



HM Government

# Making it easier for civil society to work with the state

## Progress update

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## Foreword



This paper is designed to update you on our work to meet the important commitment made in the Coalition Government agreement, to ‘... support the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enable these groups to have much greater involvement in the running of public services.’

We made this commitment because we believe that charities; mutuals and social enterprises have a great deal of value to add in helping us both shape and deliver better public services. We want to harness that value in a spirit of genuine cooperation that protects the independence of the sector. Given the historic dominance of outsourced public service markets by the private sector, this was never going to be a quick or simple process.

Since May 2010, we have laid some important foundations. It is now much easier to find information on opportunities. We have stripped out some bureaucracy. The Social Value Act encourages commissioners to think harder about what value for the taxpayer means. The Commissioning Academy is inspiring senior leaders to think in new ways. The social investment marketplace is making it easier for social entrepreneurs to access growth capital and advice. Public service mutuals are delivering well over £1 billion of public services across a diverse range of sectors. The MOJ Transforming Rehabilitation programme has won deserved plaudits for the way that the sector has been engaged in the design. There has been some very valuable work done in helping the sector get better in measuring their impact.

Our pride in this achievement does not blind us to how much further we need to travel. There remain some very big challenges, not least in how we engage smaller organisations.

What is clear to us is that this agenda of supporting social innovation has become even more important. We need to find better ways of delivering better outcomes for both the taxpayer and users of existing services. We need help in anticipating future need. We need to learn how to cooperate across sectors in much more effective ways.

In 1948, Sir William Beveridge wrote:

*“There is need for political invention to find new ways of fruitful cooperation between public authorities and voluntary agencies”*

I hope this document persuades you that we remain committed and inventive in our determination to get this partnership right.

**Nick Hurd MP**  
Minister for Civil Society

# Executive Summary

The Office for Civil Society exists to support the growth and success of charities, voluntary organisations and social enterprises. An important part of our mission is to simplify the way in which civil society and the state interact, and open up new opportunities to the sector as we reform public services. We believe civil society has unique strengths that must play a role if government is to improve public services, whilst reducing costs to the taxpayer.

In December 2012, government set out its progress on the Coalition commitment to ‘... *support the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enable these groups to have much greater involvement in the running of public services.*’<sup>1</sup> We announced how we would support intelligent commissioning and help the voluntary sector access new opportunities. One year on, we are reporting back on our progress to date and our intentions for the future.

This government entered office with ambitious plans to reform public services by increasing choice, improving transparency, opening provision up to a wider range of providers and devolving decision-making. In 2013, many of the biggest changes came into force and are beginning to make their mark, such as:

- Police and Crime Commissioners
- Clinical Commissioning Groups
- The Public Services (Social Value) Act
- The Work Programme

What’s more, we are building on our successes and experience of the voluntary sector’s interaction with these changes, as we press ahead with:

- Transforming Rehabilitation
- Developments in youth service provision
- Greater control for communities through localism
- Development of new commercial models and public service mutuals

Public service reform is clearly moving at pace, and we know that many VCSEs are grappling with the pace and scale of change. That is why we are making it easier for civil society to work with the state. This paper sets out our actions.

We are making new opportunities **transparent** by:

- **Setting out openings clearly:** providers depend on easy access to procurement, which is why we will publish almost all opportunities on **Contracts Finder**, the central procurement hub. New transparency pledges in the **Open Government Partnership National Action Plan** and our efforts to build the **National Information Infrastructure** will also help social ventures to innovate and identify opportunities to deliver services more efficiently.
- **Holding ourselves to account:** to drive focus on engagement with civil society, authorities right across the public sector **will report how much they spend with VCSEs.**

<sup>1</sup> *Making it Easier for Civil Society to Work with the State*, 13th December 2012, <https://www.gov.uk/government/publications/making-it-easier-for-civil-society-to-work-with-the-state>

We are supporting more **intelligent commissioning** by:

- **Removing unnecessary bureaucracy:** a new **'single market' for procurement** will improve civil society's experience of working with government, by **streamlining documentation** and ensuring **prompt payment** right through the supply chain. Changes to **EU Procurement Directives** will soon benefit the sector when tendering for contracts.
- **Supporting commissioners:** the **Commissioning Academy** helps senior public sector staff to design pioneering and efficient service models, in a way that is sensitive to civil society's needs.
- **Challenging poor procurement:** our **Mystery Shopper Service** allows any organisation looking to bid for public sector work to register difficulties encountered with public body or prime contractor procurements. The service provides feedback and support, so that processes are improved.
- **Championing engagement between commissioners and the sector:** achieving better public services means designing them in a way that enables the best providers to compete. To do this, we are opening channels of dialogue between commissioners and VCSEs through the **Compact**, which has for instance informed extensive and far-reaching consultation on **Transforming Rehabilitation**.
- **Enabling genuine innovation in commissioning:** the growing number of **Social Impact Bonds** allows innovative and effective solutions that meet the sector's needs. SIBs help more charities and social enterprises to take part in outcomes-based contracts, by providing up-front capital for delivery. In addition, the **Social Value Act** has put social value firmly on the agenda and is helping commissioners recognise VCSEs' wider impact when buying services.
- **Designing services according to users' needs, not departmental silos:** we are driving integrated commissioning approaches that put the user at the heart of service design, through initiatives like the **Public Service Transformation Network** and **Troubled Families**.

We are contributing to a **more competitive voluntary sector** by:

- **Building consortia and supply chains:** collaboration means greater opportunities for providers and a better experience for service users. Through **More Than the Sum** and **Transforming Local Infrastructure**, we have helped VCSEs pool their strengths, which can enable them to deliver larger contracts. A broad **package of consortia-building support** developed by ACEVO and NAVCA will help voluntary organisations in all sectors, whilst **Partnership Finder**, developed by Clinks, helps criminal justice providers promote services to commissioners and primes that are developing supply chains.
- **Helping VCSEs evidence their impact to commissioners:** Our support of the **Inspiring Impact** campaign and more open approaches to public data such as **Justice Data Lab** are helping VCSEs demonstrate their impact when tendering.
- **Providing affordable finance and investment:** social investment doesn't stop with SIBs. Government set up **Big Society Capital** who enable social ventures to support communities more effectively through investment. To make sure that the social investment market keeps growing, we are pioneering development of **co-mingling funds** and a **social investment tax relief**.
- **Plugging capability gaps:** we understand that some providers aren't equipped to access the opportunities we are creating. That's why we are helping social organisations of all sizes to reach scale: from high-potential start-ups through the **Social Incubator Fund**, to established social ventures with our **Investment and Contract Readiness Fund**. To improve commercial skills, we've collaborated with sector partners to deliver a programme of **VCSE Commercial Masterclasses**, which develop skills providers need to win contracts, and are working with civil society to tackle the capability gaps identified in the **Marsh Review**. We are also helping existing public sector employees take greater control through the **Mutuals Programme**.

