

# Local area pathfinders - building public service partnerships

---

December 2006



HM TREASURY

**CabinetOffice**





HM TREASURY

**CabinetOffice**

---

**Local area pathfinders -  
building public service partnerships**

December 2006

© Crown copyright 2006

Published with the permission of HM Treasury on behalf of the Controller of Her Majesty's Stationery Office.

The text in this document (excluding the Royal Coat of Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any enquiries relating to the copyright in this document should be sent to:

HMSO  
Licensing Division  
St Clements House  
2-16 Colegate  
Norwich  
NR3 1BQ

Fax: 01603 723000

E-mail: [hmsolicensing@cabinet-office.x.gsi.gov.uk](mailto:hmsolicensing@cabinet-office.x.gsi.gov.uk)

## **HM Treasury contacts**

This document can be found on the Treasury website at:

**[hm-treasury.gov.uk](http://hm-treasury.gov.uk)**

For general enquiries about HM Treasury and its work, contact:

Correspondence and Enquiry Unit  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

Tel: 020 7270 4558

Fax: 020 7270 4861

E-mail: [public.enquiries@hm-treasury.gov.uk](mailto:public.enquiries@hm-treasury.gov.uk)

ISBN-10: 1-84532-239-8

ISBN-13: 978-1-84532-239-7

Printed on at least 75% recycled paper.

When you have finished with it please recycle it again.

PU092

# CONTENTS

---

	<b>Page</b>
	<b>3</b>
	<b>5</b>
	<b>7</b>
Chapter 1	<b>9</b>
Chapter 2	<b>13</b>
Chapter 3	<b>21</b>
Chapter 4	<b>25</b>
Chapter 5	<b>27</b>
Annex A	<b>29</b>
Annex B	<b>31</b>



## FOREWORD BY DAWN PRIMAROLO

As the Treasury Minister leading on third sector policy issues, I have the great pleasure of both seeing and hearing about the enormous contribution the third sector makes to both delivering and improving public services.

The third sector has the potential to contribute much more. In order to achieve this, we need to work together more effectively and improve the partnership with Government at all levels, particularly in the way it commissions and procures services. This has been a strong message from the third sector during the third sector policy review.

The recent action plans “Scaling new heights – social enterprise action plan” and “Partnership in public services – an action plan for third sector involvement” set out the action Government will take to improve the experience of front-line third sector organisations. The Local Government White Paper included many important commitments including building the Compact principles into local government financial codes. The recent Pre-Budget report also included the commitment to make three year funding the norm rather than the exception.

But we need local statutory bodies to embrace this improvement and take practical measures in partnership with the third sector in their areas to improve commissioning and procurement, in order to deliver better public services, and outcomes for local people.

I would like to celebrate the work of both the local authorities and the third sector in the pathfinder areas for rising up to the challenge – from different starting points and in different circumstances; Cumbria, Dorset, Nottingham, Portsmouth and Tower Hamlets – have shown us how this can be done. Their work is captured in this report. I hope other local authorities read the report and that it both encourages and informs practical action to improve relationships in their areas.



**Paymaster General: Rt Hon Dawn Primarolo, MP**



## FOREWORD BY ED MILIBAND

---

The passion, commitment and imagination of the third sector make it a powerful force for social change. But for it to fulfil its potential, the sector must be able to work in partnership with the state – and local authorities are at the frontline of that relationship. Almost £2.6 billion of statutory funding for the third sector came from local authorities in 2003/4.

Good partnerships need good partners. The state needs to be a better partner with the third sector.

Centrally and locally, we must make three-year funding the norm, not the exception. Decisions on funding and service design must be discussed with third sector organisations and draw on their insights. For large organisations and small, reporting and monitoring must be reasonable and proportionate.

The Pathfinder authorities have demonstrated what can be done. They have shown that local authorities, juggling different priorities, facing different pressures, can all produce creative and effective ways to build better partnerships.

We must continue along this path, and bring others with us. Through everyday interactions and personal relationships, local authorities can provide the support, consultation and respect that make cooperation work. With partnership rather than rivalry, and an understanding that each side can benefit from the attributes of the other, we can help people strengthen communities, empower the voices of citizens, and build fairer, better public services.



**Ed Miliband Minister for the Third Sector, Cabinet Office**



# EXECUTIVE SUMMARY

The “Local area pathfinders report – building public service partnerships” summarises the approaches taken in pathfinder areas to commissioning and procurement from the third sector as a contribution to the debate on how local authorities and the third sector can work together more effectively to reform and deliver public services.

Chapter 2 covers the steps taken in the pathfinder areas to involve the third sector in commissioning, develop the contribution of social enterprises, ensure an effective dialogue with the third sector, develop third sector supply and intelligence about third sector suppliers and make use of the support available for capacity building.

Chapter 3 covers the steps taken in the pathfinder areas to level the procurement playing field including applying best procurement practice, addressing the trend towards the aggregation of contracts, accrediting third sector suppliers, introducing social clauses, ensuring stable funding and full cost recovery.

Chapter 4 covers the steps taken to develop a local evidence base on the role the third sector plays in improving public services.

Chapter 5 summarises the key success factors to working with the third sector that have emerged in the pathfinder areas:

- A strategic commitment embedded in the Sustainable Community Strategy, Local Area Agreement and other strategy documents;
- Senior member and official level accountability for the delivery of these strategic commitments;
- Organisational structures, training and resources that ensure the delivery of the strategic commitments;
- A regular dialogue with the sector through partnership structures and provider forums and arrangements to ensure opportunities for the third sector are identified;
- Early involvement of the sector in the decisions that are made about public services – on local needs, the design of services to meet those needs and the procurement process;
- Market intelligence on both the potential of the third sector to contribute in different ways to public services as contractors, as campaigners for change, as advisers on the design of services and as innovators from whom the public sector can learn;
- Improving commissioning and procurement practices that institutionalise the Compact funding principles;
- Building the capacity of the sector through grant programmes;
- Management information systems that provide baseline information and trend analysis on the funding flows to the sector and the use of impact measurement tools.



# INTRODUCTION

## THE POLICY BACKGROUND

**1.1** The third sector<sup>1</sup> – from voluntary and community organizations, through to social enterprises, mutuals and co-operatives – plays an important role in our society building social capital, engaging communities and providing a campaigning voice advocating for change and informing the development of Government policy.

**1.2** The sector also makes a unique contribution to the Government’s goals for improving and delivering public services. This role was the focus of the 2002 Cross Cutting Review on “The Role of the Voluntary and Community Sector in Service Delivery”<sup>2</sup>. At the local level, the third sector provides a wide range of goods and services – including adult social care, youth services, waste re-cycling, training, transport and a wide range of advice services. Social enterprises are often also engaged in supplying “back office” goods and services including catering, removals, re-cycled paper and fair trade products.

**1.3** The 2002 review and the subsequent 2004 review<sup>3</sup> were clear that there is potential for the sector to expand that role, and that progress will depend on the removal of the barriers in the commissioning and procurement process.

**1.4** The Government’s vision going forward is that the third sector is at the heart of reforms to improve public services – as contractors delivering public services, as campaigners for change, as advisers influencing the design of services and as innovators from which the public sector can learn.

**1.5** “Partnership in Public Services - an Action Plan for Third Sector Involvement” published alongside the Pre-Budget Report sets out the new opportunities for the third sector to play a bigger role in offender management, employment services, health and services for children and young people. Alongside a Government commitment to make three year funding the norm rather than the exception, it includes 18 measures to improve commissioning and procurement including:

- the development of a National Programme for Third Sector Commissioning to invest in the skills of the 2,000 most significant commissioners for the third sector;
- the creation of commissioning frameworks in the main spending departments that will ensure a fair playing field for the third sector;
- a review of sub-contracting arrangements and seeking to provide stronger support for both sub-contracting and consortia building;
- the creation of an Innovation Exchange website to connect innovators in the sector with those that can support their work to develop, prototype and scale up innovative approaches to public services

<sup>1</sup> The third sector comprises a rich diversity of organisations – the Government takes a broad definition that encompasses a wide range of legal structures and governance arrangements whilst recognising the distinct identities within the sector and the sector’s diversity.

