such as consultation events, appear largely discredited as time-intensive tick-box exercises. Commissioners' awareness of the VCS market offer, as well as support and initiatives to level the playing field need to be improved to generate a situation in which the most suitable provider is chosen in a fair and transparent process and in which a wide range of organisations, including smaller ones, are enabled to compete and contribute their experience. Once an organisation has obtained a statutory contract, this can often have a beneficial effect, if it is comfortable with navigating the risks this brings to them by being assertive and defending its position. It appears that this is more likely if an organisation has a diverse funding base and that the capacity-building that is accrued by delivering a contract might be more promising for bringing those organisations that want public sector contracts up to speed than designing generic capacity-building for them. The research found that the conditions for VCS organisations with regard to obtaining public sector contracts are often perceived as not being fair and that VCS organisations' input into service design often follows ad-hoc approaches. However, once VCS organisations have succeeded in obtaining a public sector contract, this can benefit them in various ways, if they are proactive in safeguarding their independence.