- **Providing tailored support for specific reforms:** we have supported VCSEs with the transition to Police and Crime Commissioners through **Safer Future Communities**, and are helping the sector to engage with Clinical Commissioning Groups through **Building Health Partnerships**. A bespoke **Action Plan** has shaped how we will ready civil society for Transforming Rehabilitation.

We are unleashing the power of **social action** by:

- **Opening public services to all:** through the **Centre for Social Action**, we are supporting providers that use volunteering to improve public service outcomes.

When taken together, these actions represent more than the sum of their parts. By improving commissioning and building capability in the sector, we are tackling both sides of an equation that needs to be solved if we are to get the most from our public services. We have set out our actions and their impact throughout this paper. Though it is early days, our ambitious agenda is already enabling civil society to help us deliver better public services.

# 1. New Opportunities

Government's public service reforms are creating new openings for the voluntary sector and for public service mutuals. We have already set many reforms in train, through legislation and new commissioning structures; others are currently being designed and rolled out at pace. What is common to all of these changes is our commitment to Open Public Services: to increase choice for users, decentralise decision-making and open up markets to a wider range of providers.

## Central Opportunities

There are new opportunities for civil society across central government, as departments like the Ministry of Justice (MoJ) and the Department for Work and Pensions (DWP) open up services to the best providers on a Payment by Results basis. Whilst there are challenges as organisations adjust to outcomes-based commissioning, this approach presents a real opportunity for voluntary organisations who pride themselves on their ability to deliver results.

In the 2010 Coalition Agreement, Government laid out plans for a 'rehabilitation revolution' to combat high rates of recidivism. The MoJ's **Transforming Rehabilitation** programme will redesign offender services, employing Payment by Results to give greater scope for innovation and open up competition to bring in new providers. The Ministry of Justice recognised civil society's important role in delivering the changes, as well as the challenges that organisations face in adapting. As a result, they engaged extensively with the sector and put in place a number of measures to open up the reforms to civil society, which are set out throughout this paper. We have since seen considerable enthusiasm from the sector: 399 of the 746 providers that registered for the competition were VCSEs, with many of these expressing interest in prime contractor roles. In addition, twelve prime contractor consortia with public service mutuals successfully passed the first stage of the procurement exercise.

Two years on, delivery of the **Work Programme** continues to offer a significant role for the sector. 363 voluntary and community organisations are involved, making up 42% of the entire supply chain. What's more, it is clear that the programme is working: over 168,000 jobseekers have escaped long term unemployment and found lasting work as a result.<sup>2</sup> Despite this considerable VCSE participation,

<sup>2</sup> *Work Programme: more than 168,000 people escape long-term unemployment*, 26th September 2013, <https://www.gov.uk/government/news/work-programme-more-than-168000-people-escape-long-term-unemployment>

we understand that Payment by Results and prime contracting models still present challenges. The Department for Work and Pensions is building on the successes and lessons learned from the Work Programme and other commissioning to date, in designing a new **Commissioning Strategy**. DWP recently consulted<sup>3</sup> on the new strategy – which will shape the commissioning of forthcoming welfare-to-work opportunities – and will report shortly.

Government's ambition is to ensure all young people have the tools and opportunities they need to fulfil their potential, regardless of background or life circumstances. Departmental responsibility for **youth policy** transferred from Department for Education to Cabinet Office in summer 2013, with central departments continuing to maintain their own responsibilities for specific youth policy areas. Cabinet Office work will **support local authorities to meet their Statutory Duty for youth services**, including encouraging them to engage with VCSEs to identify innovative ways to provide high quality services that meet young peoples' needs. To develop new delivery models, we are also continuing to work with the sector to support opportunities to create **public service mutuals**. We will also be responsible for the Youth Action Group – a forum that brings the voluntary sector and Government together to identify, discuss and resolve cross-cutting issues that affect young people. Furthermore, to ensure youth views are heard by Government, we want to encourage more young people and VCSEs to work together to maximise youth input into democratic processes, policy and decision making, both locally and nationally. These activities build on existing provision, such as the [National Citizen Service](#) (see opposite) and the recently-launched [Step Up To Serve](#) campaign which will create further opportunities for civil society – in partnership with mutuals – to help young people take part in social action.

### **National Citizen Service**

**National Citizen Service** (NCS), the government's flagship youth programme funded by Cabinet Office, moved from grant funded pilots to 19 regional multi-year contracts. This has allowed the 150 charities and social enterprises concerned more certainty of future funding. 8 regional providers, working with supply chains predominantly composed of VCSEs, have delivered a life-changing experience to around 40,000 young people in 2013, who will have completed over 1 million hours of social action. The programme has also been extended to Northern Ireland, with the Department for Social Development working in partnership with the Northern Irish VCSE sector in Autumn 2013 and Summer 2014.

The management of the programme has recently been transferred to the NCS Trust, a Community Interest Company created to promote, support and advance NCS. Sitting on the board of the Trust are representatives from across the political spectrum and the VCSE sector. The Trust will take the programme forward in the future, with new opportunities for organisations to bid for contracts and engage in the delivery, either individually or as part of consortia.

<sup>3</sup> DWP Commissioning Strategy 2013: Consultation, 31st July 2013, <https://www.gov.uk/government/consultations/dwp-commissioning-strategy-2013>

### **Public Service Mutuals Delivering Youth Services – Epic CIC**

Epic CIC is the first youth services mutual to spin out of local authority control. Working in partnership with Kensington and Chelsea Borough Council, staff decided that a public service mutual was the best way to maintain and grow local youth provision, whilst meeting the challenges of reductions in funding. Alongside the council, the **Mutuals Support Programme** gave staff bespoke support to spin out, including legal advice and a commercial and leadership skills programme for management. The service operates four youth centres and works out of others run by the voluntary sector, as well as working directly with the community. Amongst other roles, it provides guidance and support for 13 to 19 year olds, including intensive one-to-one work, music, sport and education.