<sup>2</sup> *The role of the Voluntary and Community Sector in Service Delivery: a Cross-Cutting Review*, HM Treasury, 2002

<sup>3</sup> *Exploring the role of the third sector in public service delivery and reform – a discussion document*. HM Treasury, February 2005

**1.6** The contribution social enterprise can make in shaping and delivering public services is recognised in “Scaling new heights - Social Enterprise Action Plan” (Office of the Third Sector, 2006). This articulates the role they can play to improve service design, pioneer new approaches to delivery and help policy makers and commissioners achieve wider social and environmental objectives through procurement. It commits the Office of the Third Sector to:

- consult partners, in collaboration with the North East Regional Centre of Excellence, on the use of social clauses, for example through the development of template social clauses for key social outcomes as tools to enable and focus their use;
- drawing together the work of commissioners pioneering the use of social clauses;
- providing funding from April 2007 to Regional Development Agencies to improve Business Links capacity to broker business support for social enterprises.

**1.7** The Local Government White Paper recognises the diversity of the third sector and the different roles it plays, offering the sector new opportunities to help shape places and improve public services. Crucially the paper formalises the sector’s representation on Local Strategic Partnerships and highlights the important role the third sector plays in the development and delivery of Local Area Agreements.

**1.8** In the Local Government White Paper, the Government also said that:

- in relation to grants, that three-year funding should be the starting point, subject to best value and affordability. Communities and Local Government (CLG) has established a Task Group including the Audit Commission, CIPFA and the Local Government Association to consider how to embed the Compact funding principles in the local government’s financial codes and the new assessment and inspection framework, Comprehensive Area Assessment;
- In the 2007 Comprehensive Spending Review, it will coordinate CapacityBuilders and Change Up funding with the Voluntary and Community Sector (VCS) capacity building efforts in local authorities and Local Strategic Partnerships;
- the performance management framework for local government will be streamlined and focussed on around 200 national-level performance indicators, and around 35 improvement targets in the Local Area Agreement.

**1.9** Across Government there is an emphasis on better commissioning and procurement - the Department for Education and Skills and Department of Health have jointly published a commissioning framework for children and maternity services<sup>4</sup>, the Department of Work and Pensions is in the process of developing a commissioning framework and Communities and Local Government is working with its stakeholders to create one (through statutory guidance) for local government by April 2008.

---

<sup>4</sup> Joint planning and commissioning framework for children, young people and maternity services. Department for Education and Skills and Department of Health, Department of Education and Skills and Department of Health, March 2006

## THE PATHFINDER ANNOUNCEMENTS

**1.10** In the 2005 Pre-Budget, the Chancellor announced “local area pathfinders”:

*“as a further step to realising the full potential of the Third Sector...the Government will develop local area pathfinders, working across departments and with key national partners to identify local authorities who will commit to the full implementation of the Compact Plus principles and explore ways in which the [Third] Sector can add value to the delivery of local services.”*

**1.11** In the 2006 Budget, the Chancellor announced the participation of Cumbria, Dorset, Portsmouth and Tower Hamlets as pathfinders, and that their approaches to working with the third sector to improve public services would be shared more widely. Nottingham subsequently came on board as a fifth pathfinder.

**1.12** In the 2006 Pre-Budget, the Chancellor announced the publication of this discussion paper and that each local area had produced an action plan setting out the improvements they intended to make.

## THIS DISCUSSION PAPER

**1.13** This paper summarises the approaches taken in the pathfinder areas to commissioning and procurement from the third sector as a contribution to the debate on how authorities and the third sector can work together more effectively. It also draws on the innovative work being undertaken in other areas.

**1.14** It is not a statement of best practice or guidance but discusses the ways in which local authorities and the third sector can confront the practical challenges of partnership working to improve local services. It is an important contribution to the evidence base for the CSR Third Sector Review on the “Future role of the third sector in social and economic regeneration.”<sup>5</sup>

**1.15** In each pathfinder area, an action plan has been produced drawing together the approaches to strengthen the local partnership between the council and the third sector. The key driver is the shared desire to improve local services for individuals and families in each area and to achieve better value for money.

**1.16** The pathfinder team<sup>6</sup> is grateful to colleagues in these pathfinder areas, from both the public and third sector, for their openness and willingness to share their experiences more widely, and for the warm welcome they gave the pathfinder team.

## THE PATHFINDER AREAS

**1.17** The pathfinders were chosen with a view to identifying a cross section of local authorities with strikingly different characteristics:

- by type of authority - unitary, metropolitan, a London borough and a rural county;
- by geography from different regions, demography and socio-economic characteristics. For example, the demographic features of Tower Hamlets, ethnic diversity, high population density and a high proportion of young

<sup>5</sup> “The future role of the third sector in social and economic regeneration: interim report”, Cabinet Office/HM Treasury, December 2006

<sup>6</sup> The Pathfinder team comprised officials from the Cabinet Office’s Office of the Third Sector, HM Treasury and Office of Government Commerce

people, contrast with those of Dorset, which has a relative sparsity of population and a high concentration of older people;

- by the level of involvement of the third sector in providing mainstream local services, for example, the third sector provides leisure, youth, housing and re-cycling services in Tower Hamlets.

## RELATED WORK

---

**1.18** A number of national and regional organisations have responded to the challenge of building stronger third sector/local authority partnership working – including the Audit Commission, Capacitybuilders, Futurebuilders, the Improvement and Development Agency, the National Association for Voluntary and Community Action, the North East Regional Centre of Excellence, Regional Action and Involvement South East and Social Enterprise East Midlands. We are grateful for their contribution to local area pathfinders. There are particularly strong parallels between local area pathfinders and the Partnership Improvement Programme – a joint initiative between the IDEA and the Aston Centre for Voluntary Action Research<sup>7</sup>.

---

<sup>7</sup> “Making it real : a report of the pilot partnership improvement programme with voluntary and community organisations and local authorities”, IDEA, June 2006

# 2

## IMPROVING COMMISSIONING

---

### COMMISSIONING

---

- Commissioning: the process of assessing the needs of people in an area, considering how best and by whom those needs can be met, and then planning the provision of appropriate services.

Sir Michael Lyons *“The council’s key role is to purchase and commission services effectively, including from suppliers in the voluntary and private sectors, to understand and pursue best value, and to shape and build markets where necessary.”*<sup>1</sup>

Local Government White Paper *“We want the best local partnership working between local authorities and the third sector to be the rule, not the exception, and for the sector to be placed on a level playing field with mainstream providers when it comes to local service provision.”*<sup>2</sup>

### BACKGROUND

---

**2.1** The third sector’s potential to improve public services and help deliver better value for money can only be fully realised if there is joint working with local authorities to dismantle the barriers in commissioning and procurement and to help the sector build its capacity to play a more effective role.

**2.2** The challenge at the local level is to turn these aspirations into practical approaches. This section looks at the common problems that occur in commissioning and procurement from the third sector, the approaches the pathfinders and other authorities are taking to solve those problems, and the impact of these solutions.

### THIRD SECTOR INVOLVEMENT

---

**2.3** The procurement legislation supports involving the sector at the commissioning stage, although there are anecdotal reports that it is cited as a block to involvement. The joint Office for Government Commerce/Home Office guidance *“Think smart...think voluntary sector!”* (June 2004)<sup>3</sup> urged *“early supplier involvement when planning new policies and programmes. Consider informal consultation with a number of voluntary and community organisations to test viability, tap knowledge and expertise, establish the extent of any existing provision, and generally gain a supplier perspective to help shape policy and procurement strategy. This is permitted provided nothing is done which would give a particular voluntary and community organisation or other potential provider an unfair advantage in competing for a specific contract.”*

**2.4** It advocated the creation of open forums to *“enable VCOs operating in particular regions or segments of the market to meet and share experience”* as a mechanism to consult informally with a broad range of third sector suppliers.

