

Common Themes on Commissioning the VCS in Selected Local Authorities in Greater London

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Contents

Executive Summary	3
Acknowledgements	6
1. Introduction	7
2. Aims and Methodology	10
3. Themes on Commissioning Practice	12
3.1 Commissioning Strategy	12
3.1.1 Local Authority Approaches	13
3.1.2 PCT Approaches	17
3.2 Current Role of the VCS in Commissioning	18
3.2.1 Engagement in Strategic Elements of Commissioning	18
3.2.2 VCS Engagement in Service Delivery	20
3.3 Current Support for the VCS Role in Commissioning	23
3.3.1 VCS Development Needs	23
3.3.2 Existing Support Delivery Approaches	24
3.4 Factors in VCS Commissioning Success	26
4. Conclusions	28
5. Recommendations	31
Appendix 1: What is Commissioning	33
A.1 Defining Commissioning	33
A.2 Key Elements of Commissioning	34
A.3 Existing Commissioning Activity	36
A.4 Barriers to Commissioning	38
A.5 Most Recent Trends in Commissioning Activity	39
Appendix 2: Third Sector Action Plan Progress	43
Appendix 3: Answers to the Research Questions	48

Executive Summary

- The terms commissioning, procurement, and tendering are often used interchangeably to describe the purchase of services by public bodies from third party providers leading to confusion and poor understanding of the practice of commissioning;
- Commissioning is defined for the purposes of this report, in line with the work of the Audit Commission, as the process of specifying, securing and monitoring services to meet individuals' needs at a strategic level. This applies to all services, whether they are provided by the local authority or by the private or voluntary sectors;
- Recent work by the Office of the Third Sector (OTS) provides details of the key principles on which effective commissioning with the VCS should be built including– the requirement to understand the needs and preferences of present and future users, the needs to map existing provision and identify service gaps, a strategic approach to identifying service needs, ongoing dialogue between commissioners and potential providers, and an evidence base to evaluate service performance;
- The evidence collected by this study shows that work to these principles is extremely rare amongst existing commissioning practice;
- The extensive emphasis placed on the importance of commissioning to the future of the delivery of public services is a relatively recent phenomena for local authorities and PCTs;
- Commissioning of the VCS across health and social care forms a minority of activity equating to just 14 per cent of the overall budget for service delivery by third parties in England¹;
- When commissioned the majority of VCS organisations are very small, 84 per cent have incomes below £1million per annum, 34 per cent below £50k, and 54 per cent employ less than 25 people²;
- VCS engagement in commissioning is low, 70 per cent state they have not responded to any commissions for service delivery in the last year³;
- Those VCS agencies who do submit tenders are usually successful, 60 per cent of tenders submitted achieve success⁴;

¹ IFF Research (2007) 'Third Sector Market Mapping' Department of Health, Leeds February 2007.

² IFF Research (2007) op cit.

³ IFF Research (2007) op cit.

⁴ IFF Research (2007) op cit.

- There is a high degree of variability in approaches to commissioning across the surveyed local authorities and PCTs, no one model of activity seems to exist;
- Commissioning activity remains in its infancy, but significant early development is needed to ensure more strategic and systematic approaches are adopted in the future;
- Commissioning developments cannot happen overnight, existing good practice has taken in excess of three years to develop and implement;
- Internal support in local authorities and PCTs for commissioning is commonly under resourced irrespective of the level and volume of commissioning activity being conducted;
- There remain gaps in commissioning skills amongst local authority and PCT officers, skills amongst VCS staff need particular development;
- Key elements of commissioning practice – needs analysis and service specification development – are being conducted in piecemeal and uncoordinated ways between and within local authorities;
- PCTs are much further behind local authorities in the development of their commissioning practice;
- Levels of VCS engagement across local authorities and PCTs in the key elements of commissioning are sporadic, inconsistent and lack a clear vision or direction;
- An extensive, and wide variety of support is being provided to agencies across the VCS though our evidence suggests this needs more specific targeting and a greater emphasis upon structured capacity building at all levels of VCS organisation;
- There is evidence that support on commissioning practice is a particular requirement amongst VCS organisations working with Black, Asian, and minority ethnic (BAME) groups as these organisations are particularly vulnerable to changes in funding practice brought about by moves to commissioning;
- There are clear features of successful VCS commissioning practice that include linking service delivery to commissioners targets and objectives, demonstrating a clear business case for being commissioned, having clearly defined points of contact, and demonstrating explicit links to local communities;

- Existing commissioning practice is a long way from the approach outlined in the action plan for third sector involvement in the delivery of public services;
- There are examples of emerging good practice including:
 - Joint bidding work on sexual health commissioning between VCS and existing NHS providers in Barking and Dagenham;
 - Piloting of an Open College Network (OCN) accredited training programme for VCS organisations as well as local groups and research with the New Economics Foundation investigating the measurement of the additional value provided by the VCS in Camden;
 - Commissioning activity of Older People's Services department in Hammersmith and Fulham;
 - Consortia development across the VCS for delivery of Mental Health Services in Merton;
 - Consultation work on mental health services including a focus on service specifications in Sutton;
 - Clarity and concise presentation of the commissioning intentions document 2007-2010 published online in Waltham Forest.

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The views expressed in this report are drawn from the evidence collected during the study and have been interpreted by the author. These views do not necessarily reflect those of London Councils, or Capacitybuilders.

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1. Introduction

The UK Voluntary Sector Almanac 2006⁵ identified that of the £26.3 billion total estimated income of the voluntary and community sector (VCS) in 2003/04⁶ almost two fifths (38 per cent, almost £10 billion) is generated from the public sector.

Whilst this proportion of total income has increased only slightly from last collected figures in 2001/02, there is little doubt that there is an increasing focus on the VCS to play a much wider role in the delivery of public services. This is because the Government sees delivery through the VCS as one way to more closely match user needs⁷.

Consequently, the way in which the VCS and central and local government (directly, and through executive bodies and non-departmental public bodies) engage with each other over the delivery of public services will ensure that the VCS can play the fullest possible role in delivering more public services.

A critical way in which this engagement is set to occur, and is already taking place, is through the commissioning of the VCS to deliver public services. However, there is emerging evidence from the VCS and across central and local government that suggests that whilst these developments are in their earliest stages, these are not always occurring as smoothly as they could and that the VCS is yet to play the fullest role possible in the delivery of improved public services, indeed in some cases it is yet to be involved at all.

Commissioning is becoming one of the key defining issues in the future delivery of public services. New initiatives like practice based commissioning (PBC)⁸, individual budgets and self-directed support⁹, and direct payments¹⁰ are all founded on principles driven by the need to better respond to the needs of service users and require new approaches to service delivery that commissioning and commissioners

⁵ The UK Voluntary Sector Almanac 2006 published by NCVO. Available from: <http://www.ncvo-vol.org.uk/research/index.asp?id=2380&fID=158>

⁶ The Almanac identifies that this is the latest available information.

⁷ Office of the Third Sector (2006) 'Partnership in Public Services: An Action Plan for Third Sector Involvement' London, December 2006. Available at: http://www.cabinetoffice.gov.uk/third_sector/public_service_delivery/

⁸ PBC gives GPs direct responsibility for achieving best value within the funds that the Primary Care Trust (PCT) has to pay for hospital and other care for their practice's population.

⁹ These are designed to provide individuals who currently receive services with greater choice and control over their support arrangements. The individual budgets pilot project is a cross-government initiative led by the Department of Health working closely with the Department for Work and Pensions and Communities and Local Government.

¹⁰ Cash payments made in lieu of social service provisions to individuals who have been assessed as needing services. They create more flexibility in the provision of social services. Giving money in place of social care services means people have greater choice and control over their lives, and are able to make their own decisions about how care is delivered.

are expected to address. Ensuring that commissioning occurs effectively is the first step to ensuring that future public service delivery can address these needs.

This research was commissioned by London Councils¹¹ and funded by Capacitybuilders¹² and London Councils to look into commissioning experiences in selected local authority areas in London. This sought to identify how commissioning practice is already being conducted and how this may be impacting upon the level of VSC involvement in those activities.

The work focused on developments in health and social care because these have developed the most advanced current practice around commissioning.

This report outlines the key findings of the research and seeks to highlight examples and common themes of VCS engagement in public service commissioning.

The report will be of interest to:

- Those involved in the commissioning of services in the public sector, and 2nd and 3rd tier VCS organisations;
- Frontline VCS organisations;
- Those engaged in policy development around commissioning and procurement.

This work is important because it illustrates where continuing development work is required to enhance the role of the VCS in public service delivery, and ensure that commissioning practice effectively allows the VCS to be considered as a deliverer of the widest possible range of public services.

This all occurs against a policy background where an unprecedented emphasis upon VCS involvement in public service delivery is being advocated and supported by the establishment of specific ministerial responsibility for the VCS within the Cabinet Office, the first time such a ministerial post has been created, and specific policy statements about how the VCS will be engaged to deliver public services¹³.

¹¹ London Councils is the new name for the Association of London Government. For more details on the change please see <http://www.londoncouncils.gov.uk/doc.asp?doc=18295>. London Councils lobbies on behalf of the 33 London boroughs, develops policy in many key areas, runs a range of quality of life improving services (including grants for the VCS), and seeks to help councils in London to deliver better services, by promoting better cross-borough and pan-London working.

¹² Capacitybuilders is the agency tasked with managing the £70 million ChangeUp fund to March 2008 to work with infrastructure bodies to enable the voluntary and community sector to become more effective and efficient. Further details can be found at: <http://www.capacitybuilders.org.uk/default.asp>

¹³ Office of the Third Sector (2006) 'Partnership in Public Services: An Action Plan for Third Sector Involvement' London, December 2006. Available at: http://www.cabinetoffice.gov.uk/third_sector/public_service_delivery/.