Public bodies are increasingly looking to **new commercial models** in order to run services more effectively, creating opportunities for voluntary organisations and mutuals. The reform of **British Waterways**, for instance, led to the largest ever single transfer from the state to the charity sector. The transfer established a new charity, the **Canal and River Trust**, which took on responsibility for 2000 miles of waterways in England and Wales. A similar process is currently underway at **English Heritage**, where government is supporting plans to create a new charity to run the National Heritage Collection. The new model will deliver an ambitious conservation programme and an improved visitor experience, whilst reducing costs to the taxpayer.

To ensure other public bodies have the support they need to explore new commercial models, government has introduced the Mutuals Support Programme and Delivering Differently programme for Local Authorities. Through the £10 million [Mutuals Support Programme](#), government is supporting the development and growth of **public service mutuals**; organisations which spin-out of the public sector and deliver public services with a high degree of employee control (see below). Developing mutuals can benefit from commercial training programmes as well as bespoke professional support. Cabinet Office also has a bank of resources and shared learning from each of the projects they are supporting, publically available on the programme **resource library**.

For Local Authorities interested in new delivery models, Cabinet Office, together with the Department of Communities and Local Government, the Local Government Association (LGA) and the Society of Local Authority Chief Executives (SOLACE), have recently launched, [Delivering Differently](#). The £1 million fund will support 10 councils to consider new delivery models for their services, looking to combine the best of the public, private and voluntary sectors through partnering, mutualisation, and other innovative commercial models.

## Public Service Mutuels and the Mutuels Programme

*A public service mutual is an organisation which has spun out of the public sector, continues to deliver public services (under contract) and has a high degree of employee control.*

Our [Mutuels Programme](#) promotes the use of alternative models across the public sector and provides support to services that spin-out as employee controlled businesses. This agenda is driven by an explicit commitment in the Coalition's Programme for Government to support the creation and expansion of mutuels, helping public sector staff take control of the services they deliver.

The Programme's work can be split into two areas: campaigns which focus on increasing awareness and removing barriers in specific areas; and support to services and parent bodies to help develop new mutuels.

Campaigns are designed to drive up the number of mutuels in certain sectors, which are selected either because they are particularly likely to benefit from the mutual model, or because an opportunity arises to transform delivery in that sector. Each campaign involves close engagement between the Mutuels Programme, the relevant Department(s), and services operating on the ground. The nature of each campaign varies, but work will range from addressing legal or policy barriers to running events with service leaders to formulating bespoke support offerings. At present we have four campaigns:

- **Children's Services:** working with the Department for Education to support the creation and expansion of mutuels in the running of Children's Services.
- **Adult Social Care:** working with the Department of Health and key stakeholders in the sector to encourage and support mutualisation, particularly around the integration agenda.
- **Youth Services:** working with the Cabinet Office Youth Policy team to identify opportunities and support staff to set up mutuels and grow services.

We are also working with stakeholders to explore what shape mutuels might take within fire and rescue services. In addition to the campaigns, the team operates the **Mutuels Support Programme** (MSP), which provides guidance and support to services and organisations considering spinning out. The MSP includes a resource-based website, a telephone hotline, classroom-based training programmes, and a £10 million fund which is used to procure detailed professional support for developing mutuels.

### Mutuels Support Programme – 3BM

3BM is the first ever mutual joint venture to spin out of local Government, providing school support services to improve education across the tri-boroughs of in London. MSP provided legal advice, to help 3BM establish as an independent business and negotiate their contracts with local authorities during the spinning-out process. By combining the public service experience and ethos of 3BM's staff (75.1%) with Prospects' (24.9%) capital and business expertise, 3BM is leveraging the best of the public and private sectors, allowing both parties to access skills and resources they would otherwise lack.

## Local Opportunities

At the local level, we are beginning to see the results of a raft of reforms that brought the commissioning of public services closer to the communities that use them and the local organisations best placed to deliver them.

The first **Police and Crime Commissioners (PCCs)** were elected in November 2012 and assumed control of local police budgets in April 2013. With a mandate to deliver the priorities set out in their police and crime plans, PCCs are investing in new services and bringing greater transparency to expenditure. In the months since April, PCCs have developed innovative new ways of working, established closer co-ordination with health services and made links to voluntary and community groups (see below).<sup>4</sup>

### Martin Surl, Gloucestershire PCC

In the first 100 days after his election, Martin Surl invested more than £750,000 in grants to 45 local organisations. He aimed to reduce crime and improve order within the community, with many organisations addressing several of the PCC's priority targets. Over a hundred community groups and organisations expressed an interest in applying for a grant to develop their own crime reduction and community safety projects. Just over a dozen were rejected. As the first anniversary of the election approached, a further £2m was available within the fund to enable the Priority Leads to deliver their plans.

New opportunities have also opened up as a result of reforms to health services. **Health and Wellbeing Boards (HWBs)** and **Clinical Commissioning Groups (CCGs)** took on statutory duty for local health and care provision in April 2013. The two bodies are respectively responsible for bringing together local government, the NHS and local partners to lead the local health and social care system, and commissioning health and care services. These changes aimed to deliver local solutions,

integrated service provision and a 'whole person' approach to healthcare – all areas where civil society organisations can have a competitive advantage. We are seeing this reflected in significant engagement between CCGs and the voluntary sector, such as in Newcastle (see below). NHS England's **Building Health Partnerships** programme has played an important role in brokering this engagement (see p17 for more detail).

### Newcastle CCGs

In Newcastle, the two CCGs have shown real appetite for working with the sector. Newcastle West CCG, for example, is supporting the development of **Ways to Wellness**, which will use social prescribing to rethink treatment of long-term conditions. Social prescribing uses non-medical interventions to improve patients' self-care behaviours, which supplements support from healthcare professionals. Ways to Wellness is led by VONNE, with assistance from the Department of Health and ACEVO. It is using social investment to scale up existing social prescribing practice in Newcastle West. The programme aims to attract £3 million of investment and will enable approximately 5,000 patients to benefit each year. An independent review showed that the project had the potential to generate net savings to Newcastle West CCG of £2m-£8m.