---

<sup>1</sup> National prosperity, local choice and civic engagement, Sir Michael Lyons (Lyons inquiry into local government), May 2006

<sup>2</sup> *Strong and prosperous communities*, The Local Government White Paper, November 2006

<sup>3</sup> *Think smart...think voluntary sector!*, Home Office/Office of Government Commerce, June 2004

**2.5** Similarly, the Small Business Friendly Concordat<sup>4</sup> set a standard for local authorities to produce corporate procurement strategies which embedded a commitment to *“encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers.....and require their involvement to fully exploit lower costs, innovation, competition and improved services”*.

## VALUING SOCIAL ENTERPRISE MODELS

**2.6** Councils have complex relationships with the third sector - the voluntary and community sector team will typically interface with and grant fund the local council for voluntary service and smaller local voluntary and community sector organisations; service directorates will contract with third sector service providers including regional and national charities; the economic regeneration team will sometimes, but not always, determine an authority’s support for social enterprises; and the housing team with housing associations.

**2.7** The complexity makes it a challenge to ensure that there is a corporate awareness of the distinctive contributions that the third sector can make to improving services – as deliverers, advisers, campaigners and innovators - and in particular the contribution that social enterprises can make as providers of goods and services, using their innovation and enterprise alongside a focus on delivering social benefits.

**2.8** Experience from the pathfinders and wider discussions with other local authorities has been that where structures of engagement with the third sector are disparate and disconnected, social enterprises can have a unique disadvantage in terms of their instant recognisability, compared to the voluntary and community sector or small businesses. Where this happens, attention to social enterprise risks falling between the authority’s traditional relationship with the voluntary and community sector and the business teams’ support for mainstream small businesses. This can mean social enterprise potential is often overlooked and their needs unmet by the authorities’ provider/supplier support.

### Nottingham City Council’s support for social enterprise models

In Nottingham City Council social enterprise is supported within the economic development team where the emphasis is on how social enterprise can help achieve economic regeneration. This enables social enterprise to extend beyond public services into commercial activity.

Nottingham’s approach to supporting social enterprise through the economic development team developed from its experience of area based initiatives including City Challenge and New Deal for Communities. The third sector, and especially social enterprise, has been identified as a major tool for economic inclusion by diverting resources and employment opportunities to those in communities who would benefit most.

The team provide links between the entrepreneurial activities in the third sector and commissioning opportunities – identifying commercial opportunities, stimulating innovative service design and stimulating cross-service procurement. The sector has been supported to develop their capacity, delivering both procurement opportunities for the sector and value for money gains for the council.

<sup>4</sup> *Small business friendly concordat – good practice guide*, Office of the Deputy Prime Minister, March 2005

---

## ENSURING DIALOGUE

---

**2.9** A strong message from the third sector in each of the pathfinder areas is that they would like to be more involved in the early decisions that are made about public services – to share their views on needs, influence the design of services in meeting those needs, ensure that the procurement process fully reflects their expertise and close engagement with service users. This requires a regular and constructive dialogue that needs to be “hard-wired” into the working relationship.

**2.10** For a local authority this requires a corporate approach to the third sector given the multiplicity of services, the scale and complexity of the relationships with the third sector and the different ways in which the sector can be involved in improving services. Without a corporate approach there is a risk that the relationship varies from one service area to another.

**2.11** To ensure a consistent approach, best practice has to be part of the organisational DNA – amongst the pathfinders:

- Tower Hamlets Third Sector Commissioning Code of Practice<sup>5</sup> sets out an accessible and equitable process through which the third sector can demonstrate its potential. The code is enforced by the Corporate Procurement Board, which includes a third sector champion.
- In Portsmouth, community involvement is one of the seven priorities of the Local Strategic Partnership’s Community Strategy. Portsmouth City Council have invested in a senior management position and a corporate priority team, the Community Involvement, Empowerment and Development Team, to strengthen community engagement, promote best practice partnership working and provide a central point of contact for the third sector. The CIED facilitates a virtual “voluntary sector team” made up of all the officials across the council who commission and procure from the voluntary sector.

**2.12** For a local authority to play the convening role set out by the Lyons Inquiry, it needs to understand the capabilities of third sector organisations in the local area. A dialogue enables both the third sector to connect its work to the local priorities identified by the local strategic partnership, and to identify where it has a role to play as well as enabling the council to understand the sector’s actual and potential to address local priorities.

**2.13** Portsmouth City Council facilitates a number of forums, including a VCS Providers Network, to ensure they have an effective dialogue with the third sector. These forums provide an opportunity to discuss local needs and develop a shared vision of local solutions - one outcome of the Prevention and Well-being Network was the development of the Good Neighbours Scheme.

---

<sup>5</sup> *Third sector commissioning code of practice*, Tower Hamlets London Borough Council, January 2003

### **Portsmouth Good Neighbours Befriending Scheme**

The Salvation Army has for many years worked in partnership with the local authority to provide local services that improve the quality of life for local people.

The Good Neighbours Befriending Scheme was established seven years ago in response to a need identified by the City's Prevention and Well-being Network for older people.

The scheme now looks after 200 housebound elderly people, has 90 volunteers and two full-time members of staff. It has made a real impact on health outcomes reducing the need for long-term hospital care, winter deaths and falls and has immeasurably improved the quality of elderly people's lives combating loneliness and isolation.

The original funding came from the Single Regeneration Budget but has been identified by Portsmouth City Council as a spend to save project and has mainstream funding for the next three years. At a cost of £80,000 per annum compared to an equivalent domiciliary care cost of over the £310,000 the scheme also provides excellent value for money.

**2.14** The dialogue also enables an honest discussion about the financial pressures and constraints faced by a local council, and the need to prioritise resources and use them to achieve best value.

**2.15** A number of reports have highlighted that whilst the third sector is keen to play a more significant role in the commissioning process, identifying needs, setting priorities and designing solutions,<sup>6</sup> there are costs to providing input into strategic forums. Some local authorities have chosen to meet the costs of third sector representation where there is a case for doing so.

**2.16** In Dorset, Change Up has funded a Partnership Development post enabling the third sector to play a key role in the design of the Children and Young People's Partnership Board. The third sector has two places on the Board and fourteen other representatives within the Children's Trust structure, elected by a VCS 0-19 Forum, providing two way communication between the sector and statutory partners. Dorset Community Action are exploring, with their Change Up consortium colleagues, extending this third sector representation model to other service sectors.

**2.17** The BEST procurement programme, in which Nottingham City Council and other public sector bodies are partners, helps social enterprises identify where they can add value in public sector markets, looking at the potential of existing social enterprises to develop their offer and the opportunities for new start-ups. This responds in part to a saturation in social enterprise provision in markets like community cafes and a recognition that social enterprises can diversify into mainstream commercial markets where there is potential to build scale, like construction, ICT and landscaping.

<sup>6</sup> *How voluntary and community organisations can help transform public services*, NCVO, June 2006

### **Tower Hamlets LBC's approach to commissioning from the third sector**

Tower Hamlets Third Sector Strategy recognises the growing significance and potential for increasing the role of the third sector in the delivery of excellent public services – accessible to all.

The 3rd Sector Commissioning Code of Practice sets out an accessible and equitable process through which the third sector can demonstrate its potential to provide high quality value for money services. Copies of the code can be found at [www.towerhamlets.gov.uk](http://www.towerhamlets.gov.uk). The code invites commissioners to consider twelve questions that act as prompts to help them consider the potential role of third sector suppliers.

The Code is aligned with the council's Community Plan, Third Sector Strategy, Procurement Strategy, the Tower Hamlets Compact and the Financial Regulations.