For statutory service providers, this has already occurred in key areas across health, social care, and education where specific commissioning strategies with a focus on VCS engagement include the:

- DfES/DH *Joint Planning and Commissioning Framework for Children, Young People and Maternity Services* published in 2006¹⁴; and
- DH *Commissioning Strategy for Health and Well Being* consultation document published in 2007¹⁵.

Further documents on commissioning for local authorities are expected from Communities and Local Government (CLG), and further strategies are in development by the Department for Work and Pensions (DWP) and the Learning and Skills Council (LSC).

This report provides important themes that will need to underpin the way in which these strategies are implemented and achieved.

¹⁴ See <http://www.everychildmatters.gov.uk/strategy/planningandcommissioning/>

¹⁵ See http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_072604

2. Aims and Methodology

This research focuses on commissioning experiences in six London Boroughs to highlight emerging practice, and the role played by the VCS. To investigate this the following research questions were posed:

1. What are the key features of commissioning practice in each of the boroughs?
 - a. How is commissioning practice organised and conducted in the Borough?
 - b. Why is commissioning practice conducted in that way in each borough?
 - c. What are the key lessons each of the boroughs have learnt through developing their own commissioning practice?
2. What are the common themes across the boroughs that aid the development of appropriate commissioning practice?
3. What further support mechanisms across the boroughs are required to further improve commissioning practice, collectively and individually?

The work was conducted in six boroughs¹⁶:

- Barking and Dagenham;
- Camden;
- Hammersmith and Fulham;
- Merton;
- Sutton;
- Waltham Forest.

Boroughs have been identified through conversations with the Council for Voluntary Services (CVS) network co-ordinators in the five London sub-regions who were asked to identify local authorities in their sub-regions that could give a wide-ranging view on commissioning across the health and social care fields¹⁷.

¹⁶ Work in Sutton and Merton included impacts of the joint PCT arrangements the boroughs have.

¹⁷ Waltham Forest was one of the first London Councils to adopt commissioning.

A series of qualitative interviews have been conducted with individuals in each borough. Individuals interviewed have included:

- Main VCS representative in the borough, usually the chief executive or senior manager of the CVS;
- Head of procurement or senior manager with dedicated procurement responsibilities in the Local authority;
- Commissioning managers in a variety of council departments including children's, older people services, housing, and community development departments;
- Council staff involved in community liaison or development with a specific remit for developing relations with the VCS; and
- Head of Commissioning in each PCT.

In total 25 interviews were completed across the six boroughs¹⁸. Interviews with each of the CVS across the six boroughs were conducted, and with the five PCTs covering the study areas¹⁹.

Interviewing was supplemented by a review of a range of literature on commissioning practice in each of the boroughs including the commissioning strategy (where available), other research and reviews of commissioning practice at borough and PCT level, Department of Health (DH), Department for Education and Skills (DfES), and Communities and Local Government (CLG) strategy documents, and Audit Commission and National Audit Office reviews of commissioning practice.

For the purposes of this report commissioning has been defined using the work of the Audit Commission that identifies it as:

"...the process of specifying, securing and monitoring services to meet individuals' needs at a strategic level. This applies to all services, whether they are provided by the local authority or by the private or voluntary sectors."

Making Ends Meet, Audit Commission 2004²⁰

More detail on this definition, and the history, and current features of existing commissioning activity can be found in **Appendix 1**.

¹⁸ 4 in Barking and Dagenham; 3 in Camden; 5 in Hammersmith and Fulham; 5 in Merton; 4 in Sutton; 4 in Waltham Forest.

¹⁹ Merton and Sutton are covered by a joint PCT.

²⁰ An online source developed by the Audit Commission see <http://www.joint-reviews.gov.uk/money/commissioning/2-contents.html> for fuller details.

3. Themes on Commissioning Practice

The following sections provide a summary of the findings from the interview work, further detail on these can be found in Appendix 3. The themes identified from the findings illustrate important lessons to be considered when seeking to implement the proposals contained in the Third Sector Action Plan²¹, DfES and DH Every Child Matters Commissioning Strategy²², DH Commissioning Strategy²³, and forthcoming commissioning strategies from CLG, DWP, and the LSC.

The themes are identified under the four key headings covered by the interview schedules:

- Commissioning Strategy;
- Current role of the VCS in commissioning;
- Current support for the VCS role in commissioning; and
- Factors in VCS commissioning success.

These findings are derived from 25 interviews with a range of staff across local authorities, PCTs and the VCS. Interviews were conducted with Heads of Procurement/Commissioning in local authorities and PCTs, Departmental Commissioning Managers, local authority VCS engagement staff, and with chief executive or senior managers in each of the CVS in the six boroughs covered by this study.

3.1 Commissioning Strategy

Respondents were asked a range of questions about the approach, practice and process of commissioning within their local authority area. Responses showed that there is a high degree of variability in approaches to commissioning, with no one model being used consistently across all the local authorities and PCTs interviewed in this work.

²¹ Office of the Third Sector (2006) 'Partnership in Public Services: An Action Plan for Third Sector Involvement' London, December 2006. Available at: http://www.cabinetoffice.gov.uk/third_sector/public_service_delivery/.

²² DfES/DH (2006) *Joint Planning and Commissioning Framework for Children, Young People and Maternity Services*. Available at: <http://www.everychildmatters.gov.uk/strategy/planningandcommissioning/>

²³ DH (2007) *Commissioning Strategy for Health and Well Being*. Available at: http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_072604

3.1.1 Local Authority Approaches

All local authorities have some kind of commissioning or procurement strategy, but these range from guidance for officers as to how commissioning must be conducted to highly specified overarching strategies that officers are required to follow and that aim to underpin all commissioning activity within a local authority.

One consistent factor noted across the local authorities interviewed as part of this study is the level of involvement of elected members in the establishment of the strategies. In all cases elected members have been involved in the approval of strategies, and have review and scrutiny roles associated with that involvement. However, officers did note that there are training and development needs for elected members and full understanding of strategic approaches to commissioning are limited to a relatively small number of members.

However, several local authorities have more devolved structures where commissioning activities are conducted by individual council departments. In these cases approaches can vary quite widely, and some VCS respondents noted that this led to particular confusion amongst VCS organisations about how they should be involved in commissioning at needs analysis or service specification phases, and how they would be required to respond to commissioning exercises.

This variability is directly related to the phase of commissioning development reached by the local authority. The majority were in the earliest stages of formulating strategies that had been released publicly, with many only being released in the six months up to March 2007, or were in the final stages of commissioning services at the time of interview. This may help to explain the fact that not all strategies are easily accessible to the public via local authority websites, making wider understanding by external providers of how commissioning will be handled by particular local authorities more difficult to attain.

Furthermore this lack of consistent approach is illustrated at a simple level, by the significant variance in contract values at which full competitive tendering has to be conducted from £50k+ in Barking and Dagenham and Waltham Forest, £75k+ in Merton; £100k+ in Camden and Sutton; and from the EU limit (£144,459) for Hammersmith and Fulham²⁴.

Respondents were keen to stress the time commitments that were required to develop commissioning strategies that would fit the principles outlined in Appendix 2. In Camden, Hammersmith and Fulham, and Waltham Forest 2-3 years have elapsed between initial commissioning activity and their practice today, though respondents in each identified that there was much work to do to move closer to the strategic commissioning models advocated by the Government.

²⁴ These figures are derived from each of the local authority websites highlighting details of their commissioning practice.

Internal support for commissioning also varies significantly between local authorities. All local authorities had some form of central procurement unit however the specific role and remit of this unit often varies. Across the six local authorities interviewed there were two forms of approach:

1. Central procurement unit with commissioning responsibility devolved to individual departments – this involved the central procurement unit providing support and expertise on process issues related to commissioning but Departments are expected to administer commissioning themselves;
2. Central procurement unit that oversees, conducts and administers all commissioning activity – this involved the unit acting as the 'centre of expertise' for the local authority and leading on all commissioning activity.

Irrespective of the set up for internal support for commissioning activity, the availability of specialist expertise and resources to support commissioning practice within local authorities is generally often lower than is required, involving a limited number of staff irrespective of the size or commissioning requirements of the authority.

This is a critical issue, moves to commissioning requiring more strategic approaches to the supply and delivery of public services need to be supported by appropriate levels of expertise to ensure commissioning is effectively developed, and appropriately delivered. Our evidence suggests that there are capacity issues across local authorities, both in terms of specialist support for commissioning being available, and the expertise of some officers involved in commissioning. These capacity issues could place barriers in the way of full commissioning roll out, and may already explain the different phases of development reached across the local authorities investigated in this study.

The earlier results of the literature review highlighted recent statements on the key elements that the Government sees as critical to underpinning commissioning activity that will foster the involvement of the VCS. The results from the interviews with local authority staff show that:

- There are markedly different approaches to needs analysis work. Whilst taking place in all authorities, the level of detail and engagement with stakeholders and local communities varied across local authorities, and on occasion within local authorities. Specific links are being made to Local Area Agreements²⁵ (LAA) to help derive details of local area need but there seems to be no consistent approach to further analysis of user needs in addition to this, or detailed involvement of user groups in identifying emerging needs;
- Service specification work is progressing well, but is often conducted internally with relatively few examples of direct input from users, stakeholders, or the VCS being highlighted by those interviewed. Where examples were noted, respondents identified that significant benefits did occur, such that the relevance and appropriateness of services then delivered were improved, and a wider set of providers utilised;
- Commissioning intentions are increasingly being published, though VCS respondents identified that these were not always timely with limited notice being given of the actual timing of commissioning of services, and not always using consistent formats or levels of information. However, practice in Waltham Forest²⁶ offers a good example of an approach that presents such intentions in a simple, yet clear, way;
- There were numerous examples of joint commissioning already taking place, despite the relatively early stages of development some local authorities are at in their commissioning strategies. These examples most commonly included cross borough partnerships between different local authorities, joint strategies between local authority departments within the same authority, and joint work with PCTs. Such joint commissioning within local authority areas was often driven by specific areas of service delivery dealing with LAA targets;

²⁵ The CLG website identifies that a Local Area Agreement (LAA) is a three year agreement, based on local Sustainable Community Strategies, that sets out the priorities for a local area agreed between central government, represented by the Government Office (GO), and a local area, represented by the local authority and other key partners through Local Strategic Partnerships (LSPs). LAAs are structured around four blocks (or policy fields): children and young people, safer and stronger communities, healthier communities and older people, and economic development and enterprise. For more details see <http://www.communities.gov.uk/index.asp?id=1161632>

²⁶ See

<http://www.walthamforest.gov.uk/index/community/voluntary-sector-development/commissioning/commissioning-programme-2007-2010.htm> for details of the prospectus.