**Any Qualified Provider (AQP)** is also providing new routes into health provision. AQP allows patients to select any provider that meets the necessary quality requirements. Once providers qualify, they accept a single specification for a given service, as well as standardised terms, conditions and prices – meaning competition is based on quality, not price. This greater choice allows for increased civil society participation: as of November 2013, approximately 11% of qualified providers identified themselves as VCSE.

**Localism** is creating more effective, need-focused services and with it, opportunities for the voluntary

<sup>4</sup> Association of Police and Crime Commissioners, *Police and Crime Commissioners One Year On*, 14th November 2013, [http://apccs.police.uk/wp-content/uploads/2013/08/PCCs\\_One\\_Year\\_On.pdf](http://apccs.police.uk/wp-content/uploads/2013/08/PCCs_One_Year_On.pdf)

sector. For example, [Our Place](#) gives communities the chance to tackle local issues by giving them power over local services and budgets. The programme builds on the success of 12 pilot areas,<sup>5</sup> in which civil society played a key role: 2 of the 12 pilots were led by Housing Associations, and a further 3 by community organisations. The £4.3 million programme, which went live on 20 January 2014, will offer a support package of grants, advice and networking to more than 100 new neighbourhoods, as they redesign local services.

### **Our Place Pioneer – The Sherwood Family Partnership**

As an Our Place Pioneer, Tunbridge Wells received £50,000 of funding to help implement their Operational Plan. The funding helped develop the **Sherwood Family Partnership**, a multi-agency team from the public and voluntary sector. The team provides bespoke support to 'just coping' families to prevent problems escalating. It will link families to wider voluntary and community services for longer-term support, including the growing number of emerging social enterprises in the area that help local people back into work.

Voluntary and community groups can also take advantage of local opportunities through the [Community Rights](#). Since they were launched in 2012, with the aim of shifting power from Whitehall out to councils and communities, the Rights have seen over 1,000 instances of use. The **Community Right to Challenge** empowers VCSEs and staff groups to challenge local service provision. It allows voluntary providers to bid to take over services where they believe they could deliver them differently or more effectively. We have already seen a number of challenges accepted by councils and are supporting greater use of the Right through a **£11.5 million Support Programme**. The programme offers advice and grants to help local groups develop their challenges, and has received

over 3,800 enquiries so far. We are also helping community groups to own and run local assets through the **Community Right to Bid**. Right to Bid allows local groups to list land or buildings, such as community centres, as Assets of Community Value. If an asset is subsequently put up for sale, the group then has the chance to pause the sale for six months whilst it raises the money to buy it.

These new opportunities for community groups have been met with significant support from **Big Lottery Fund** and **Big Society Capital**. In June 2013, the Prime Minister announced a commitment by the two bodies to provide £250 million over this decade, to help community groups with ambitions to own local assets. The first step towards this goal was taken in December 2013, when Big Lottery announced plans to set up the [Power to Change Trust](#), a new independent grant-making foundation that will invest up to £150 million in community enterprises across England. Big Lottery Fund and Big Society Capital are also exploring plans for additional finance support for community assets.

Finally, we have been working to make EU funding more accessible to VCSEs. The **European Structural and Investment Funds Growth Programme** (ESIF) will provide approximately £5 billion of investment in England between 2014 and 2020, with strategic direction provided at a local level by Local Enterprise Partnerships (LEPs). The Department for Business, Innovation and Skills (BIS) – assisted by a secondee from the National Council for Voluntary Organisations – influenced the design of the programme to contain funding mechanisms that drive greater VCSE participation, as well as specific priorities, like social inclusion, where the sector can play a strong role. Working alongside BIS, Cabinet Office has collaborated with LEPs and partners, to encourage every LEP to engage with the voluntary sector in developing their local ESIF strategies. The Big Lottery Fund match-funding prospectus provides additional impetus for LEP's to involve civil society organisations in the development and delivery of local Growth Programme initiatives.

<sup>5</sup> *Our Place!*, June 2013,

<http://mycommunityrights.org.uk/wp-content/uploads/2013/06/Our-Place-and-what-the-pilot-areas-achieved.pdf>

## Greater Transparency

Increased transparency is opening new opportunities for voluntary organisations across government. We have made firm commitments to **transparency** and **open government**, pledging to become one of the most transparent governments in the world. Transparency empowers social ventures to campaign more effectively, increasing accountability and thus driving greater efficiency in public services. Crucially, however, it allows providers – private and voluntary sector alike – to design innovative new solutions and identify where they can improve on current public service models. Government’s ambitious transparency programme is already putting power in the hands of enterprising citizens. Over 17,000 datasets have been made available on data.gov.uk and we are taking this further still, with the creation of the [National Information Infrastructure](#) – a publicly available inventory of data held by government. For instance, we have already published a wealth of health and care information, including performance data on surgeries and hospitals, statistical data on diseases and information on prescribing behaviours across the UK. We are already seeing services such as Prescribing Analytics harness this data to identify cost savings.<sup>6</sup> Social entrepreneurs are using data in other sectors too; mySociety, for instance, has created FixMyStreet, which employs user-generated data to help councils identify local problems.<sup>7</sup> As we build the National Information Infrastructure and publish new datasets, we hope to empower increasing numbers of social ventures to develop innovative new solutions.

We have set out our transparency commitments in the [Open Government Partnership National Action Plan](#) (NAP), following extensive consultation with civil society. The NAP pledges, for example, for the

UK to have the most transparent social investment market within the OGP and G20 by 2015. We will release data on the availability of social investment and the cost to government of specific public services. This data will help VCSEs, commissioners and Social Impact Bond developers to recognise where they can deliver better value provision. The plan also sets out a commitment to ‘open contracting’, which will allow providers to scrutinise contract awards in greater detail.

Government has already made significant progress on ‘open contracting’. In 2011, we launched [Contracts Finder](#), a central, online hub for public procurement, which has now seen more than 20,000 contracts published. We have committed to go further by expanding the requirement to publish to the wider public sector. This requirement will be implemented through legislation.<sup>8</sup> At the same time, we plan to improve the functionality of the website over the next 12 months, making it easier for suppliers to use. The outcome will be a single, user-friendly portal, from which VCSEs can access opportunities from right across the public sector.

Finally, we are making the public sector’s support for charities, voluntary organisations and social enterprises more transparent. Following recommendations by **Lord Young of Graffham**,<sup>9</sup> the Prime Minister’s adviser on small business and enterprise, commissioners throughout the public sector will be required to report spend on contracts with VCSEs. In local government, changes to the **Code of Transparency for Local Authorities**<sup>10</sup> will require councils to publish key information about grants to voluntary organisations and to indicate where contracts have been awarded to VCSEs. In making these changes, we are enabling citizens hold public bodies to account and the VCS sector find opportunities to enter untapped markets.