It is monitored by the Third Sector Strategy Steering Group and a representative from that group sits on the Corporate Procurement Board to champion the third sector's interests. Both groups are tasked to pro-actively identify where the third sector can help meet local needs more effectively.

A forward procurement plan is published allowing suppliers to identify at the earliest stage the opportunities they may wish to engage in.

## **DEVELOPING MARKET INTELLIGENCE**

**2.18** An effective dialogue at its best, identifies potential procurement opportunities that would suit third sector suppliers and requires knowledge and intelligence to be shared on both how a market could develop and how the supplier base could adapt. It requires a developed and shared understanding of local need, the ways in which services will meet those needs, the potential roles of different service providers, their strengths and where they need to build capacity.

**2.19** This process has been described in various ways – as market intelligence or as market development – where the latter assumes a more pro-active role for commissioners in building the capacity of suppliers, as grant recipients and as contractors. A number of authorities are considering innovative ways in which intelligence can pass between themselves and the third sector.

**2.20** In Dorset, Dorset County Council, Dorset Community Action and the South West Centre of Excellence were successful in securing resources from the Invest to Save Budget Round 8 for “3D Procurement” for a co-ordination function to join procurement opportunities with third sector supply. The project includes two officers working to share information and intelligence to help both the council and the third sector identify opportunities to work together. A detailed case study of the 3D procurement project can be found at Annex B.

## **MARKET DEVELOPMENT**

**2.21** Good commissioning recognises weaknesses in the supplier base and seeks to develop supplier diversity through seed funding and capacity building - so long as no individual organisation gains an advantage in relation to a specific contract. This can be particularly important for smaller third sector organisations who wish to provide public services enabling them to compete in a procurement exercise. For the local authority,

there are strong incentives to maintain diversity in the market - it helps ensure choice for service users, innovation in service provision and ensures that services are sustainable.

**2.22** Amongst the pathfinders Portsmouth City Council has recognised the capacity needs of third sector providers in the city – entrepreneurial leadership, business growth strategies, risk identification and management, performance measurement, but is keen that they should not pose a barrier to developing its commissioning from the sector.

**2.23** The Council’s Community Involvement, Empowerment and Development Team is working in partnership with Futurebuilders England to identify third sector organisations with clear delivery potential, with a view to referring them to Futurebuilders for an initial capacity building grant. The scheme is currently being piloted and, if successful, Futurebuilders will roll it out to other local providers in 2007.

**2.24** Some authorities have identified services where a third sector solution provides a strong fit with local need typically where a higher level of community engagement is necessary to deliver excellent outcomes. For example, Tower Hamlets LBC worked alongside the third sector to develop the supply of community re-cycling services in the borough.

#### **Tower Hamlets Community Recycling Consortium (THCRC)**

Tower Hamlets LBC contracts with THCRC to deliver doorstep re-cycling services for local residents living in high-rise accommodation (83% of the borough’s housing stock). THCRC won the contract in early 2003, building up to a full roll-out to all high rise properties in October 2005. The contract has a current value of around £1.5 million per year.

Tower Hamlets LBC chose a third sector supplier, amongst other reasons, because they were able to demonstrate a strong connection to the local community – 60% of the staff are from the local Bengali population who constitute around 40% of the residents.

The service covers around 70,000 households and collects mixed recyclables (paper, card, cans, glass and plastic bottles) weekly. The challenge in collecting from high-rise accommodation is that it is a very labour-intensive service and public participation is historically low.

Nevertheless in partnership with Tower Hamlets LBC, Ealing Community Transport and Veolia, the recycling rate has risen from 7% in April 2005 to 12% in September 2006.

## **MAKING BEST USE OF THE AVAILABLE SUPPORT**

**2.25** The capacity needs of the third sector, particularly smaller third sector organisations, are a well-documented barrier to more extensive involvement in delivering public services. Not all third sector organisations will be interested in developing a delivery role but for those that are they may need to develop: management skills including financial management, performance management and quality assurance; business development skills including risk assessment, marketing and planning; and access to loan capital and willingness to finance growth through debt.

**2.26** At a local level, there are various ways in which the third sector can receive support – from the local infrastructure organisations, a local council grant, through Change Up, Futurebuilders, a larger third sector organisation, including housing

associations, or through various funding streams including the Neighbourhood Renewal Fund and the Invest to Save Budget.

**2.27** The challenge is to find ways of co-ordinating this support – there is some evidence in the pathfinder areas that the local infrastructure development plans drawn up under Change Up and the local consortia are playing an important role in providing this co-ordination. At a national level, there is a recognition of the need to co-ordinate the support available through the Change Up programme and from local authorities themselves more effectively. The Local Government White Paper announced that this would be addressed in the 2007 Comprehensive Spending Review.

**2.28** Some areas are recognising the potential to make best use of the available support. Futurebuilders have also worked with Wakefield MBC to explore the scope for supporting third sector organisations in the area to develop their capacity to provide social care services (see text box below).

**2.29** There are several examples in the pathfinder areas of larger third sector organisations partnering with and supporting smaller organisations. This includes housing associations incubating and supporting the growth of new third sector organisations. An example, the Southern Focus Trust in Portsmouth, which provides care and support to more than 10,000 people, is covered as a case study in Annex B.

**2.30** A number of the pathfinder authorities have made bids under Round 9 of the Invest to Save Budget to finance innovative projects that support the sector's role in improving public services.

#### **Wakefield Metropolitan District Council and Futurebuilders England**

Wakefield MDC has made an explicit commitment to strengthen links between third sector providers and the council's commissioners, and launched its Voluntary Sector Contract Development Project late in 2005.

The council has staged a series of information events to help third sector providers understand and engage with the contracting process and has asked service managers to consider the sector's potential to meet strategic priorities.

As part of this commitment, Wakefield MDC has worked closely with Futurebuilders England, introducing local providers to the Futurebuilders' team and encouraging providers and service managers to work together to develop schemes that might go forward to Futurebuilders support.

One of the biggest schemes currently under consideration is a fledgling social enterprise being developed by a consortium of third and public sector organisations with the council's full support and involvement, which is under consideration by Futurebuilders for capacity building support and eventual loan funding.



# 3

## STRENGTHENING PROCUREMENT

---

- Procurement: the process of buying goods and services, from initial advertising through to appropriate contract arrangements, normally achieved through competition. The Government's procurement policy requires all public procurement decisions to be based on value for money criteria, defined as the optimum combination of whole life costs and quality to meet the user's requirements within the European legal and policy framework.

### BACKGROUND

---

**3.1** At its best, the procurement process in a local authority will encourage a mixed economy of service providers, including third sector organisations, to ensure value for money, secure social and environmental impacts and drive innovation. The timescales, the accessibility of the opportunities, the “aggregation” of services, the simplicity and transparency of the documentation, the pre-qualification requirements and the use of social clauses will be informed by judgments about the impact on the supply base. The process will also take account of the key funding principles in the Compact on contract length, fair price or full cost recovery, the sharing of risks and the proportionality of monitoring that impacts on the sustainability of the service.

**3.2** At an early stage, it is important to make the right decision about the funding mechanism. In recent years, the third sector has reported a move away from grant funding towards the procurement of services through contracts and that there is some confusion in the public sector over when to use grants and contracts, and the role of service level agreements. The Treasury's Guidance to Funders<sup>1</sup> clarifies the distinctions between the different funding mechanisms.

### PROCUREMENT PRACTICE

---

**3.3** A council's approach to procurement will be derived from the principles of Best Value and will be enshrined in its corporate procurement strategy. There is a wide range of guidance and the best practice on procurement, for example on the websites of the Office of Government Commerce, the Local Government Association, IDEA and the Regional Centres of Excellence. Following the best practice, and reducing the transaction costs associated with the procurement process where it is possible to do so, can be of enormous benefit to third sector organisations, especially smaller organisations with capacity constraints.