- Existing approaches to commissioning commonly involve a mixture of block and spot contracting. Respondents identified that commissioning has not really altered the mix of this from previous procurement regimes, but that improved needs analysis work did highlight where block or spot contracting could yield the most benefits to service users whereas previous contracting decisions were often based on the cost benefits that could be achieved;
- Most commissioning remains focussed upon output driven measures, though outcome focussed commissioning is starting to feature more prominently. Respondents often identified that this related to the level of detail of needs analysis work and how closely involved service users were in its identification. Increased user involvement often drew greater attention to the importance of more outcome focused measures and the considerable developments needed to make this happen. This is particularly the case in the identification of 'softer' measures of user satisfaction that will help to ensure that service relevance and availability are consistently related to service user needs;
- There is a critical challenge associated with moves from output related measures of service delivery to an outcome-focussed regime. Consequently much further development work will be required to make the transition effectively and ensure this is adequately reflected in future commissioning activity;
- Monitoring of commissioning remains an area for further development. Although there are some limited examples of reviews being conducted through user groups, the early stage of commissioning development reached by most local authorities means they have yet to reach a point where enough services have been commissioned to allow meaningful monitoring activity to take place;
- Decommissioning of services²⁷ has started to occur though there is no particular pattern to the service areas that have been decommissioned. However, the reasons identified for service decommissioning do illustrate that an increased focus on needs analysis is highlighting a range of funding legacies that do not match LAA needs or other specific funding priorities identified by the commissioning strategy. Equally commissioners are also highlighting problems with delivery performance and service quality because a more strategic focus upon the range of services on offer enables more informed decision to be made about precise service needs;

²⁷ This is where a commissioning exercise identifies that an existing provider will no longer continue to provide that service.

- Respondents also identified that their own focus upon user and local needs, although not always fully developed, was fostering innovation across the local provider base. This was occurring through more flexible service specification where local authorities offered less prescriptive requirements of service needs and delivery mechanisms, as well as innovation in collaborative and partnership working;
- Respondents are generally aware about the contribution to the comprehensive performance assessment that will arise from the commission for social care inspection review of their own commissioning practice, however very few are able to identify specific examples of changes to commissioning practice that have occurred as a result.

3.1.2 PCT Approaches

PCTs are at a much earlier stage of development of commissioning strategies than local authorities. Only Barking and Dagenham has a written commissioning strategy that is about to be issued for consultation. This is due to the fact that specific guidance on the form that such documents should take has only recently been published²⁸ and PCTs interviewed for this study indicated that work would now begin in earnest on the production of these documents. This is also occurring within the context of considerable restructuring across the NHS. This restructuring has meant there have been some delays in the development of PCT commissioning strategies.

There are however some key features of the evolving strategies from PCTs worth highlighting here:

- Needs analysis and service specification work is primarily derived from existing operating and annual plans drawing on health inequalities assessments drawn up for these documents. Consultations across stakeholders and users is still at the earliest stages of development;
- Commissioning is expected to have a significant impact on the delivery of PCT services as most areas of delivery are likely to be commissioned at some point in the future;
- Joint commissioning is already a feature of PCT commissioning including work with local authorities, and other PCTs;

²⁸ Published in March 2007, see the PCT Commissioning Regime at:
http://www.london.nhs.uk/londonnhs-publications.aspx?id_Content=7258

- Existing commissioning activity is primarily output driven, though there are signs that an outcome focus will play a more prominent role in future strategies, the commissioning commonly involves a range of spot and block contracting;
- Most PCTs have strong links with local authorities having joint and shared staff engaged in some commissioning activities usually associated with delivery of LAA targets. Elected council members commonly form significant parts of Boards of Directors and other Non-executive roles;
- A range of existing approaches already measure how well the PCT is commissioning current services including Fit for Purpose Reviews, Self Assessment for the Healthcare Commission, Special Audits and Internal and External auditing regimes. Levels of accountability for PCTs are equivalent to those for local authorities.

3.2 Current Role of the VCS in Commissioning

The engagement of the VCS in the commissioning activity in the study areas is sporadic and inconsistent. The findings of this work show that across local authorities and PCTs VCS engagement is patchy. Consequently, in some service areas levels of engagement are high, but this level is not maintained across all service areas across local authorities.

3.2.1 Engagement in Strategic Elements of Commissioning

High levels of engagement of the VCS can be facilitated by the following features:

- VCS is consulted on service specifications and commissioning intentions and often plays a critical role in these activities helping to match local needs to service delivery more specifically than would have been possible without VCS engagement;
- Strong Compact²⁹ support and mainstreaming throughout a local authority's activities often facilitated particular priority being attached to VCS engagement, but this was not always translated into detailed engagement with the VCS at departmental level. Compacts do provide specific support for the VCS to be more proactive in seeking to be engaged in commissioning practice, and the work of staff who support their roll out can aid engagement with the VCS;

²⁹ Compacts are local and national commitments made between central and local government and the Voluntary and Community Sector to work together within certain agreed principles for mutual advantage and community gain. For details of wider Compact principles see:

http://www.thecompact.org.uk/information/100020/about_the_compact/

- Community Liaison units and community empowerment networks were valuable resources to help facilitate VCS engagement, but not all areas with high levels of engagement had been facilitated by the work of such units;
- High levels of engagement were commonly linked to the activities of particularly 'VCS aware' individuals or where departments took time to foster, develop and maintain widespread relationships with the VCS with the support of senior managers and council officers;
- Local authorities with widespread experience of the VCS amongst elected officials seemed to engage most effectively with the sector;
- There was a strong correlation between the level of previous working relationships with the VCS and levels of VCS engagement in commissioning activity. Consequently, those local authorities and departments where a long history of working with the VCS existed tended to have greater levels of engagement by the VCS in their commissioning activity.

There are however a number of areas where further work is required including:

- Work on needs analysis does occur, but our evidence shows that structures and processes to conduct this are much less well developed with examples of VCS engagement in the earliest stages of service reviews and needs analysis work being much more rare;
- PCTs are currently not involved in significant engagement activities with the VCS, although as commissioning strategies become more formalised it is intended that this role will increase;
- Although there were a number of examples where high levels of VCS engagement seem to have been built around contact with a relatively few high profile or highly vocal groups – concern was expressed by commissioners, and VCS alike, that such situations may not allow the full set of views of the wider VCS in an area to be incorporated. A number of examples were highlighted where some VCS organisations were dissatisfied with existing engagement activities because they were felt to give unfair advantages to certain providers or groups of providers;

- A number of examples were highlighted that showed that VCS organisations working with BAME communities were in particular need of capacity building. A number of respondents highlighted that VCS organisations working with BAME groups would benefit significantly by being better able to engage more effectively with future commissioning activity.

3.2.2 VCS Engagement in Service Delivery

Despite the relatively small scale of much VCS engagement with commissioning activity in the local authorities studied by this work, there were some clear patterns to those services areas where the VCS had been commissioned to deliver services.

Commissioners (mainly in local authorities, but with limited PCT examples) identified that the VCS was usually successful because they were often best at knowing local service needs well, offered niche or specialist services not available elsewhere, and could support the delivery of specific local targets.

Our work focussed on the health and social care fields within these there were a number of key service areas where the VCS across the study local authorities seemed to have been particularly successful.

Successful Areas of Service Delivery for the VCS:

- Community Transport;
- Counselling Services;
- Drugs Support and Counselling;
- Mental Health Advocacy and Brokerage;
- Mental Health Day Services;
- Older People's Services – particularly Day Centre and Home Care;
- Sexual Health services – including one example of partnering with an existing NHS provider in a response to a recently commissioned service;
- Supporting People – in one example 70 per cent of a £36million budget was commissioned to VCS providers;
- Volunteering Advocacy and Provision.

In the majority of these areas service delivery through commissioning was being undertaken by local VCS organisations – those located within the local authority

areas. However, there were increasing examples of 'out of borough' contracts with VCS organisations in neighbouring or other London Boroughs, as well as limited examples of National VCS organisations including charities being commissioned for local service delivery. The 'parachuting in' of out of borough organisations was a particular concern for some respondents as they highlighted how this meant that local agencies would face more challenging financial situations as a result, affecting the capacity of local organisations to deliver locally based services.

It is important to note that the monitoring of all commissioned services going to the VCS is far from being fully developed, and most local authorities and PCTs found it difficult to specify precisely a general picture of all commissioned service delivery by the VCS. There are plans for this to be addressed but this will need to include consistent definitions of what constitutes the VCS.

Respondents were able to give a clear assessment of why the VCS had been unsuccessful in the small number of commissioning activities conducted in the study areas. Commissioners highlighted that unsuccessful bids were usually because:

- Some bids made by the VCS were of poor quality missing required legal and financial documentation. However, some commissioners were keen to point out that such patterns were also features of unsuccessful private sector bids as well;
- Service offers made by VCS organisations did not match key delivery priorities or targets and demonstrated little evidence of how such needs might be addressed by the service on offer;
- Some bids lacked clear evidence that the VCS organisation clearly understood the policy agendas and drivers the commissioners were working to and those that were driving the move towards commissioning (this point was made particularly strongly by PCT staff who highlighted a particular lack of understanding of key NHS reform agendas and regional strategic drivers for service level and quality improvement).