<sup>6</sup> <http://prescribinganalytics.com>

<sup>7</sup> <http://www.fixmystreet.com>

<sup>8</sup> *Small Business: GREAT Ambition*, 7th December 2013, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/266212/bis-13-1313-small-business-great-ambition-FINAL.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/266212/bis-13-1313-small-business-great-ambition-FINAL.pdf)

<sup>9</sup> *Analysis of Responses to Consultation on Making Public Sector Procurement More Accessible to SMEs*, 7th December 2013, <https://www.gov.uk/government/consultations/making-public-sector-procurement-more-accessible-to-smes>

<sup>10</sup> *Code of Recommended Practice for Local Authorities on Data Transparency: Government Response to Consultation*, 12th December 2013, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/266815/Transparency\\_Code\\_Government\\_Response.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/266815/Transparency_Code_Government_Response.pdf)

## Health and Social Care Reforms

Government is transforming health and social care provision in England, putting clinicians at the heart of commissioning, creating a fairer playing field for providers and giving patients greater voice. **Clinical Commissioning Groups** (CCGs) have created enormous potential for civil society to play a greater role in local health services. We are also putting VCSE providers on an equal footing through **Any Qualified Provider** (AQP), which gives patients a choice of provider that is based on quality, not cost. To secure this fair playing field, we have given **Monitor**, the healthcare regulator, new powers to tackle anti-competitive behaviours.

We are supporting commissioners as they adapt to their new roles. NHS England, for example, runs **Building Health Partnerships** (BHP), which brings together CCGs, local authorities and civil society. The programme develops effective partnerships between commissioners and the voluntary sector to improve local health and wellbeing outcomes. BHP established twelve 'learning sites' across the country, such as in Bristol (see below), which received support and funding to pilot new approaches. The Secretary of State for Health asked **Monitor** to review issues that limit the ability of different providers to participate in improving patient care. The resulting [Fair Playing Field Review](#) made several recommendations, which are now being taken forward. For instance, that commissioners receive new guidance to help determine appropriate levels of working capital to require from providers in particular charities and social enterprises.

### Building Health Partnerships – Bristol

BHP has helped precipitate a realisation in the CCG about the value of the VCSE sector. The Bristol site aimed to develop strong VCSE market in health and care provision, as well as stronger relationships between health commissioners and the VCSE. These approaches are being tested through two 'demonstrator' projects of partnership working between statutory and voluntary partners on:

- Maintaining the independence of vulnerable people through fall prevention.
- Preventing and treating diabetes in BME communities.

BHP has also led to significant changes in the re-commissioning of mental health services. A new commissioning process supports the engagement of third sector partners in service design from the outside. In addition, the CCG supports VCSEs to develop bids, by offering bespoke advice to voluntary organisations and providing grants of up to £1,500 to backfill the costs of bid writing.

On the other side of the equation, we are **building capacity and capability** in the sector. In addition to supporting VCSE providers through **Building Health Partnerships** and Cabinet Office's **VCSE Commercial Masterclasses**, we are enabling the creation and expansion of public service mutuals. Our **Mutuals Support Programme** is providing support to mutuals, a number of which are emerging or have already been established within the health and social care landscape. Like other social enterprises, these models re-invest their surpluses back into the organisation's services or the local community.

*continued overleaf*

## Health and Social Care Reforms (continued)

Government is also using **grant funding** and **social investment** to help voluntary organisations play a greater role in this new landscape. For example, the Department of Health's **Health and Social Care Volunteering Fund** provides grants and tailored support, to build organisational capacity and develop volunteer-led service delivery models. Similarly, the **Innovation, Excellence and Strategic Development Fund** helps VCSEs take forward new approaches to health and care, as well as disseminate good practice and build partnerships within the sector. **Social investment** is a valuable tool to develop new, outcomes-focused interventions. The Department of Health is catalysing **Social Impact Bond** development by providing almost £2 million to social enterprise 'trailblazers', such as Age UK and Marie Curie Cancer Care. These trailblazers will pilot interventions to tackle a variety of challenges, such as long term conditions, isolation and end of life care. Individually, CCGs like Newcastle West (see p14) are already recognising social investment's power to improve outcomes, whilst saving money for the taxpayer.

Finally, our focus on **social action** is enabling citizens to play a greater role in public services, improving their quality as a result. Through the [Centre for Social Action](#), we are accelerating high-quality volunteering initiatives, which **improve health and wellbeing outcomes** and help people to **age well**. This has included championing the role of volunteers to improve patient experience at **King's College Hospital** and supporting mass social action through **Dementia Friends** (see p36).

Despite the short time since CCGs assumed their statutory responsibilities in April 2013, we are already seeing examples of positive engagement with the VCSE. In **Bristol** (see above), the CCG is piloting partnership working with the sector, and is supporting VCSEs tendering for contracts. **Swindon CCG** is looking to develop closer links between their healthcare services and the voluntary sector. (see below). Elsewhere, Clinical Commissioning Groups working up innovative, outcomes-based delivery plans. In **Staffordshire**,<sup>1</sup> and **Oxfordshire**,<sup>2</sup> CCGs are currently exploring outcomes-based contracts in areas like end-of-life care, mental health and older people's services. Though it is still early days, our changes to health and care are supporting closer working between the public and voluntary sectors.

### Swindon CCG

The Swindon CCG has recognised that its objective to reduce demands on acute services can only be achieved by increasing the breadth and depth of community-based provision. As a result, it has expressed a strong commitment to building the capacity of the local VCSE sector. To develop relationships between frontline services and voluntary organisations, the CCG plan to locate a gateway worker in every GP surgery. They will have access to a database of local VCSE support and signpost patients to appropriate local VCSE services. Such services include providers like SEQOL, a public service mutual in Swindon. SEQOL provides support to the community, with their community nurses undertaking 5,920 patient visits a month.