**3.4** The pathfinder councils are alert to the concerns expressed by the third sector and as part of the reforms set out in the National Procurement Strategy have taken a number of steps to ensure that the procurement process offers suppliers a level playing field by working towards:

- Early notice of procurement opportunities allows time to prepare bids, develop capacity and consider the strategic implications of taking on a bigger delivery role;

---

<sup>1</sup> Improving financial relationships with the third sector: guidance to funders and purchasers, HM Treasury, May 2006

- Accessible information on where and how to access procurement opportunities, and providing advice on the procurement process;
- Standardised documentation that focuses on outcomes and does not over specify how a service should be delivered;
- Ensuring that monitoring requirements are proportionate.

**3.5** In the pathfinder areas, the corporate procurement team acts as an important ally for the third sector, acting as an internal change agent alongside the voluntary sector team to ensure that the Compact funding principles are embedded in the commissioning and procurement practices of service directorates.

## AGGREGATION

---

**3.6** The trend towards the aggregation of contracts (bundling up services into one contract or consolidating contracts for the same service) to achieve economies of scale, consolidate buying power and to reduce procurement costs is a major concern for third sector organisations (and small businesses) that lack the scale to bid for larger contracts.

**3.7** Office of Government Commerce guidance<sup>2</sup> discusses the pros and cons of aggregation – and the risk that it can potentially diminish the diversity and number of suppliers and reduce the likelihood of innovation. It follows that the case for aggregating contracts has to be considered carefully to determine whether it will deliver efficiencies and better outcomes.

**3.8** Sometimes the third sector can get involved in delivering services as a sub-contractor or as part of a consortium. To promote these opportunities, Portsmouth City Council have developed the E-business builder ([www.ebusinessbuilder.org.uk](http://www.ebusinessbuilder.org.uk)) to help large and small companies and social enterprises to work together through a web space where small suppliers can access sub-contracting opportunities and larger suppliers identify potential partners<sup>3</sup>.

**3.9** A number of third sector organisations in the pathfinder areas said that developing consortia could be time consuming, involving considerable transaction costs. In Portsmouth, members of the Prevention and Well-being Network argued that the network helped build trust and relationships amongst third sector providers and also helped them develop a collaborative approach based on a clearer understanding of the roles organisation performed in meeting the needs of older people in the City.

## ACCREDITATION

---

**3.10** All councils place a number of important pre-qualification requirements, for example, relating to financial accounts, public liability insurance, health and safety on those organisations that they do business with – these requirements ensure that the supplier is fit for purpose and does not present an unnecessary risk. Some councils operate approved lists so that suppliers do not have to undergo the same process with each transaction. In both circumstances, the requirements can sometimes be challenging for third sector organisations to meet and can act as a barrier that prevents them providing the services – for that reason these procedures should not require

<sup>2</sup> Aggregation – is bigger always better? Office of Government Commerce, 2004

<sup>3</sup> [www.supply2.gov.uk](http://www.supply2.gov.uk) provides information on lower-value contract opportunities

excessive work to complete or include requirements not necessary for the purpose of the contract.

**3.11** There are now examples of local councils working creatively with the third sector to help potential third sector suppliers meet these criteria as well as helping them build their capacity to do so.

**3.12** In Herefordshire, The Alliance has worked in partnership with commissioners to develop the acquA accreditation framework and to build the capacity of third sector organisations to meet its standards. The rigorous process and external validation assures commissioners that accredited organisations are fit for purpose to deliver social care services.

**3.13** Tower Hamlets Infrastructure Network have taken a similar approach but apply a sliding scale of quality and compliance standards with support to meet them. They describe it as “a three stage process that recognises capability and financial stability standards that are appropriate to the size, stage and development, income and service delivery aspirations of small, medium and larger voluntary and community organisations”. There is a joint accreditation board that includes representatives from the statutory sector – accredited organizations are listed on a commissioning database which provides access to information on quality levels and service delivery capacity.

## SOCIAL CLAUSES

**3.14** Third sector organisations bring wider social and environmental impacts to the delivery of public services. They are naturally keen to see procurement practices that go beyond a narrow focus on financial efficiency to embrace these externalities and to avoid procurement scenarios where value for money is interpreted as lowest costs rather than contracts being awarded on the combination of quality and costs.

**3.15** There is a range of ways in which broader outcomes can be factored into the contractual relationship. Social clauses seek to build externalities into procurement by including particular social requirements within the contract, to achieve better value for money.

**3.16** Both the Social Enterprise Action Plan<sup>4</sup> and Partnership in Public Services<sup>5</sup> commit Government to testing approaches to the use of social clauses, learning from the early users of social clauses and developing template clauses.

Nottingham City Council has a twin-track approach to ensuring that contracts include wider social and environmental impacts.

On the one hand, using their powers under the Local Government Act 2000, for the well-being of the local community, Nottingham City Council currently operate a social clause in their construction contracts requiring contractors to train their workforce and offer fair access to employment.

On the other, it defines the product to be purchased to include the wider outcomes, rather than add an additional social clause. For example, a tender specification drawn up for furniture removals and re-cycling encourages contractors to remove waste furniture in a sustainable manner as a new specification to the office removals contract.

<sup>4</sup> Scaling new heights - social enterprise action plan, Office of the Third Sector, November 2006

## STABLE AND SUSTAINABLE FUNDING

---

**3.17** The third sector has advocated in the consultation on the Third Sector Policy Review for longer-term contracts and more stable and sustainable funding arrangements so that it can play a stronger role. Government recognises this concern and sets out in the Local Government White Paper steps towards making three year funding the norm.

**3.18** The pathfinder authorities have themselves taken a number of steps to provide a more stable funding environment including:

- Centralising all third sector grant funding in a single team to ensure that funding decisions are made on an equitable basis and that the decision making processes reflect best practice, for example, by giving a minimum of three months advance notice before the start of the financial year in accordance with the Compact;
- Making three year contracts the norm and considering longer term contractual commitments where it delivers value for money. For example, Tower Hamlets LBC Third Sector Commissioning Code of Practice says *“it is recommended that contracts are for a minimum period of three years...This enables the provider to recover any investment it makes to deliver the service...and to plan for the long-term.”*
- Helping the third sector, and business, access external funding opportunities. For example, Portsmouth City Council provides a free online guide to more than 9,000 regularly updated funding schemes and trust funds through the council website Portsmouth4funding (<http://www.portsmouth.gov.uk/yourcouncil/7766.html>).

## FULL COST RECOVERY

---

**3.19** In the pathfinder areas, there is a strong commitment to the principle of full cost recovery - meeting a reasonable proportion of the relevant overhead costs associated with providing a service. For example, Tower Hamlets Third Sector Strategy commits the Council to ensuring that *“third sector service providers include the appropriate level of overhead or “core” costs associated with the provision of a particular service”* and *“moving from one year funding to two or three year funding agreements”*.

**3.20** There is also a strong view that it is the joint responsibility of both the local council and the third sector to ensure that services are properly priced and costed for sustainability.

**3.21** The pathfinder work did not identify a measurable solution to implementing full cost recovery. The sector’s involvement in a wide variety of services, with different market conditions, different pricing and funding mechanisms means that implementing the principle is complex and that an important step is to ensure that commissioners and procurement officers are fully aware of the corporate commitment to the principle, and equally that third sector organisations only accept service delivery contracts on a full-cost basis, unless they consciously chose to do otherwise.

---

<sup>5</sup> Partnership in public services – an action plan for third sector involvement Office of the Third Sector, December 2006

# 4

## BETTER ACCOUNTABILITY

---

- Accountability: the process of monitoring, reviewing and learning from the delivery of services.

### BACKGROUND

---

**4.1** A successful partnership between the local authority and the third sector requires an information and evidence base upon which strategy can be based and decisions made. It also requires learning from the experiences of delivering services, and engaging with service users, and a commitment to build on and scale up innovative approaches.