However, VCS representatives also identified that unsuccessful bidding by VCS organisations was related to other problems, most notably:

- There continues to be a wide variance in understanding of what the VCS can deliver in local authority areas and within specific services. Not all officers understand fully the ways in which the VCS operates, or how it might be best utilised in needs analysis, service specification work, and ultimately delivery;

- Poor VCS commissioning experiences seem directly related to overly bureaucratic approaches to commissioning founded in purely procurement driven approaches where reactions to the perceived higher levels of risk associated with work with the VCS often result in unnecessarily complex commissioning approaches;
- There are some cases where VCS staff perceive that their knowledge of appropriate commissioning practice maybe better than some local authority officers;
- VCS staff identify that many PCT and local authority staff still have relatively poor levels of understanding about what the VCS does, or could do for them;
- High levels of staff turnover at local authorities and PCTs makes the development of consistent working relationships difficult and can undermine involvement in commissioning activity. Staff succession planning and workforce development activities appear to be problematic as new relationships have to be constantly remade;
- Some decision making approaches still lack clarity and transparency so that some VCS organisations are unclear why they have not been commissioned to deliver services, sometimes in situations where they had already been delivering the service in question prior to the commissioning exercise;
- Examples remain where the overall volume and size of service requirements clearly exceed the capabilities of specialist VCS organisations, yet there are no requirements for larger national providers to undertake to subcontract some service delivery to local VCS providers.

Commissioners identify that there is much work still to be done in developing commissioning practice in each of the boroughs studied. Respondents from both local authorities and PCTs highlighted that they were all keen to extend commissioning activity with the VCS, as well as extend the involvement of the VCS in strategic needs analysis and service specification work.

However development of commissioning practice that fosters innovation and user and provider involvement does not happen quickly, existing leading practice seen during this study has taken in excess of three years to establish, develop and maintain and this has only occurred with the full support of the most senior of council strategic managers and leaders. This intention seems to be reinforced by the wide-ranging support work that is already taking place with the VCS.

3.3 Current Support for the VCS Role in Commissioning

3.3.1 VCS Development Needs

Across local authorities, PCTs, and VCS organisations in the study areas there is a common concern that the VCS requires further development to be able to engage effectively with the emerging and evolving commissioning practice in the study areas.

Respondents indicated that capacity and capability across the VCS in each local authority area was patchy and that further work was needed to widen the provider base from the VCS for future commissioning activity of local authorities and PCTs. The areas in which this development and support work is required are shown below.

Areas requiring further development and support:

- Specific targeted work with BAME VCS organisations who are commonly some of the most vulnerable to funding changes because of the highly specific nature of some of the services they deliver. Other research has shown that BAME organisations links with other mainstream services do seem to be less well developed than other areas of specialist support services³⁰;
- Understanding of the principles and practice of commissioning and the underpinning strategic drivers for the adoption of such practice by local authorities and PCTs, particularly focussed upon the principles advocated in the commissioning strategies of the DfES, DH, and CLG, and the Third Sector Action Plan;
- Marketing and communicating the details of services offered to commissioners across local authorities and PCTs;
- Relating service delivery to commissioners key targets and objectives;
- Business case development to offer further justification for use of VCS services and the hard and soft benefits that can be attained;

³⁰ See Tanner, S. (2005) 'Linking Services for BME Homeless Individuals' OSW, London. Available at: <http://www.osw.org.uk/info/libraryrecord.asp?rqsID=276>

- Continued development to ensure full cost recovery³¹ underpins all bid developments;
- Legal and finance understanding increased to assist contract negotiation and delivery;
- Local needs analysis work to enable robust collation of local intelligence to contribute more directly to service reviews and needs analysis work.

3.3.2 Existing Support Delivery Approaches

A wide range of support is currently delivered to the VCS around commissioning practice and principles. In the main, local authorities deliver the majority of this support work through Community Liaison and Development Units and CVS organisations.

PCTs are currently delivering very limited amounts of commissioning support to any providers. This is because many identify that there is a particular fear that by providing support to the VCS may undermine principles of contestability and accountability by unfairly assisting some potential providers more than others.

Kinds of support available:

- Training in bid writing;
- Development of provider forums;
- One to one support during commissioning;
- Workshops and seminars;
- Meet commissioner events;
- Funding of community empowerment networks;
- Small grant availability to fund infrastructure development;
- Corporate support on health and safety, and equalities issues;

³¹ Full cost recovery is the process of costing activities to include the appropriate share of overhead or indirect costs, as well as the direct costs of delivering a service. Further issues related to full cost recovery (FCR) were raised recently by Cherie Booth who identified that requirements of the Human Rights Act may mean that a failure to ensure payments by local authorities and other public bodies in line with FCR may be in contravention of the act. See <http://www.thirdsector.co.uk/News/644760/Disability-body-weighs-legal-advice-Cherie-Booth/> for further details.

- Monitoring and evaluation development support;
- Facilitation of consortia building.

The critical factor underpinning the current delivery of VCS support for commissioning is its fragmented and inconsistent nature. Whilst seeking to address particular local circumstances offers important flexibility to support mechanisms, there are no specific standards or guidance on what minimum levels or requirements for support should be available in particular local areas. Consequently, the coverage, quality, and quantity of support mechanisms provided by local authorities and VCS organisations is totally reliant upon the coverage, quality and approach adopted by the providers of the support, whether local authority or VCS based.

There is evidence to suggest that some systematic capacity building related directly to the specific features of commissioning activity (in line with those outlined in the OTS Action Plan for Third Sector Involvement – see Appendix 2) is occurring in some local authority areas covered by this work. Work through Capacitybuilders is helping to develop infrastructure across Greater London³². However our evidence suggests that more work will be required around the specific principles outlined in the Action Plan for this activity to begin to make further impacts. In addition, some pilot work is taking place to ensure that some of the support and training can lead to accredited training, but this is currently not the norm and needs to be made more widely available.

The quantity of VCS support cannot be doubted, but our evidence suggests that a more strategic and targeted approach to the delivery of existing provision may be required. Many commissioning strategies remain in their earliest phases of development and this means there are opportunities to develop support mechanisms that are better aligned to the needs of local VCS organisations and the forms of commissioning practice being adopted.

There remains much work to be done amongst officers and members in local authorities and PCTs. In particular, the levels of understanding of the VCS and its ways of operating, practice and service provision need constant development, reinforcement and maintenance. Indeed it may be warranted for future support and training delivery to focus upon bringing these groups together more frequently to create opportunities to engage in dialogue and questioning about commissioning, so that each can better understand each other.

Our evidence has highlighted the considerable benefits and impacts on understanding that have resulted from ‘meet the commissioner’ workshops and

³² For details see <http://www.capacitybuilders.org.uk/wefund/region.asp?area=7> and <http://www.capacitybuilders.org.uk/what/default.asp>

seminars. They have also represented important ways in which local authorities and PCTs can gain a better understanding of local people and communities and their needs for service delivery.

3.4 Factors in VCS Commissioning Success

To help develop work with the VCS with local authorities and PCTs the findings on the key characteristics of those VCS organisations who have been successful in commissioning provide insights into the key areas for development. The areas for development could enable the wider VCS to be more successful in future commissioning exercises.

Local authority and PCT staff identify that the following features underpin success by VCS organisations in previous commissioning exercises.

Key VCS Success Factors

- Well developed appreciation of the key drivers behind commissioning including national strategy for local government procurement for local authorities and the reform of the NHS agenda for PCTs, and DH and DfES guidance;
- Understanding the principles of contestability and accountability that underpin how local authorities and PCTs must deliver services;
- Good understanding of commissioning practice – how it works;
- Effective and appropriate quality assurance activities coupled with detailed monitoring systems;
- Clear focus on what the organisation can and can't deliver;
- Higher level abilities in communicating and marketing services on offer;
- Skills in marketing services to, and networking with, potential commissioners;
- Clear willingness to engage with commissioners at earliest stages of commissioning including needs analysis work.

In relation to these areas commissioners identify that those VCS organisations that succeed in commissioning activity commonly do some, or all of the following things:

Practice for VCS Success

- Ensure delivery is related directly to commissioning agency's priorities and targets;
- Are able to generate a clear business case for the service delivery on offer that relates directly to service needs, priorities and targets;
- Engage in open and honest dialogues about service needs and delivery and make clear what it can and can't deliver;
- Deliver good quality assurance approaches that are clear and transparent;
- Offer clearly identifiable points of contact for commissioners and those enquiring about service offers;
- Know who to influence and how it can be done without undermining principles of contestability and accountability;
- Are able to demonstrate a clear background or experience and expertise in the services to be delivered;
- Are able to bring a consortia of providers together where appropriate;
- Are able to manage and work within the bureaucracy of commissioning;
- Make monitoring and performance management tasks easy for the commissioning organisation;
- Demonstrate clear links to local communities.