<sup>1</sup> *The Rules Are Not Your Enemy: Liberating Clinical Commissioning Through Procurement and Contracting*, October 2013, <http://www.nhscc.org/wp-content/uploads/2013/12/NHSCC-briefing-procurement-and-contracting-WEB.pdf>

<sup>2</sup> *Outcomes Based Commissioning: An Update*, 16th March 2013, <http://www.oxfordshireccg.nhs.uk/about-us/work-programmes/outcomes-based-commissioning/>

## 2. Intelligent Commissioning

Smarter, simplified and more open commissioning is the key to ensuring that the public sector gets the best possible outcomes from the £230 billion it spends each year on goods and services. We've launched an ambitious programme of support for commissioners. Alongside training programmes and new legislation to bust red tape, this includes 'tools' like social finance and the Public Services (Social Value) Act to drive more intelligent approaches to commissioning. In this way, government is ensuring that public services are accessible to smaller providers and voluntary organisations.

### Transforming Commissioning

Government is introducing legislative changes that will help commissioners ensure fair and open competition for all providers, without imposing needless burdens. Following consultation, we are proceeding with recommendations<sup>11</sup> made by Lord Young of Graffham to create a 'single market' for procurement.<sup>12</sup> Building on previous reforms, we will remove the need for **Pre-Qualification Questionnaires** (PQQs) for low-value

procurements across the whole of the public sector. For those contracts above the EU threshold, the introduction of a **standardised PQQ** will stop authorities using overly lengthy tender documents. The changes will also help commissioners combat delayed payment by prime contractors, with new legislation that requires **prompt payment to subcontractors**. These developments will make public procurement simpler and more efficient, for small businesses and civil society organisations alike.

The reforms will dovetail with changes occurring at the European level, where new [EU Directives](#) will modernise public procurement rules. The agreed package of changes follows extensive negotiations and represents an excellent outcome for UK commissioners and providers alike. Voluntary sector providers in particular will benefit from a new '**light-touch regime**' for commissioning social and health services, whilst smaller organisations stand to gain from changes that encourage commissioners to **break large contracts into lots**. We also know that many public service mutuals would benefit from being awarded a time-limited 'dowry contract' to give them time to develop necessary commercial expertise. Cabinet Office has been working extensively with the European Commission on this issue and has secured a **time-limited reservation for mutuals and social enterprises** in the new directives, helping mutuals win their initial contract without having to compete with more established players.

<sup>11</sup> *Growing your Business: A Report on Growing Micro Businesses*, 13th May 2013,

<https://www.gov.uk/government/publications/growing-your-business-a-report-on-growing-micro-businesses>

<sup>12</sup> *Analysis of Responses to Consultation on Making Public Sector Procurement More Accessible to SMEs*, 7th December 2013,

<https://www.gov.uk/government/consultations/making-public-sector-procurement-more-accessible-to-smes>

Alongside this enabling legislation, government is helping commissioners as they aim to deliver more ambitious, inclusive and user-focused services in practice. We set up the [Commissioning Academy](#), a development programme for senior commissioners from all parts of the public sector. The Academy aims to create more creative and open-minded approaches to commissioning. The programme looks at how to develop public sector markets and focuses on the value that the voluntary sector can bring to public service delivery, including 'provider days' where commissioners can talk informally to providers. Following a successful pilot phase, the Academy officially opened its doors to the first full cohorts in June 2013. A second wave commenced in January 2014, with the aim to reach 1,500 participants by the end of 2015/16. As well as continuing to grow nationally, we have received enquiries from several local authorities wanting to set up local 'franchise' academies. The most advanced of these is in Norfolk, which went live in November 2013.

Running as a top-up training opportunity to the Commissioning Academy is the **Mutuals Module for Commissioners**. Commissioners have a key role to play in enabling new public service mutuals to develop. Feedback from commissioners highlighted that there is growing interest in supporting mutuals, but that many require practical advice and support to play this role effectively. The module, which launched fully this year, will fill this gap with practical examples and tailored resources, which draw on learning from commissioners across all sectors.

Since 2011, Cabinet Office has also run a [Mystery Shopper Service](#) to tackle specific examples of poor procurement practice. Mystery Shopper investigates difficulties that VCSEs, SMEs and others report when tendering with public bodies and prime contractors. This includes issues like overly complex procurement processes (see below) or issues relating to the Public Services (Social Value) Act. As of December 2013, over 562 cases have been investigated, with 79% successfully resolved. Building on this success, Mystery Shopper has now begun proactive 'spot-checks' on public bodies, to make sure their procurements are open to smaller suppliers.

### **Mystery Shopper – Rotherham Council**

A mystery shopper, which was bidding for a learning and development contract with Rotherham Council, was concerned by the level of detail called for in the tender documents. They felt this could be a barrier for SMEs and other individuals looking to provide these services. Cabinet Office's Mystery Shopper service discussed the provider's concerns with the council, who undertook to simplify their processes in future procurements.

**Engagement with the sector** by policy makers and commissioners is vital if we are to see greater VCSE participation in public services. Clear and open channels of dialogue allow expertise on both sides to be shared and ensure that reforms are designed with the needs of the sector in mind. This principle is underpinned by the [Compact](#), a long-standing agreement that lays the foundation for effective partnership working between government and civil society. The Compact was renewed in 2010, making it more streamlined and focused than its predecessor. Cabinet Office oversees its implementation and has ensured greater accountability, by including it as one of six cross-cutting priorities in all departmental business plans since 2012. Government also invited the National Audit Office to independently review its implementation and provide recommendations. Compact Leads within each department support the embedding of Compact principles into relevant programmes and policies, and enable best practice sharing between departments.

The 2013 Compact Awards saw the strongest nominations yet of successful collaboration at local and national levels, reflecting the value of the Compact as a tool for effective partnerships. The Ministry of Justice, for example, conducted an extensive and far-reaching [consultation](#) with the sector during the development of its **Transforming Rehabilitation** strategy (see case study below). Departments are also drawing on the sector's expertise to inform policymaking in other areas. For instance, the Department of Health's **Health**

**and Care Voluntary Sector Strategic Partner Programme** was developed following the establishment of Public Health England and NHS England. The programme enables policy makers to reach over 350,000 VCSEs through a strategic partner network of 21 key voluntary sector organisations, ensuring that the voices of even the smallest voluntary organisations are heard.