### AUDIT AND ANALYSIS

---

**4.2** Across the pathfinder areas an important first step was to fully understand the financial transactions between the council and the third sector. This took various forms depending on the availability of data and the degree to which grant funding had been centralised. Tower Hamlets, for example, has a central grants database that provides management information on grants by ward, service, ethnicity of the service users and nature of the third sector organisation.

**4.3** Nottingham City Council used management data provided from Spikes Cavell to undertake a detailed analysis of the impact on small businesses, spend patterns in the most disadvantaged wards and opportunities for the third sector. The absence of a national framework for undertaking this analysis with clear definitions means that it is currently difficult to draw comparisons between the data sets from different areas.

### LOCAL AREA AGREEMENT TARGETS

---

**4.4** The audits and spend analysis provided the baselines for setting targets. Several councils have mirrored the national Public Service Agreement target to increase the proportion of services delivered by the third sector. Whilst recognising the limitations of a target that measures the quantum of services delivered by the sector, it is regarded both as a useful indicator and as a way of enshrining and incentivising the delivery of an important policy objective. Nottingham City Council used their spend analysis data to set a Local Area Agreement target to increase the amount of spend within the local economy by 1.5% over three years – the equivalent of an extra £4.5 million per annum into the local economy.

**4.5** There is a frustration amongst the pathfinders that they are unable to benchmark their success in working with the third sector against other authorities. The Beacon Theme for VCS delivery of public services will help address this information gap by highlighting and disseminating the best practice in the Beacon Council.

### MEASURING IMPACT

---

**4.6** There are increasing examples of councils identifying other ways to measure the impact of the third sector in their areas. Nottingham City Council has evaluated the multiplier effect of social enterprises within the local economy – for each £1 spent in the sector, a further £1.96 is circulated within the city. Given that social enterprises in Nottingham are predominantly located in disadvantaged communities, the city council

see social enterprise models as an important element in stimulating local economic development.

**4.7** Camden LBC have been awarded funding from the Invest to Save Budget to promote social enterprise models and to use the New Economic Foundation's social return on investment tool to measure the wider social and environmental impacts of social enterprise models. Northumberland County Council have used the New Economics Foundation tool Local Multiplier 3 to assess the impact on the local economy of its procurement spend with local suppliers, including the third sector.

**4.8** Any assessment of the impact of the third sector needs to take account of the valuable contribution that volunteers make. Amongst the pathfinder areas, the contribution of volunteers is a particularly strong feature, and especially noticeable in rural areas. Working alongside full-time staff, volunteers provide services that are the lifeblood of rural communities – for example, helping to manage and protect the outstanding natural beauty of the countryside in Dorset and Cumbria and providing community transport. A detailed case study of community transport in Cumbria is included at Annex B.

## GUIDESTAR

---

**4.9** At a national level, Guidestar UK have developed a Local Government Intelligence Service (LGIS) that enables councils to identify the registered charities in their area and the roles they could play in improving public services, removing some of the responsibility from the local area to maintain its own data. The LGIS includes mapping reports, due diligence checks and a data export facility. Guidestar are currently seeking early adopters of the service. More details can be found at: [www.guidestarintelligence.org.uk](http://www.guidestarintelligence.org.uk)

## LOCAL AREA PROFILES

---

**4.10** The Audit Commission also recognises the importance of a local evidence base on the third sector and the value of baseline information. As part of its work on Local Area Profiles, in partnership with the National Association for Voluntary and Community Action, it has developed a standardised approach to producing a voluntary and community sector database and profiling the sector in local areas<sup>1</sup>.

**4.11** The toolkit provides a tested framework and approach to profiling the voluntary and community sector, establishing baseline information, facilitating comparisons between the sector in different areas and providing an evidence base for targeting resources to the frontline more effectively.

---

<sup>1</sup> Getting to know your local voluntary and community sector – developing voluntary and community sector profiles, Audit Commission/NAVCA June 2006

# 5

## PATHFINDER CONCLUSIONS

---

### BACKGROUND

---

**5.1** In this section we discuss the key lessons to have emerged from the pathfinder areas and suggest ways in which the pathfinder projects can be followed up.

### CRITICAL SUCCESS FACTORS

---

**5.2** The pathfinder team were struck by the different approaches taken in each of the pathfinder areas – a reflection of the area’s varying circumstances and challenges. From the approaches of the pathfinder areas, it is possible to distil a number of critical success factors to working effectively with the third sector to improve public services:

- A strategic commitment embedded in the Sustainable Community Strategy, Local Area Agreement, Third Sector Strategy, Corporate Procurement Strategy and commissioning plans, that is embraced by the statutory partners in the Local Strategic Partnership;
- Senior member and official level accountability for the delivery of these strategic commitments. Typically in the pathfinder councils, a senior council member and board level director, from a service directorate where the sector plays an important role like adult social care or children and young people’s service, would champion the third sector’s interests;
- Organisational structures, training and resources that ensure a corporate approach to relationships with the third sector and ensure that commissioners and procurement officers are aware of the potential of the third sector, especially social enterprises, and the Compact funding principles;
- Regular dialogue with the sector through Children’s Trusts, other partnership structures and provider forums, and arrangements to ensure that opportunities for the third sector to be involved, and emerging markets, in public services are identified;
- Early involvement of the third sector in the decisions that are made about public services – to hear their views on needs, the design of services in meeting those needs, and to ensure that the procurement process fully reflects their expertise and close engagement with service users. This requires a regular and constructive dialogue that needed to be “hard-wired” into the working relationship;
- Market intelligence on both the potential of the third sector and the different ways in which it could contribute to improving public services as well as the capacity building needs. This includes supporting providers’ ability to scale up in the specialist markets they already operate in as well as grow into mainstream markets where social enterprise and other third sector suppliers can compete and win public sector business;
- A commitment to improve commissioning and procurement practices including the development of corporate procurement strategies, corporate procurement boards, online standardised procurement procedures and

documentation, corporate procurement teams that provide a challenge function and gateway reviews. Each of these measures offers opportunities to institutionalise the Compact funding principles;

- A commitment to building the capacity of the sector through grants linked to public sector demand for a service, and a commitment from the sector to build its capacity, for example through accreditation schemes, harness the support available national and regionally from capacity building agencies including Futurebuilders and ensure that the Change Up infrastructure development plan takes account of the local Community Plan;
- Management information systems that provide baseline information and trend analysis on the funding flows to the third sector and the use of impact measurement tools.

## NEXT STEPS

---

**5.3** The Treasury and Cabinet Office are currently conducting a joint review of “The future role of the third sector in social and economic regeneration”. This review has provided an opportunity to debate the future relationship between government and the sector.

**5.4** We are keen that the Comprehensive Spending Review should encourage and support other local areas that would like to embark on the pathfinder journey and would welcome ideas and views on how we might accomplish that objective. We also need to find ways for local authorities to discuss and share practice in commissioning and procuring from the third sector so that expertise is properly shared and more widely implemented.

**5.5** The Government is keen that the local authority and the third sector in other local areas choose to identify ways of working together more effectively in partnership to improve public services. The pathfinders have illustrated that there is not a one size fits all approach and that the right approach will vary from one locality to another. There are however a range of approaches that are being taken by local areas across the country from which it is possible to learn, and an increasingly co-ordinated approach to support from capacity building agencies.

**5.6** In conclusion, we would encourage other authorities to draw on the experience of the pathfinders and their willingness to strengthen the involvement of the third sector in commissioning and procurement.