4. Conclusions

From the findings presented in chapter 3 it is possible to identify eight key conclusions from this study:

1. There is an unprecedented drive to improve public sector commissioning activity that offers significant 'agenda setting' opportunities for the VCS and significant challenges for commissioning practice across local authorities and PCTs;
2. Local authorities and PCTs will have to increase their levels of current engagement with the VCS given that currently these are relatively low and can occur inconsistently across local authorities and PCTs. Even within local authorities and PCTs some departments or teams engage more effectively with the VCS than others and there is a clear need for this practice and expertise to be shared more widely;
3. Current commissioning practice is still at relatively early stages of development and will require significant resources to develop. Local authorities have had the opportunity to develop their own commissioning practice with the VCS sooner than PCTs. Restructuring across the NHS does help to explain this. However, commissioning strategies launched by the Office of the Third Sector, DfES, DH, and CLG do offer clear insights into how the Government expects future commissioning activity within these areas to take place. Consequently these strategies must be fully utilised to underpin future commissioning activity;
4. Development work with the VCS has to reflect the capabilities, resources and basic understanding of VCS organisations and the priorities they set themselves for action. Our evidence suggests this is not always the case and that work developing the capabilities of the VCS to respond and participate effectively in future commissioning activity needs to be better structured and targeted. This is particularly amongst VCS organisations representing BAME and specific community interests who may be at a particular disadvantage without such support;

5. The Third Sector Action Plan offers critical insight into how commissioning practice should involve VCS organisations. Strategies from the DfES and DH also offer clear perspectives to the public sector about how this might happen in the future. Local authorities, PCTs, and particularly the VCS need to understand these strategies in detail and seek to ensure that the content is reflected in their commissioning practice;
6. Commissioning will increasingly play a role in the future delivery of public services – local authorities and PCTs will be at the forefront of these developments and the VCS needs to engage more effectively with this practice. This needs to happen earlier at needs analysis and service specification phases, and with a greater acceptance that it will be a key feature of their future activities. There are real opportunities for the VCS to be more proactive in seeking to shape this agenda if they are to achieve long term sustainability;
7. The wider public sector and the VCS need to understand better each other's ways of working and key policy drivers. Our evidence suggests that whilst this mutual understanding is starting to improve there is still much work to be done to ensure that this knowledge is more widespread. Development activities can focus upon bringing the groups together to help foster understanding of each other, but there is also a need to understand key policy drivers that make commissioning such a critical issue. Without understanding the drivers of public service reform local authorities, PCTs, and particularly the VCS are likely to continue to struggle to deliver appropriate services;
8. Levels of commissioning expertise need to increase in local authorities, PCTs and the VCS. Our evidence suggests that whilst there are clear concentrations of expertise within all the organisations interviewed, these tend to remain in 'silos'. Commissioning services effectively requires a complex mix of skills that need to be spread wider amongst local authority, PCT and VCS staff and capacity building work continues to be needed to make sure this can happen. There is a particular need for capacity building work with the very smallest VCS organisations, and those working with BAME communities because these seem to be the most vulnerable to the funding changes that commissioning necessarily will bring upon those organisations. Without such support for these and other VCS organisations some highly specialised and locally specific services might be lost, and public service delivery maybe poorer as a result.

Further detail on conclusions from this work can be found in **Appendices 2 and 3**. **Appendix 2** shows how current commissioning practice meets the detail contained in proposals outlined in the Third Sector Action Plan.

Appendix 3 shows how the findings outlined in chapter 3 provide specific answers to the research questions contained in chapter 2.

5. Recommendations

The conclusions from this work highlight a number of recommendations needed to respond to the current gaps and existing capacity issues in the commissioning practice investigated by this study.

The report makes recommendations in three broad areas:

- Building commissioning capacity;
- Building an evidence base and business case for VCS commissioning;
- Linking the public sector and VCS.

Building Commissioning Capacity

Recommendation	How Delivered (Responsibility)
1. Continue and extend commissioning training;	<ul style="list-style-type: none"> • Identify further resource to provide additional training with particular emphasis on needs analysis and service specification practice for local authority and PCT staff in commissioning VCS delivery (London Councils); • Encourage all local authorities, PCTs and VCS agencies to engage in the ongoing Department of Health consultation on the Health and Wellbeing framework, either by submitting their own response or contributing to the response from London Councils (London Councils and LVSC).
2. Develop new information resources that signpost rather than repeat existing information	<ul style="list-style-type: none"> • Support the creation of a virtual 'one stop shop' on commissioning for local authority, PCT, and VCS staff alike providing briefings and links to online resources outlining key aspects of commissioning practice guidance and good practice (London Councils and LVSC).
3. Develop new standards for commissioning activity across the public sector in Greater London	<ul style="list-style-type: none"> • Working sub-regionally, establish working groups to identify the key features of excellence in commissioning practice and use to identify the process and practice of a London approach to commissioning (Government Office for London, London Councils, and London Region NHS).

Building an Evidence Base and Business Case for VCS Commissioning

Recommendation	How Delivered (Responsibility)
4. Research a business case for the commissioning of the VCS in public service delivery	<ul style="list-style-type: none"> Investigate the scope for an extended economic study to identify the business benefits of commissioning the VCS linking with work being conducted by the New Economics Foundation in Camden (Government Office for London (GOL), local area CVS', London Councils and LVSC).

Linking the Public Sector and VCS

Recommendation	How Delivered (Responsibility)
5. Foster increased engagement between the VCS and wider public sector	<ul style="list-style-type: none"> Investigate the establishment of a 'brokerage' function for public sector organisations seeking VCS contacts for service delivery (to be facilitated by LVSC and London Councils).
6. Improve understanding across the public sector of the abilities and specialisms available across the VCS	<ul style="list-style-type: none"> Investigate, with LVSC, opportunities to provide public sector commissioning staff with detailed information on the capabilities and service offer of the voluntary sector (London Councils and LVSC); Consider more training with combined audiences of local authority, PCT and VCS staff (London Councils, London Region NHS, LVSC); Seek to establish minimum competence levels for commissioning staff in local authority, London NHS and PCTs (Learning and Skills Council London Region, London Councils, London Region NHS, PCTs, Skills for Care, and Skills for Health); Seek to establish competence profiles for VCS staff engaged in commissioning activity with local authorities, London NHS and PCTs (Learning and Skills Council London Region, London Councils, London Region NHS, LVSC).

Appendix 1: What is Commissioning?

A.1 Defining Commissioning

The following sections outline a definition of the term commissioning. Our analysis of the literature has shown that it is common for the terms commissioning, procurement, and contracting to be used interchangeably even when describing different practices and processes involved in the delivery of public services.

It is likely that this interchangeable use of these terms explains the considerable degree of confusion amongst both central and local government, PCTs, and the VCS about commissioning, procurement, and funding or grant giving. As strategic approaches to commissioning have been attached with even greater significance as a key mechanism by which service improvement and innovation might be attained³³, the need to clearly define commissioning becomes all the more important.

This research has used the Audit Commission definition of commissioning from the Making Ends Meet resource launched in March 2004³⁴. This online resource aimed to provide specific guidance to local councillors and senior managers in local authorities on how to get the best out of available resources in their social services activities.

Commissioning is highlighted by this guidance as one of six areas of specific activity that can improve the efficiency and effectiveness of the delivery of social services. It is applicable across the research work here because of its emphasis upon a strategic approach to the securing of services from third parties that meet local individuals needs. Thus commissioning for the purposes of this report is defined as:

"...the process of specifying, securing and monitoring services to meet individuals' needs at a strategic level. This applies to all services, whether they are provided by the local authority or by the private or voluntary sectors."

Making Ends Meet, Audit Commission 2004³⁵

³³ See Tanner, S. (2006) 'Let's get the VCS in: Public Sector Commissioning – A Scoping Paper' LVSC, London. Available to download at: http://www.lvsc.org.uk/shared_asp_files/uploadedfiles/792750dc-7c51-4eb1-9fd2-b3f0490691a4_3sascopepaper-commissioning.doc

³⁴ For an explanation of the background to the online resource see <http://www.joint-reviews.gov.uk/money/general/bigquestions.html> for more details. The toolkit was recently, October 2006, relaunched see <http://www.audit-commission.gov.uk/reports/PRESS-RELEASE.asp?CategoryID=&ProdID=98446EE4-4BA5-4FDA-B536-24B00689BBBF> for further details.

³⁵ An online source developed by the Audit Commission see <http://www.joint-reviews.gov.uk/money/commissioning/2-contents.html> for fuller details.

It is here that clear parallels between commissioning and procurement can be identified, particularly when considered as a strategic mechanism by which service quality might be enhanced. Indeed, this illustrates exactly how the confusion can arise particularly when considering a National Audit Office definition of procurement:

“Procurement is more than just buying goods and services or outsourcing. When used well it is a mechanism to challenge current services and to determine new models for service delivery. In order to achieve these benefits a strong element of competition should run through the whole process. Effective procurement is fundamental to service improvement.”

National Audit Office (2002) p.1³⁶

However as long as the commissioning or procurement of services involves an explicit strategic focus upon identifying services in relation to user needs at its heart, it should make little difference whether it is identified as commissioning or procurement. This report uses the term commissioning to refer to the strategic process through which public agencies seek to secure service delivery from providers.

A.2 Key Elements of Commissioning

The Audit Commission offers further insight to the key elements of commissioning through the Making Ends Meet website. This highlights how commissioning should be governed by:

- “a common set of values that respect and encompass the full diversity of individuals' differences;
- an understanding of the needs and preferences of present and potential future service users and their carers;
- a comprehensive mapping of existing services;
- a vision of how local needs may be better met;
- a strategic framework for procuring all services within politically determined guidelines;
- a bringing together of all relevant data on finance, activity and outcomes;
- an ongoing dialogue with service users and carers and service providers in all sectors;

³⁶ Audit Commission (2002) ‘Competitive Procurement’ Audit Commission, London. Available at: <http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=877F5A21-2999-460e-BABF-3D4A598638E7>

- effective systems for implementing service changes, whether of in-house or of independent sector services;
- an evidence-based approach which continuously evaluates services with a view to achieving measurably better outcomes for service users and their carers;
- an improving alignment with the way that other health and social care services are commissioned". **Making Ends Meet, Audit Commission 2004**³⁷

The emphasis on a strategic approach to commissioning services from agencies external to the public sector, particularly the VCS, to underpin modern forms of public service delivery demonstrates a fundamental shift in approaches to future public service delivery.