In addition to the cross-cutting schemes set out above, many departments are taking individual action to improve commissioning of the voluntary sector in their own areas. For example, the **Home Office** has communicated the value and strengths of civil society to Police and Crime Commissioners (PCCs) through **Safer Future Communities**. The programme, led by Clinks, built networks between PCCs and local voluntary organisations, and produced guidance for them on commissioning VCSEs. PCCs affirmed the role that the sector has to play in delivering their objectives, through their manifestos and, more recently, in Police and Crime Plans.<sup>13</sup>

Similarly, the **Department for Business, Innovation and Skills (BIS)** is committed to improving adult skills commissioning, working through the **Skills Funding Agency** and with support from the **National Institute for Adult Continuing Education (NIACE)**. BIS commissioned research, which showed that, despite the high potential of voluntary providers to deliver learning and skills services, many felt excluded by commissioning processes that were not always 'third sector friendly'. In response, NIACE is working to identify innovative commissioning models which broaden the provider base and open it up to new smaller providers, which will form the basis of recommendations to commissioners.

The same is true for commissioners in the field of **health and care**. Following the **Fair Playing Field Review** by health regulator Monitor, further guidance will be given to commissioners emphasising the importance of considering the widest possible range of options in their procurement activity. This will be supported by, for example, guidance on appropriate levels of reserves and working capital to require from providers, to avoid unnecessarily shutting out charities and social enterprises.

## Promoting Innovation

Public sector commissioners are tackling complex social issues, whilst aiming to deliver services more efficiently than ever before. Innovative, intelligent commissioning approaches are vital if they are to achieve this goal. Government is championing innovation through Social Impact Bonds and the Public Services (Social Value) Act, and is supporting integrated, user-focused commissioning through a number of programmes.

Social investment is a powerful and versatile tool for commissioners and for VCSE organisations. While Payment by Results can enable commissioners to transfer delivery risk to providers and can give providers freedom to develop new approaches to stubborn problems, PbR can make it hard for voluntary organisations to compete, as they are required to provide services ahead of payment. SIBs overcome this problem and enable VCSEs to deliver PbR by bringing in social investors to provide the upfront working capital that VCSE organisations need to deliver services in advance of payment, with investors receiving returns from outcomes payments from government.

To support commissioners to develop more and better SIBs, we launched the [Centre for Social Impact Bonds](#) in November 2012. The Centre for Social Impact Bonds is supporting SIB development by building a repository of [guidance](#), and making available [practical tools](#) so that SIBs can be developed easily and cost-effectively. As part of the Centre for SIBs workstream, we are also [showcasing](#) how SIBs are transforming public service delivery, to build an evidence base of what works, as well as stimulating and sharing the latest [thinking, research and media](#) coverage on SIBs.

<sup>13</sup> *Safer Future Communities Evaluation*, March 2013, <http://www.clinks.org/sites/default/files/SFCEvaluationFINAL.pdf>

### ThinkForward Social Impact Bond

Big Society Capital and Impetus – The Private Equity Foundation have each invested £450,000 in the ThinkForward Social Impact Bond. The pilot programme, delivered by charity Tomorrow's People, uses early intervention to prevent 350 young people becoming NEET (not in education, employment or training) each year. Operating out of 10 schools in East London, ThinkForward provides participants with tailored support from coaches, building the skills, contacts and confidence to realise their ambition. Educational outcomes are measured throughout the programme and the latest results show that the SIB is exceeding its government targets: this year, 55% of the group achieved five A\*-C GCSEs, against a target of 30%. Over the long term, the pilot is set to save the taxpayer over £88,800 per participant.

The Centre for SIBs also launched the £20 million [Social Outcomes Fund](#) (SOF) in November 2012. The SOF acts as a top-up fund, paying for outcomes on SIBs that represent value for money for the public sector as a whole, but where no single commissioner makes enough savings to justify acting alone. We already seeing the results of this holistic approach: the first two SIBs that will receive funding from the Social Outcomes Fund were announced in June 2013 (see below). These projects will bring the total number of SIBs in operation up to 15, from just one in 2011.

### Social Outcomes Fund – Manchester Children in Care SIB

This SIB, commissioned by Manchester City Council (MCC), aims to move at least 95 children aged 11-14 with behavioural and emotional issues from local authority residential care to more stable, family based placements. The up-front costs of the programme will be funded by social investors who will receive outcome payments based on the number of children moved from residential care, as well as improved school attendance, better behaviour and wider wellbeing. The **Social Outcomes Fund** has committed to contribute up to 9 percent of the outcomes payments.

This number is set to rise, as partners in the public and VCSE sector are increasingly recognising the potential of SIBs. The **Department of Health**, for instance, is providing nearly £2 million to eight social enterprises looking at using this model. These trailblazers will implement a range of health and social care interventions, such as social prescribing and integrated community end-of-life care. The key outcome will be a growing evidence base on the effectiveness of SIBs to fund preventative social care interventions, opening the door to further, more ambitious models in future.

Outside government, this interest is matched by growing support from investors, grant funders, and experienced SIB developers. In July 2013, **Big Lottery Fund** launched the £40million [Commissioning Better Outcomes](#) (CBO) fund which provides top-up outcome payments for SIBs which support people and communities most in need. Although CBO and SOF have a different focus there is a joint application process to make it easier for potential applicants. The Big Lottery Fund has also contracted [Social Finance](#) and the [Local Government Association](#) to engage and work with commissioners to develop SIB proposals; and has made up to £3 million available to help commissioners purchase any technical support required to finalise the structure of a SIB.

### The One Service Social Impact Bond (HMP Peterborough)

The One Service works with adult male offenders sentenced to less than 12 months in custody at HMP Peterborough; a group with typically high reoffending rates, but which does not currently qualify for statutory probation supervision. This Social Impact Bond pilot was launched in September 2010, and will use approximately £5 million of investment funding from private individuals and charities to deliver rehabilitation services. If the pilot helps reduce reconviction events by at least 7.5% compared to a control group, investors will be rewarded, up to a cap of approximately £8m. If the target is not achieved, no payments will be made. Interim reconviction figures were released in June 2013; these should be interpreted very carefully as they are based on partial cohorts, reduced timescales and lack comparison with a control group. Nevertheless, the interim figures indicate a fall in the frequency of reconviction events at Peterborough. The final performance results and outcome payment details for the first pilot cohort will be published in 2014.

This is driving more innovative, joined-up commissioning, ensuring commissioners get the most from every pound they spend and highlighting the value SMEs and VCSEs add to local communities.