# A

## FURTHER READING

---

- *Joint planning and commissioning framework for children, young people and maternity services*, Department for Education and Skills and Department of Health, March 2006
- *Exploring the role of the third sector in public service delivery and reform - a discussion document*, HM Treasury, February 2005
- *Improving financial relationships with the third sector: guidance to funders and purchasers*, HM Treasury, May 2006
- *The role of the voluntary and community sector in service delivery – a cross-cutting review*, HM Treasury, 2002
- *The future role of the third sector in social and economic regeneration – interim report* HM Treasury/Cabinet Office, December 2006
- *Making it real: a report of the pilot partnership improvement programme with voluntary and community organisations and local authorities*, IDEA, June 2006
- *Getting to know your voluntary and community sector toolkit – developing voluntary and community sector profiles*, National Association for Voluntary and Community Action and the Audit Commission, June 2006
- *The National Procurement Strategy for local government*, Office of the Deputy Prime Minister, 2003
- *Small business friendly concordat – good practice guidance*, Office of the Deputy Prime Minister, March 2005
- *Think smart...think voluntary sector!* Office of Government Commerce/Home Office, June 2004
- *Aggregation – is bigger always better?* Office of Government Commerce, 2004
- *Smaller supplier...better value?* Office of Government Commerce, 2006
- *Partnership in public services – an action plan for third sector involvement*, Office of the Third Sector, December 2006
- *Scaling new heights – social enterprise action plan*, Office of the Third Sector, November 2006
- *More for your money – a guide to procuring from social enterprise for local authorities*, Social Enterprise Coalition, 2005



# B

## CASE STUDIES

---

1. Dorset – Day services strategy for older people
2. Dorset - 3D procurement – developing and supporting innovation in public procurement from the third sector.
3. Herefordshire – The Alliance ACQUA
4. Portsmouth - the local area pathfinder experience
5. Portsmouth Prevention and Well-being Network
6. Southern Focus Trust
7. Community transport in Cumbria

## DOREST DAY SERVICES FOR OLDER PEOPLE

One of the most pressing issues on Dorset's strategic agenda is its increasingly imbalanced demographic profile. Dorset has the largest proportion of retirement age population of all the counties and unitary authorities in England and Wales and correspondingly the lowest proportion of pre-school children. Over the last 10 years (1994-2004) the number of people aged 20-29 has fallen by 26%, twice the average for England and Wales, and the number of elderly people is set to rise.

This presents a huge challenge to health and social care provision such as day services. The majority of day services are provided by the county council but there is clearly scope for closer partnership working which would see a stronger voluntary and community sector able to do more.

For day services to meet changing demands within existing resources, the council have developed a day services strategy as part of a wider older people's commissioning strategy. This proposes that the new strategic direction for Dorset's day services is a model consisting of three main tiers:

Tier 3: Targeted services (for people with complex needs where interventions will generally be time-limited and focused on outcomes)

Tier 2: Core Services (for example, day centres within local communities meeting people's basic needs)

Tier 1: Neighbourhood Services (such as lunch clubs and active ageing activities)

The model will now be developed in localities across the county. This will involve looking systematically at what is required, in what quantity and in which locations, within the resources available. The council is committed to developing the model in partnership with other key stakeholders, in particular the health service and the third sector. Partnership with the third sector is seen as an essential component of being able to deliver the strategy, particularly core and neighbourhood services. Within this is a recognition of the need to build capacity within the third sector itself.

All stakeholders (including the Older People's Forums, the third sector, the county council and the Primary Care Trust) are clear that the essence of the strategy has to support people's independence and provide choice over how independence can be maintained.

It is envisaged that the county council will focus resources on targeted services and work with third sector organisations to provide focused neighbourhood and core services. The success of the strategy will rely on a very close working relationship with both the voluntary sector and the health service.

The council are keen to work with service users and voluntary and community organisations to ensure they are not, and do not feel themselves to be, passive recipients of change but are actively involved in shaping the future of their day services. The intention is to roll out the strategy across the county at a locality level in close partnership with voluntary and community organisations that are already providing services as well as organisations new to this area of work.

In 2005 the council committed, as part of its Voluntary and Community Sector Strategy and Action Plan, to increase the capacity of the voluntary and community sector and the new approach to day service provision is an example of how this aspiration can be achieved. The strategy complements other work in the county which aims to increase the number of public services delivered through the third sector.

### **DORSET 3D PROCUREMENT: DEVELOPING AND SUPPORTING INNOVATION IN PUBLIC SECTOR PROCUREMENT FROM THE THIRD SECTOR**

In 2006 Dorset Community Action, Dorset County Council and the regional South West Centre for Excellence received funding from round 8 of the Invest to Save Budget for a partnership project aimed at increasing the number of third sector organisations delivering public services.

3D Procurement aims to enable third sector organisations to engage more effectively in the delivery of public services in Dorset. It is hoped that this will realise social and economic benefits for local communities, the public sector and voluntary and community organisations.

In 2004 Dorset County Council undertook a review of its relationship with the voluntary and community sector. A consultation exercise was conducted to seek the sector's views on how the relationship between the Council and voluntary and community organisations could be improved. This revealed widespread support for the development of a commissioning strategy for the voluntary and community sector which would clarify objectives and align funding with priorities. In particular, respondents emphasised the need for wide advertising of contract opportunities.

The exercise revealed a recognition amongst many third sector organisations of the need to work more collaboratively to deliver public services. It also emphasised the need for commissioning bodies to take a more 'joined up' approach to procuring from the third sector. As a result of the review the council developed a Strategy and Action Plan to improve the relationship between the sectors which was based on 6 key statements which included improving funding, moving away from grants and building the sector's capacity. 3D sought very much to build on these aspirations.

Two officers have been recruited by Dorset Community Action (the county's rural community council and only council for voluntary service) and the first tasks, an audit of the sector to identify interested third sector organisations and development of the baseline, are well under way. A number of information exchange days are being organised for both sectors and work is in hand to develop a third sector commissioning framework to provide a level playing field on which third sector organisations can bid for county council contracts.

### **HEREFORDSHIRE – THE ALLIANCE ACQUA**

Third sector service providers of health and social care services in Herefordshire, collaborating through their local membership organisation, The Alliance, have been working with commissioners in the local authority and

Primary Care Trust to remove barriers to third sector organisations engaging in service delivery.

A Register of Approved Providers, (RAP), owned and administered by the third sector, is at the heart of a five year change programme. Entry onto the register for organisations is through accreditation as fit for the purpose of delivering services, in essence a 'licence to operate', which confers eligibility for local contracts and preferred provider status with local health and care purchasers.

acquA is the innovative kite-mark designed for the accreditation. Developed locally, and informed nationally, it is a bold step in third sector self-regulation. acquA's unique features are its minimal bureaucracy, sector led grass-roots development, tripartite buy-in, and real commitment to the RAP by both commissioners and service providers.

Organisations are required to demonstrate their organisational competence in seven areas: Activities and Services; Looking Outwards; Management; Finance and Resources; Governance; Leadership; Planning and Policy; and Learning and Changing, all of which include specific aspects which relate to the service delivery role.

The rigour of the acquA process, combining supported learning and development with objective external assessment, and with its direct links to commissioning agencies, enables service providers to meet the critical goal set in the Department of Health's Third Sector Commissioning Taskforce Report of demonstrating their potential to provide responsive services that deliver better outcomes for people.

Early evaluations from organisations, both local and national, which have completed the accreditation show that they have found it valuable and that they wish it to continue.

acquA as a practical tool offers many opportunities and huge potential rewards for commissioning agencies, regulatory bodies and third sector organisations. A recent national workshop identified acquA's ability to: assist commissioners in market management; streamline regulatory requirements and reduce transaction costs, so providing efficiency savings for all parties; help improve the performance of, and so strengthen provider organisations; provide greater transparency about providers' performance; provide evidence of the capacity building needs of third sector provider organisations; and crucially, increase opportunities for diversity of service provision, and hence user choice.

The acquA case study provides a good example of how third sector organisations can effectively organise and develop themselves to meet the more rigorous demands of entering into contractual relationships with public sector providers for the delivery of health and social care services.

## **PORTSMOUTH – THE LOCAL AREA PATHFINDER EXPERIENCE**

---

Portsmouth City Council's Chief Executive launched the Portsmouth pathfinder in March 2006 at a regional Change Up procurement event funded by RAISE.