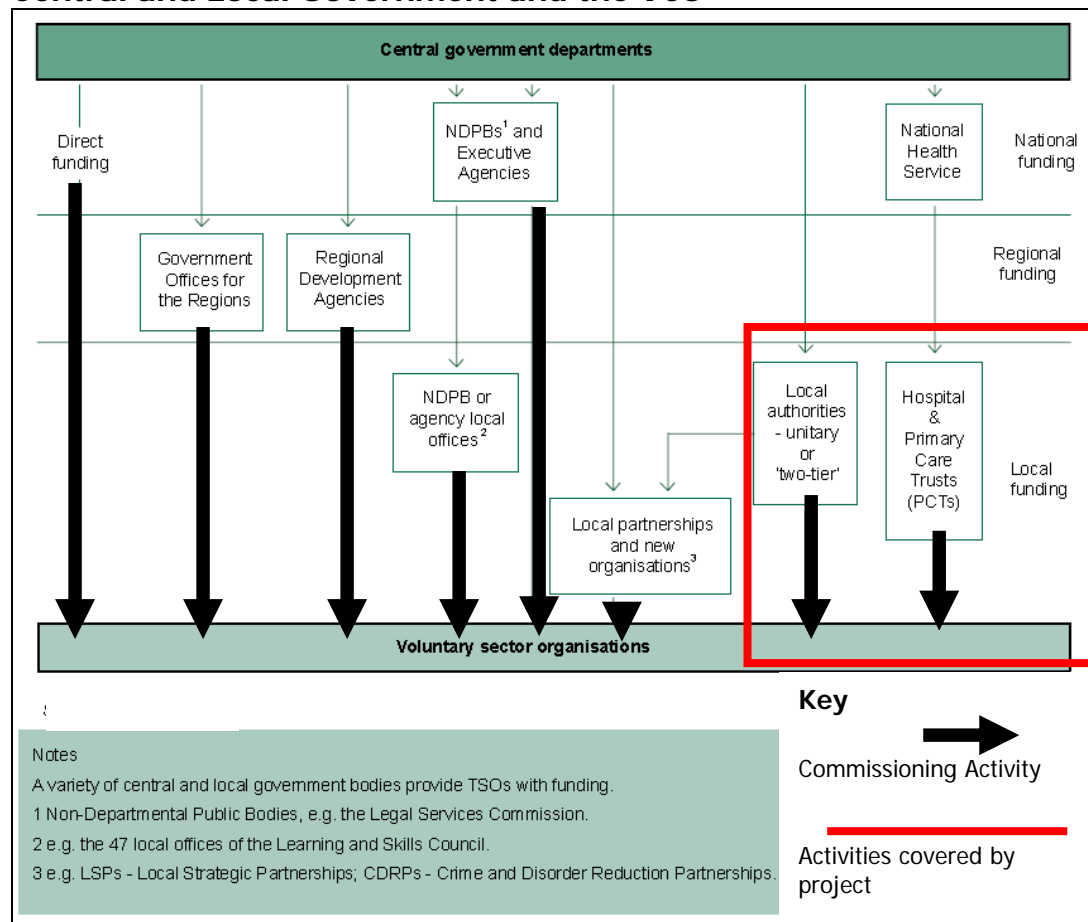
This is particularly the case given the establishment of the Office for the Third Sector (OTS) in the Cabinet Office in May 2006 to oversee this development of the Third Sector³⁸, and its subsequent release of the action plan for third sector involvement in public service delivery in December 2006³⁹. This role across the wider public sector is best illustrated by Figure 1 overleaf that shows where commissioning is, or could be, undertaken, and the particular areas of commissioning this work has focussed upon.

³⁷ See <http://www.joint-reviews.gov.uk/money/commissioning/2-21.html#2-211> for fuller details. Section quoted taken from pages 8-9 of hardcopy downloaded from site.

³⁸ 'Third sector' describes the range of organisations, which occupy the space between the State and the private sector, including small local community and voluntary groups, registered charities both large and small, foundations, trusts and the growing number of social enterprises and co-operatives. Third sector organisations share common principles around the objectives they pursue, their specific independence from Government, and the use of profits or surpluses for reinvestment back into their own activities. The term voluntary and community sector (VCS) is often used interchangeably with this to describe similar kinds of organisations. VCS will be used throughout the rest of this report.

³⁹ Office of the Third Sector (2006) 'Partnership in Public Services: An Action Plan for Third Sector Involvement' London, December 2006. Available at: http://www.cabinetoffice.gov.uk/third_sector/public_service_delivery/.

Figure 1: Potential and Existing Commissioning Relationships between Central and Local Government and the VCS⁴⁰



However, despite these drives from central government for enhanced levels of commissioning activity that involve a wider range of providers across the private, public, and voluntary and community sectors progress remains slow.

A.3 Existing Commissioning Activity

Work on behalf of the London Voluntary Service Council and Third Sector Alliance (3SA)⁴¹ has highlighted how commissioning of external providers of services by central and local government is a relatively recent phenomena in the long history of English government, and that the emphasis upon commissioning increased dramatically between 1999 - 2003⁴². However this emphasis received

⁴⁰ Adapted from Public Accounts Committee (2006a) 'Working with the Voluntary Sector' 2nd March 2006 House of Commons, London. Available at: <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmpubacc/717/717.pdf>

⁴¹ Tanner, S. (2006) 'Let's get the VCS in: Public Sector Commissioning – A Scoping Paper' LVSC, London. Available to download at: http://www.lvsc.org.uk/shared_asp_files/uploadedfiles/792750dc-7c51-4eb1-9fd2-b3f0490691a4_3sascopepaper-commissioning.doc

⁴² The work highlights that between 1999 and 2003, 13 separate initiatives, nine reports, and 2 new organisations were launched with a direct bearing on Government commissioning activities.

unprecedented support from the Gershon Review in 2004⁴³ and with it there was a specific mention of a role for the VCS in future commissioning activity that has subsequently underpinned the establishment of the OTS⁴⁴.

Despite this focus, progress in commissioning practice and the wider engagement of VCS providers of services up to 2006 was slow, and full assessment of any specific changes in activity were hampered by the poor availability and limited coverage of data on commissioning activity⁴⁵.

The limited data that is available shows that the VCS does already receive significant amounts of funding from the supply of commissioned services. The Gershon review estimated that in 2003/04 Central and Local Government spent £100 billion on commissioning a range of goods and services including utilities, ICT systems, professional services, temporary labour, construction, social housing, social care and environmental services. Indeed the review estimated that this would rise to £120 billion by 2005/06.

Work for the Small Business Service (SBS)⁴⁶ estimated that such levels of commissioning, whilst seeming large in monetary value, only equate to just five per cent of total UK spend on the commissioning of goods and services from external providers⁴⁷ in 2002.

Furthermore, including the range of other funding/procurement sources in further figures the Public Accounts Committee highlighted Central Government expenditure on public services through the VCS at £2.03 billion⁴⁸, with a further £1.87 billion through Local authorities, £904 million through the NHS, and £274 million from the European Community (Public Accounts Committee 2006a). It is estimated that Central Government spend itself will increase to £2.75 billion by 2005 (Public Accounts Committee 2006a). However Central Government expenditure on the VCS

⁴³ Gershon, P. (2004) 'Releasing Resources for the Frontline: Independent Review of Public Sector Efficiency' HM Treasury, London. Available at:

http://www.hm-treasury.gov.uk/spending_review/spend_sr04/associated_documents/spending_sr04_efficiency.cfm

⁴⁴ See HM Treasury (2006) 'Treasury Minutes on the Thirty-second and Thirty-third Reports from the Committee of Public Accounts 2005-2006' outlines the Government's response to the findings of the Public Accounts Committee review of work with the voluntary sector published in March 2006. The Treasury minutes can be downloaded at:

<http://www.official-documents.co.uk/document/cm67/6789/6789.pdf>

⁴⁵ Public Accounts Committee (2006a) 'Working with the Voluntary Sector' 2nd March 2006 House of Commons, London. Available at:

<http://www.publications.parliament.uk/pa/cm200506/cmselect/cmpubacc/717/717.pdf>

⁴⁶ SBS (2005) 'A Study of the Benefits of Public Sector Procurement from Small Businesses' SBS, London. Data reported uses Input/Output Analyses that underpin the production of GDP figure for the overall UK economy. Report available at: http://www.sbs.gov.uk/SBS_Gov_files/services/sme-procurement-study.pdf

⁴⁷ Referred to as intermediate consumption in Government Economic Analysis.

⁴⁸ This figure does not include spend on Housing Associations.

is only 0.5 per cent of all central government expenditure, a fact that the Public Accounts Committee was quick to criticise.

A.4 Barriers to Commissioning

This relatively low level of existing involvement has been contributed to by a range of barriers to VCS engagement with commissioning activity that are neatly summarised by the DH Third Sector Commissioning Taskforce⁴⁹. The Taskforce was established in August 2005 to address the barriers that prevented VCS organisations becoming mainstream providers of health and social services for primary care trusts (PCTs), practice based commissioners, and local authorities.

The critical barriers are highlighted under three key headings where particular barriers continue to exist that prevent full take up of opportunities by the VCS or fuller use of the VSC by local authorities / PCTs. Consequently the Taskforce argues this prevents fully cost effective commissioning of services. The three areas and elements involved are as follows:

Planning Delivery (Commissioning)

- Commissioners skills and capabilities are variable as is their understanding of the VCS and appropriate investment options;
- Focus commonly on individual contracts rather than possibilities offered by local, regional or national markets;
- Users and providers not directly involved in initial planning, service review, or scoping work because of the perception that this may cause a conflict of interest;
- Variable approaches to commissioning practice, process, budget setting, and consultation;
- Greater focus given to procurement approach rather than commissioning practice entailing detailed needs analysis work, so services procured not driven by specific needs of users;
- Workforce capacity and capabilities do not always match the requirements of commissioning activities and therefore consistent approaches at local level are not delivered, or are perhaps even possible.

