



Modernising Commissioning Green Paper: ippr north response

Making public sector procurement more accessible for VCS organisations offers a key means of securing sustainability for some organisations, and for many organisations securing a big contract is the final piece of the jigsaw in making the leap from a charitable organisation to an enterprise. However, many VCS organisations rely on the public sector for support, and the state has an enabling role to play in realising the government's objective of the VCS to delivering more public contracts. This consultation is therefore welcome.

The Institute for Public Policy Research North (ippr north) has a track record of research in areas relevant to the Big Society. Most recently this has included research into the support needs of social and community enterprises in deprived areas for North West Together We Can, and research for the North East Policy and Representation Partnership into the response of the North East voluntary and community sector (VCS) to the Big Society agenda. This consultation response draws on both these pieces of research as well as our wider back catalogue.

1. In which public service areas could government create new opportunities for civil society organisations to deliver?

Payment by Results

Our research shows there is considerable nervousness at the prospect of payment by results (PbR) within the sector. For many – particularly small and medium organisations – funding the upfront costs would make it impossible for them to participate in such a market. PbR is regarded as only viable for the very largest VCS organisations. For many, the up-front costs involved in simply finding out about opportunities and putting a bid together is prohibitive.

If PbR were to be introduced, access to finance would need to be improved, and a wider range of financial instrument explored. Some options worth further exploration include:

- Provision of working capital, especially “patient capital”
- Provision of bonds, especially social impact bonds
- Equity investment, especially quasi-equity investment, whereby repayment levels vary according to the success of the organisation, with better than expected outcomes resulting in higher repayments, and lower than expected outcomes resulting in lower repayments, or even ceasing repayment.

Setting proportions of specific services that should be delivered by independent organisations

Services should be delivered by the organisation best able to do so. Rather than setting arbitrary quotas the focus should be on how 'value' is interpreted by public sector commissioners. Introducing concepts such as 'social value' and 'local benefit' into the commissioning process, and ensuring decisions are not taken solely on the basis of a crude cost assessment will bring multiple benefits:

- Many VCS organisations will be well placed to articulate their local and social benefit
- It will help to prevent money spent in a local area from leaking out of the area, as VCS organisations are more likely to be locally based, employ local people and may be more likely to contract with other local providers.
- Factoring social and local value into the procurement process will contribute to wider Big Society and localism aims by building local capacity.

2. How could government make existing public service markets more accessible to civil society organisations?

There is a key tension between efficiency and diversity that needs to be managed. The need for efficiency is driving up contract size (both in terms of financial value and geographic coverage), a trend that local government back office mergers and regional and sub-regional tendering portals reinforce. This acts in opposition to the desire to support local VCS organisations to provide a locally tailored response to need.

Small organisations often operate at a geographic scale smaller than that of the local authority, let alone the sub-region. For organisations of this size, bidding to provide a service across the local authority as a whole seems out of reach, let alone a wider area. Furthermore, many are of the view that the public sector expects charities not to make a profit from contracts, and still will not pay full cost recovery, meaning it is not worth their while to get involved in the procurement process.

There is a real concern among small and medium organisations that opening up public service delivery will simply benefit the largest charities and large private sector companies, if procurement processes are not reformed. This is a particular concern in the North East where there are more small and medium sized VCS organisations, and few large ones.

There is however appetite for delivering public services among some organisations, and a number of ways in which processes could be improved to ensure procurement is genuinely opened up to the VCS sector:

- Local public service commissioners should involve the sector in redesigning local processes – from how tenders are announced and where they are advertised to the design of the forms and monitoring processes. Reforms should aim to reduce unnecessary bureaucracy and make processes more user friendly.
- As set out in question one, the commissioning process must understand 'value', not just cost. Many commissioning officers are nervous of staying on

the right side of European Union laws on fair competition, and would benefit from training, clear guidance and/or shared examples of good or innovative commissioning practices.

- Calibrate bureaucracy so it is proportionate to the size of the contract. Some local authorities are beginning to introduce lighter touch commissioning for contracts below a certain value. This practice should be learned from.
- Build time for building consortia into the procurement process
- Use plain English in all documents.
- End restrictive practices that reduce innovation by specifying how delivery should occur rather than focusing on the outcomes sought.
- Develop standard approaches to questions wherever possible, especially for pre-qualification questionnaires and expressions of interest.
- Provide regular local training sessions and 'meet the procurer' events to break down barriers, improve understanding and encourage networking. These should be open to the private sector too to encourage cross sectoral collaboration.

However it is important to note that the responsibility does not entirely lie with the public sector. There are some tough messages for the VCS sector too, and many organisations will need to change their ways of working. In particular, the sector has been slow to embrace consortia working and the proposition of mergers, and both likely to be more common in future. Capacity building and support organisations – particularly infrastructure organisations – have a key role to play in supporting effective networking, to improve knowledge of what others in the sector are doing. This is essential for building effective consortia, which will provide opportunities to bid for bigger contracts.

3. How could commissioners use assessments of full social, environmental and economic value to inform their commissioning decisions?

As set out above, reforms to procurement processes should focus on developing a more encompassing understanding of 'value'. This should result in questions being asked of the social, environmental and local benefit that bidders will bring, which are factored into the scoring process.

In terms of reflecting local priorities, commissioners should look to the priorities established by local authorities through documents like their Sustainable

Communities Strategy, and use the material already collected through the numerous consultations that take place, particularly in deprived neighbourhoods. This will avoid unnecessary and repetitive consultations. Establishing the local authority as the first port of call will also help to cement their position as place shapers.

However the VCS should not simply be regarded as deliverers of services. They also have a unique perspective on local needs, and their involvement should be extended upstream, to include identifying unmet local needs and areas for service innovation. Co-production should be at the heart of local public service commissioning, and this should include VCS organisations as well as service users and citizens directly.