Portsmouth emphasised the strength of partnership working by establishing a multi-agency pathfinder steering group with widespread representation from

across the council (procurement, business regeneration, joint commissioners, all service directorates and the Strategic Director champion for community involvement) and also the police, Primary Care Trust, third Sector and national pathfinder Team.

The areas jointly identified for the Portsmouth pathfinder were: an audit of existing third sector provision and capacity; development of a policy framework for the third sector; capacity building and business development support to the third sector; and the development of a third sector procurement strategy.

A number of capacity building events were facilitated: identifying third sector service provision, capacity and interest in the public service delivery agenda; a Future Builders and procurement workshop; and follow up to South East regional procurement events using Portsmouth to generate solutions to local and regional issues identified and to inform national policy making.

Portsmouth undertook best practice visits to other pathfinder authorities and participated in the national event held in the Treasury in June 2006 along with government departments, and national voluntary organisations. Portsmouth also hosted a visit by Ed Miliband, Minister for the Third Sector to meet the Leader of the City Council and the third sector to discuss public service delivery and reform.

As a result of the Pathfinder 6 key issues have been identified by the Steering Group.

Better understanding of what providers exist and the services they deliver. There are more than 700 third sector organisations in Portsmouth. While the city council can track grants and contracts to the third sector, this does not capture the business through partner agencies (especially health services) and the wider work of the third sector with independent funding

Business development support for the third sector including an innovative learning and development programme to foster leadership and entrepreneurs and support the capacity of small providers to bid for services.

The future role for the third sector should not only be in regard to public service delivery, but should continue to recognise their role in: providing a voice for local people, lobbying and campaigning, promoting volunteering and supporting small voluntary and community groups who are unlikely to wish to become deliverers of public services. The third sector should be able to retain their independence and ability to be flexible and entrepreneurial in public service delivery contracts.

There should be opportunities for small local third sector organisations to bid for public service delivery contracts as part of consortia to ensure that local providers can compete alongside national organisations

There is a need for clear tendering processes, investment in the third sector and most notably for security of funding (3 years) to the third sector if they are to take on public service delivery contracts.

It is important to build on what we already have in Portsmouth including the City's Prevention and Well-being Network for Older People and it's collaborative rather than competitive approach to commissioning and public service delivery

These issues have been further developed into a specific action plan for implementation following the pathfinder and are the subject of an Invest to Save bid to the Treasury.

## **PORTSMOUTH PREVENTION AND WELLBEING NETWORK**

---

Portsmouth Prevention and Well-being Network is a partnership of statutory services, service providers, voluntary sector organisations and most importantly older people. The network has been in operation for 5 years and is a vehicle for consultation and sharing of experience and best practice, it's members working together to provide a broad range of preventive services enabling older people to remain living independently in their own homes with an improved quality of life. Members of the Network also have a firm commitment to the vision of improved well-being for older people in all aspects of their work.

The Network recognises that preventive services must be responsive to the needs and aspirations of older people. Older people are not passive recipients of services that we feel are best for them, they must be involved in the design, delivery and evaluation of all services which effect them.

The Prevention and Well-being Network has brought about significant improvements in services designed to help older people to retain their independence. For example, the Home Safety Reminder is used by staff visiting people in their own homes. It alerts staff to potential hazards relating to health and well-being, such as tripping hazards, room temperature or of security issues and then identifies who to contact for solutions.

The engagement of a large range of third sector partners on the Prevention and Well-being Network have enabled a new spirit of partnership in the process of designing and delivering services. There is an open debate about gaps in service provision and how best to fill those gaps.

There is a bi-annual conference organised by the Network members where service providers and older people and their carers come together to look at what services currently exist, where the gaps are and then produce action plans outlining how services to meet these needs will be developed.

There has been a growing recognition by network partners that preventative services designed to help older people to remain living in their own homes do not necessarily help them to retain choice, control and dignity and therefore an improved quality of life. Older people without appropriate support, can be very isolated in their own homes and just as disempowered as if living in the worst examples of institutional care.

There is therefore an increasing emphasis upon wellbeing and quality of life issues and this has led to the Quality of Life Survey which aims to identify issues affecting the quality of life of older people in the City.

This will also help to identify some more qualitative performance indicators focussing on quality of life gain and enhanced wellbeing that can be used in conjunction with the more quantitative indicators when assessing the amount of older people helped to live at home.

## SOUTHERN FOCUS TRUST – THE GROWTH OF A CHARITY

---

Southern Focus Trust is a charity providing care support and advice services to over 10,000 people in Portsmouth, Hampshire, West Sussex and Dorset. Its services support vulnerable young people, those with mental ill health, people with a learning disability, older people and women and children escaping domestic violence. It also has a Housing Advice Centre. The charity was founded in 1985 by Portsmouth Housing Association and had the resources, expertise and support from the Association to enable it to grow and develop. These resources are key to the development of small organisations.

This was all happening in the pre-contracting era when partnership working throughout the City meant that needs were identified together and solutions decided together. That culture was very empowering for a small organisation to work within as partners owned and worked with the services which resulted. Partnership working has continued and led to an evolutionary process of service review, remodelling and change to deliver improving services working with the City Council and the wider voluntary sector. An example of this has been the Court Desk service which SFT delivers in partnership with the local CAB. This has helped to shape SFT as a responsive flexible organisation aiming to deliver innovative services in response to needs.

Key to the success and growth of SFT has been:

- Entrepreneurial leadership with vision and determination and a commitment to partnership working. Such posts need to be viewed as valued career paths with professional development to support them.
- Being a business first and then a charity second. This is not just about having sound human resource, IT or financial management. It is also about understanding the market and gaps in need and having an effective risk management strategy.
- Being clear who they are and what they will do and what they won't do. This also means having a clear business development strategy which allows SFT to grow where it should and say no when it should.
- Having a clear commitment to developing and nurturing partnerships rooted in the local communities to ensure that integrated support is provided to service users.

## COMMUNITY TRANSPORT IN CUMBRIA

---

Cumbria County Council considers community transport an important part of the passenger transport service it supports to provide services for the people of Cumbria. These services include community bus Brokerage schemes and voluntary car schemes.

Community Transport South Lakeland (CTSL) a registered charity who are based in Kendal have been operating a Community Bus Brokerage scheme in the South Lakes for area for about four years. In other parts of the County the service is provided by North Cumbria Community Transport also a registered charity. Both these organisations work together and with the County Council to

provide affordable and accessible vehicles for community groups. They are also able to provide a focus for training and advice for volunteers and others working in this area. The schemes utilise vehicles owned by a number of organisations including the County Council.

CTSL receive financial support from the Council to provide this service and also to manage a voluntary car scheme. These schemes use something in the region of 200 volunteers who drive buses, cars and provides support for the service in both management and administration terms.

There has been a close working relationship with the Council for some years and support for this scheme has come from the passenger transport service budget bus also South Lakes Local Committee. The County Council has six Local Committees based on the District Boundaries. The purchase of a vehicle was supported this year by the Early Years Service and the Local Committee to be based in the Childrens Centre at Ambleside. This vehicle is available for use for by groups when not needed by the families and children linked to the centre.

Future work will involve the two schemes working together closely with Cumbria Youth Partnership to encourage youth groups in rural areas access leisure pursuits. This will involve encouraging the training of appropriate drivers to maximise the potential of the vehicles in the area. In Eden District vehicles belong to one of the Colleges are made available to the Brokerage scheme for wider use.

These schemes and others providing community transport in Cumbria have an opportunity to meet together and with representatives from the County Council at the Cumbria Community Transport Forum. In addition a member of this group represents the Forum at the Cumbria Accessibility and Transport Partnership. This partnership consists of a number of different agencies who consider how best passenger transport can address Accessibility targets The Council considers community transport as an important service in meeting accessibility targets.



ISBN 1-84532-239-8



9 781845 322397 >