⁴⁹ Report of the Taskforce was published in August 2006 – Third Sector Commissioning Taskforce (2006) 'No excuses. Embrace partnership now. Steps towards change. London.

Purchasing (Procurement)

- Approaches undertaken without specific focus on widening the provider base so existing providers tend to succeed;
- Administration costs prevent some organisations participating;
- Full cost recovery not a key component of contracting discussions⁵⁰;
- Short term funding placing limits on potential for service delivery by providers or longer-term planning and service innovation.

Monitoring (Contract Management)

- Commissioner and contract managers not working together;
- Requests for information not consistent or proportionate to size of contract or provider;
- Users not included in monitoring or feedback activities so opportunity lost to update needs analysis work.

A.5 Most Recent Trends in Commissioning Activity

The Treasury response to the Public Accounts Committee criticism was swift⁵¹ and the establishment of the Office of the Third Sector (OTS) illustrates the importance attached to an increased role for the VCS in public service delivery by the Government. This was further illustrated by the publication in December 2006 of the Third Sector Action Plan. *'Partnership in Public Services: An Action Plan for Third Sector Involvement'* identifies commissioning and procurement as critical areas where the Government:

"deliberately focuses on improving the day-to-day experience of third sector organisations working with front-line commissioners and procurement officers throughout the country." (p.3)

⁵⁰ Further issues related to full cost recovery (FCR) were raised recently by Cherie Booth who identified that requirements of the Human Rights Act may mean that a failure to ensure payments by local authorities and other public bodies in line with FCR may be in contravention of the act. See <http://www.thirdsector.co.uk/News/644760/Disability-body-weighs-legal-advice-Cherie-Booth/> for further details.

⁵¹ HM Treasury (2006) 'Treasury Minutes on the Thirty-second and Thirty-third Reports from the Committee of Public Accounts 2005-2006' and can be downloaded at: <http://www.official-documents.co.uk/document/cm67/6789/6789.pdf>

As such this marks an unprecedented commitment to action supported by the establishment of specific ministerial responsibility for the VCS within the Cabinet Office, the first time such a ministerial post has been created. Already key areas across health, social care, and education have identified specific commissioning strategies with a focus on VCS engagement including the:

- DfES/DH *Joint Planning and Commissioning Framework for Children, Young People and Maternity Services* published in 2006⁵²; and
- DH *Commissioning Strategy for Health and Well Being* consultation document published in 2007⁵³.

Further strategic documents on commissioning for Local authorities are expected from the Communities and Local Government (CLG), and further strategies are in development by the Department for Work and Pensions (DWP) and the Learning and Skills Council (LSC).

The Third Sector Action Plan further identifies the key principles that should underpin future commissioning activity making explicit what is expected of a strategic approach to the use of the VCS in the delivery of public services. These principles identify that all commissioners of services should:

- “develop an understanding of the needs of users and communities by ensuring that, alongside other consultees, they engage with third sector organisations as advocates to access their specialist knowledge;
- consult 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;
- put outcomes for users at the heart of the strategic planning process;
- map the fullest practicable range of providers with a view to understanding the contribution they could make to delivering those outcomes;
- consider investing in the capacity of the provider base, particularly those working with hard-to-reach groups;

⁵² See <http://www.everychildmatters.gov.uk/strategy/planningandcommissioning/>

⁵³ See http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_072604

- ensure contracting processes are transparent and fair, facilitating the involvement of the broadest range of suppliers, including considering subcontracting and consortia-building where appropriate;
- seek to ensure long-term contracts and risk sharing wherever appropriate as ways of achieving efficiency and effectiveness; and
- seek feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local needs." **Partnership in Public Services: An Action Plan for Third Sector Involvement 2006, p.17.**

Consequently these principles provide an important analytical framework within which to assess the commissioning activity in the six boroughs covered by this research. Recent developments have also sought to address data issues surrounding existing patterns of VCS involvement in commissioning as well.

Most recent amongst these is a Department of Health study of current commissioning experiences across a national sample of VCS organisations⁵⁴. This aimed to illustrate at a national level what the market for delivery of services by VCS organisations already exists.

The Department of Health research is the first authoritative work to look in detail at the existing VCS market for the provision of health and social care services and illustrates some interesting perspectives on that provision.

In relation to this study the key findings include:

- It is estimated that over 35,000 VCS organisations provided health and social care in England in 2005/06, with a further 1,600 planning to become involved in the next three to five years;
- These organisations received £12 billion of funding, 14 per cent of a total estimated budget of some £87 billion;
- The majority of these organisations are very small, 84 per cent have incomes below £1 million, with 34 per cent with income levels below £50,000 per annum, 54 per cent have less than 25 people working for them, and in two thirds, volunteers outnumber employees;
- Just one per cent of VCS organisations suggest they will not seek to offer health or social care services for the public sector;

⁵⁴ IFF Research (2007) 'Third Sector Market Mapping' Department of Health, Leeds February 2007.

- Current tendering activity is relatively low, 70 per cent of VCS organisations had not tendered for any services in the last year;
- Those submitting tenders are often successful, with an estimated success rate of 60 per cent;
- Yet there remains a clear divergence in success rates as those providing health care services and longer established providers proving to be the most successful;
- A fifth of all VCS organisations had not been successful in any tendering exercises;
- Local authority expenditure on social care services totalled £13.7 billion with just 11 per cent being delivered by VCS organisations. The £1.5 billion commissioned from VCS organisations represents just 16 per cent of the total expenditure by local authorities on delivery of services by local authorities;
- As such this results in low levels of commissioning activity with VCS organisations, less than half of local authorities interviewed who had conducted commissioning exercises in the last year had invited at least one VCS organisation in each tendering exercise conducted, 16 per cent of exercises had no Invitation to Tender issued, whilst seven per cent did not invite any VCS organisations at all.

Appendix 2: Third Sector Action Plan Progress

It is valuable to review what the findings tell us about the progress already made against the key principles of commissioning set out in the Action Plan for Third Sector Involvement in Public Service delivery as this helps to identify the key areas of need to underpin future action planning.

These principles are important because explicit statements have been made about what detailed VCS engagement in the commissioning of public services should involve. To take this agenda forward will require targeted work to address these important areas.

Table 1 overleaf, illustrates progress against each principle as indicated by the findings of this work, and the suggested areas for future development that arise from this.

Table 1: Existing Achievement Against Key Principles of Commissioning for Third Sector Involvement in Public Service Delivery

Principle ⁵⁵	Current activity	Future development priorities
<p>Develop an understanding of the needs of users and communities by ensuring that, alongside other consultees, they engage with third sector organisations as advocates to access their specialist knowledge</p>	<ul style="list-style-type: none"> Practice is led by local authorities, whilst PCTs are in the earliest phases of establishing mechanisms to take forward; Existing practice is often piecemeal and will need to mature to adopt more systematic and strategic approaches; Some VCS organisations, particularly small and BAME organisations, are yet to be involved and there is a danger that some groups could feel disenfranchised and not seek to be fully engaged. 	<ul style="list-style-type: none"> Wider ranging engagement mechanisms need to be developed to work with a greater variety of VCS organisations, small, medium and large; Further training is required to improve understanding amongst council and PCT officers of the abilities and practice of the VCS; VCS may need further development to foster engagement, particularly small and BAME organisations, with key statutory organisations including local authorities and PCTs.
<p>Consult 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</p>	<ul style="list-style-type: none"> Timing of existing consultation is often later than required to effect change during the development of needs analysis and service specifications; Where early engagement has occurred council and PCT officers have noted improved assessments of local needs and the identification of new service areas previously not aware to them; 	<ul style="list-style-type: none"> Council and PCT officers need to be further encouraged to engage with the VCS at the earliest possible stage of service development; VCS staff skills need to be enhanced to support their greater involvement in consultation exercises, and help them market their services more effectively.
<p>Put outcomes for users at the heart of the strategic planning process</p>	<ul style="list-style-type: none"> Existing practice remains particularly focused upon output driven targets that seek to quantify successful elements of commissioning practice; Existing identification of outcome targets needs further development. 	<ul style="list-style-type: none"> Outcome related target development work needs to be enhanced with greater emphasis on client satisfaction, and 'happiness' measures being developed to better measure outcomes for clients; The VCS will need to focus more upon the development of robust business cases to demonstrate delivery against outcome related targets that stand up to greater levels of scrutiny than before.

⁵⁵ Taken from Partnership in Public Services: An Action Plan for Third Sector Involvement 2006, p.17.

Table 1 continued:

Principle ⁵⁶	Current activity	Future development priorities
<p>Map the fullest practicable range of providers with a view to understanding the contribution they could make to delivering those outcomes</p>	<ul style="list-style-type: none"> • Systematic provider mapping is limited, but the VCS also needs to assume greater responsibility for raising awareness amongst council and PCT officers of what service delivery is available in local areas; • Commissioners are already looking at beyond borough delivery options and some services have already been awarded to VCS providers in neighbouring boroughs, and national agencies. 	<ul style="list-style-type: none"> • VCS organisations need to target service reviews for their key engagement work to help identify at the earliest stages of commissioning the range of services that could be made available by local providers; • Local authorities and PCTs could work even more closely to share details of existing provider networks and even offer quality assurance mechanisms for existing providers so that they might be shared between organisations.
<p>Consider investing in the capacity of the provider base, particularly those working with hard-to-reach groups</p>	<ul style="list-style-type: none"> • Some support and investment is being put into provider bases in most local areas, but it remains patchy and uncoordinated; • Existing development practice is not always consistent so the overall capacity of providers across local areas is raised in a piecemeal way. 	<ul style="list-style-type: none"> • Key areas for capacity building could be agreed more systematically at sub-regional levels to identify the specific areas of needs, how they might best be addressed, and who will have specific responsibility for addressing them. Clear capacity building strategies will help to structure support work more effectively and ensure consistent levels of support across London, irrespective of the local authority area in which it might be needed; • Development activities should seek to engage local authorities, PCTs and the VCS in some of the same sessions to foster joint working and facilitate development of the understanding of each group has of each other; • Greater pooling of development budgets across local authorities, PCTs and the VCS could facilitate the roll out of more extensive development programmes, that could help target the smallest and most specialist VCS organisations more effectively.

⁵⁶ Taken from Partnership in Public Services: An Action Plan for Third Sector Involvement 2006, p.17.

Table 1 continued:

Principle ⁵⁷	Current activity	Future development priorities
<p>Ensure contracting processes are transparent and fair, facilitating the involvement of the broadest range of suppliers, including considering subcontracting and consortia-building where appropriate;</p>	<ul style="list-style-type: none"> • VCS organisations highlight that not all contracting decisions are made clear to them so that some organisations are unclear why they have not been commissioned to deliver some services; • Larger contracts are starting to include options requiring local subcontracting of specific service elements to help develop local capacity, but these need to become more commonplace; • There continues to be scope to widen provider networks. 	<ul style="list-style-type: none"> • Local authorities and PCTs should encourage larger providers to subcontract elements of service delivery to locally based providers so capacity in the local area can be widened more fully; • Further work is required to develop local consortia across the VCS but also between VCS and NHS providers.
<p>Seek to ensure long-term contracts and risk sharing wherever appropriate as ways of achieving efficiency and effectiveness</p>	<ul style="list-style-type: none"> • Examples of long term contracting with the VCS are emerging, but some funding arrangements seem to end too abruptly to allow VCS organisations to plan effectively for the future; • Risk perceptions by local authorities and PCTs of the VCS still seem higher than for other sectors and continue to be related to low levels of understanding of the VCS. 	<ul style="list-style-type: none"> • Improvements in the understanding of the VCS amongst local authority and PCT staff will facilitate improved contracting arrangements.

⁵⁷ Taken from Partnership in Public Services: An Action Plan for Third Sector Involvement 2006, p.17.

Table 1 continued:

Principle ⁵⁸	Current activity	Future development priorities
<p>Seek feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local needs.</p>	<ul style="list-style-type: none"> • User forums are increasingly being developed across local authorities and PCTs, but more work is needed – particularly across the wider health sector; • Examples of strong user engagement show clear benefits for commissioners including better service specification, needs analysis, and improved levels of satisfaction with services delivered; • This area is one that still requires significant development. 	<ul style="list-style-type: none"> • VCS organisations can be encouraged to be more proactive in bringing forward their specialist local knowledge on needs; • Local authorities and PCTs can make more use of the VCS to engage more directly with users not just to deliver services; • A more explicit strategy for user engagement is needed in some local areas that links to an increased emphasis upon outcomes focused success measures; • Local involvement networks (LINKs)⁵⁹ seek to involve VCS organisations directly in their activities and offer a real opportunity to collate local service feedback.

⁵⁸ Taken from Partnership in Public Services: An Action Plan for Third Sector Involvement 2006, p.17.

⁵⁹ These will replace patient consultation forums. It is expected that these networks will be able to provide flexible ways for communities to engage with health and social care organisations in ways that best suit the communities and the people in them. LINKs will be established for every local authority area with social services responsibilities.

Appendix 3: Answers to the Research Questions

The findings discussed in chapter 3 suggest the following answers to the research questions posed at the beginning of this study.

- 1. What are the key features of commissioning practice in each of the boroughs?**
 - a. How is commissioning practice organised and conducted in the borough?**

Commissioning practice in each of the study boroughs is organised differently with arrangements ranging from centralised functions to completely devolved arrangements across different departments. The findings show that VCS experiences suggest that there is a lack of consistent delivery of commissioning that means VCS organisations are often finding they have to respond in different ways to invitations to tender for services issued by different departments within the same council. There remain problems with the resources allocated to support commissioning including physical numbers of staff available to cope with requirements, and skills gaps amongst existing staff involved in commissioning.

VCS organisations are not always involved in commissioning activities, and progress towards full involvement in needs analysis and service specification is at best patchy.

Commissioning activity conducted under the principles outlined in the Third Sector Involvement Action Plan (See Appendix 2) are even more limited and much further development work will be required to develop more systematic and strategic forms of commissioning activity.

However, commissioning practice in all areas is still in its very earliest stages indeed at a PCT level it has yet to fully begin in the forms expected of it.

- b. Why is commissioning practice conducted in that way in each borough?**

The present patterns of commissioning delivery are most commonly associated with the legacy of how procurement has been handled across particular local authorities. Approaches are changing, but these tend to be slow processes given the staff resource available to most local authorities. These changes have included moves to more centralised systems working under an agreed local authority wide

commissioning strategy, to devolved commissioning with expertise located in specific council departments.

The ability of the VCS to be proactive in its involvement in needs analysis work in a particular local area can also have an impact, particularly where partnerships have developed between VCS organisations to assist in this work. In successful examples of this, commissioners have been made aware of service availabilities they were unaware of before engaging with the VCS.

A key reason for the existing forms of commissioning practice that have relatively low levels of VCS engagement is down to the lack of understanding of how the VCS operates in each of these local areas. VCS organisations have made some limited strides in marketing their services and local knowledge. Local CVS and other second tier agencies including LVSC need to encourage a more proactive approach by the VCS in their areas, and seek to increase consortia and partnership working to improve the understanding by local authority and PCT officers of the sector they represent.

Our evidence suggests that relatively few local authority, PCT, and VCS staff fully understand the full range of activities that commissioning really involves. Improvements to this understanding will lead to significant improvements in the quality of commissioning activity, particularly in wider engagement with the VCS and local needs assessments.

Particular examples of practice identified by this work that may prove useful to other commissioning staff across London includes:

- Joint bidding work on sexual health commissioning between VCS and existing NHS providers in Barking and Dagenham;
- Piloting of an Open College Network accredited training programme for VCS leads and development workers as well as local groups in Camden;
- Commissioning activity of older people's services department in Hammersmith and Fulham;
- Consortia development across the VCS for delivery of mental health services in Merton;
- Consultation work on mental health services including a focus on service specifications in Sutton;

- Clarity and concise presentation of the commissioning intentions document 2007-2010 published online in Waltham Forest.

c. What are the key lessons each of the six boroughs have learnt through developing their own commissioning practice?

Lessons have included the need to provide appropriate support mechanisms to all providers (not just VCS) to articulate process and practice of commissioning, and to highlight specific service needs to be addressed.

When engaging with the VCS, local authorities and PCTs have learned that this is a resource intensive activity and that in some cases significant amounts of 'hand holding' are required. However, this work does have benefits enabling the relevance of local service provision to be improved in line with specific local needs. Local authorities and PCTs are sure that without VCS involvement local service delivery would be poorer.

PCTs are clear that they are at the very earliest stages of commissioning development and that their overall engagement with the VCS is still relatively low. However, PCT staff interviewed did highlight concerns, more strongly than commissioners in the local authorities, about ensuring adherence to the scrutiny of their commissioning decisions as a critical challenge for their activities. They stressed that work with potential providers has to reflect these requirements and that the providers need to ensure that their commissioning responses explicitly show how such scrutiny issues might be addressed.

There is much work to be done to ensure that all parties understand the need to improve the fit between service specifications and the needs of local strategic documents. Local authority and PCT strategies for health and social care need to be made more available and accessible to potential providers. Providers must ensure that all services adhere more strongly to the strategies and appreciate that they will underpin future commissioning practice and decisions about service providers.

2. What are the common themes across the six boroughs that aid the development of appropriate commissioning practice?

Development of appropriate commissioning practice has been aided by ensuring the involvement of the VCS at the earliest possible stage of development to help shape needs analysis and service specification. However, whilst such activities are becoming more common they only occur sporadically across different local authorities and PCTs, to have greater impact they need to occur to a greater degree across all local authorities and PCTs.

Respondents also emphasised that the VCS needs to be more proactive in engaging in this way. PCTs offer a greater challenge as their current engagement with the VCS is much lower than local authorities.

A critical factor for many potential commissioned organisations is the need to understand better the policy issues that drive the move towards commissioning and the likely impact that will have on the specific service needs of that organisation. Currently, staff in local authorities and PCTs are concerned that there is limited true understanding of these pressures amongst their VCS colleagues.

VCS organisations would like commissioners to better understand the ways in which the VCS operates, the services it is able to provide, and its ways of working.

For commissioners the critical success factor relates to the relevance of service delivery to overarching objectives and targets delivered by the commissioning agency. Consequently, the VCS is increasingly expected to be able to make a clear business case for how their service delivery meets those needs.

3. What further support mechanisms across the six boroughs are required to further improve commissioning practice, collectively and individually?

Although all of the local authorities interviewed provide support in the form of workshops and question and answer sessions on commissioning practice, there were concerns that specifically targeting the VCS could be anti-competitive.

Where support mechanisms are provided they are often not restricted to the VCS being available to all sectors that may wish to be commissioned by the local authority to deliver services. There is evidence that there are sub-regional approaches to improving procurement practice in West London, but

VCS staff express concerns that skills gaps in commissioning practice still exist, particularly where commissioning activity is devolved to departmental level. They also identify that not all authority employees fully understand what the VCS does, or can do for them.

Local authority staff identify that skills in marketing and presentation, and bid writing are key areas for development by VCS staff.

There is evidence to show that where combined training of local authority and VCS staff takes place significant synergies occur, particularly so that mutual levels of understanding improve.