Government is assisting commissioners as they implement the Act through [guidance](#),<sup>14</sup> as well as our [Commissioning Academy](#) and [Mystery Shopper](#) initiatives. In response, commissioners across the country are thinking about what social value means in their locality and how they can apply it. For instance, **Oldham Council** has redesigned its procurement framework to build in social value and assess how suppliers can deliver wider benefit to the borough.<sup>15</sup> **Bath and North East Somerset Council** is employing social value as a key tool to achieve its objectives in a new procurement strategy.<sup>16</sup> In **Croydon**, the council's Social Value Toolkit supports commissioners secure the best value outcomes,<sup>17</sup> whilst local authorities across the **West Midlands**, in partnership with Social Enterprise West Midlands, have appointed Social Value Champions to drive the agenda forward in the region.<sup>18</sup> This wave of change has already produced tangible outcomes, such as contracts awarded by **Birmingham City Council** (see p24). We will continue to work with commissioners right across the public sector to ensure that these developments spread further and faster.

Alongside this work to develop SIBs, government supported the introduction of the **Public Services (Social Value) Act**. The Act went live on 31 January 2013 and has placed social value at the heart of commissioning, by requiring authorities to consider the wider social, economic and environmental benefit that they can achieve through contracting.

<sup>14</sup> Cabinet Office Procurement Policy Note (10/12), 12th December 2012, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/79273/Public\\_Services\\_Social\\_Value\\_Act\\_2012\\_PPN.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/79273/Public_Services_Social_Value_Act_2012_PPN.pdf)

<sup>15</sup> Oldham Council Puts Social Value at Heart of Procurement, 12th July 2013, [http://www.oldham.gov.uk/press/article/434/oldham\\_council\\_puts\\_social\\_value\\_at\\_heart\\_of\\_procurement](http://www.oldham.gov.uk/press/article/434/oldham_council_puts_social_value_at_heart_of_procurement)

<sup>16</sup> Bath and North East Somerset Council Procurement Strategy 2013 – 2017, <http://democracy.bathnes.gov.uk/mgConvert2PDF.aspx?ID=25096>

<sup>17</sup> Inspiring and Creating Social Value in Croydon: A Social Value Toolkit for Commissioners, <http://www.croydon.gov.uk/contents/departments/business/pdf/socialvalue.pdf>

<sup>18</sup> Social Enterprise West Midlands: Social Value Ezine Edition 3, [http://www.socialenterprisewm.org.uk/wp-content/files\\_mf/socialvalueezine4winter2013final.pdf](http://www.socialenterprisewm.org.uk/wp-content/files_mf/socialvalueezine4winter2013final.pdf)

### Social Value in Birmingham – Carillion Energy Services

In response to the Social Value Act, Birmingham City Council (BCC) has introduced a **Social Value Policy**, which sets out how commissioners should seek to realise wider benefits through procurement. This is embodied in BCC's recent partnership with Carillion Energy Services to deliver the Green Deal programme, which supports local citizens to improve energy efficiency in their homes. The contract delivers wider value by focusing on working with communities, social enterprises and local businesses in the supply chain, thus keeping social and economic benefits in the local area. As part of the agreement, Carillion has committed to sustaining local employment and encouraging its business partners to invest in a range of new green energy facilities. Moreover, Carillion will work within the local community, engaging young people in energy efficiency and supporting community projects.

Government has set a number of initiatives in train to create services that are more **joined-up** and **designed around the needs of their users**. We are overseeing a shift away from commissioning from within departmental silos, towards new models based on greater cooperation. Cross-sector working will play a big role in the success of this approach and we are keen to benefit from the voluntary sector's frontline experience and knowledge of user needs. Government launched the [Whole-Place Community Budgets](#) in 2012, which brought partners from the public, private and voluntary sectors together to design integrated delivery models at four sites in England. The sites covered a wide range of services, including employability, offender rehabilitation, and health and care.

The [Public Service Transformation Network](#) (PSTN) was announced in the 2013 Budget and draws upon learning from the four Whole-Place Community Budget pilots. The Network is made

up of officials from government departments, councils and local agencies, who work together to co-design better local services for less. It puts local places at the centre of efforts to rethink public services, helping them develop innovative, efficient responses to complex problems. The Network is now providing bespoke support to 13 localities and working with a further 20, which have identified opportunities to design better responses to local priorities including skills, health and wellbeing, and community safety. Underpinning this work is the principle of co-designing integrated services around the needs of users. Local communities and voluntary organisations are key transformation partners in both the redesign and new delivery models (see below).

### Public Service Transformation Network – Cheshire West and Chester

The Transformation Network is supporting Cheshire West and Chester's service transformation programme. This programme includes developing new relationships with partners, including enabling communities to take action when they demonstrate willingness and ability to do things themselves. One example of this is "Letting Go in Lache", which aims for Lache, a housing estate in the city of Chester, to own and manage its services through a community-led social enterprise by 2018.

Finally, the [Troubled Families](#) programme is a leading example of the Government's commitment to transforming public services and improving outcomes. The programme aims to turn around the lives of 120,000 families by 2015 – getting children back into school, reducing crime and anti-social behaviour and putting adults on the path to work. To achieve these results, local authorities are working with their partners across the voluntary, public and private sectors to redesign local services, reduce duplication and ensure each family receives an effective family intervention. In some cases, this means transforming approaches whereby families receive up to 20 different interventions and

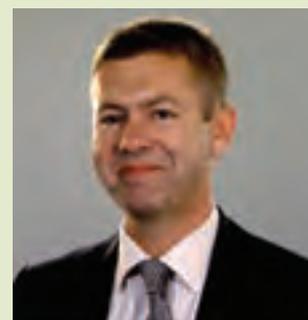
replacing them with one worker, one plan for the family. In some areas, voluntary sector providers are playing a leading role as the providers of family intervention services, commissioned by the local authority. All 152 local authorities in England have

signed up to the programme, which will draw on £448 million of funding provided by six government departments. Troubled Families has already turned around the lives of 22,000 families and has committed to reach a total of 120,000 by 2015.

### **The Crown Representative for the Voluntary, Community and Social Enterprise Sector**

Michael O'Toole has been working as the Crown Representative for the VCSE Sector since June 2012. His role is to open up these new public service opportunities to VCSEs by supporting public sector commissioning, ensuring that there is a level playing field and that the unique contribution of the sector is accessible through the commissioning process.

He is also working to improve strategic dialogue between government and the VCSE sector about commissioning; to improve policies, processes and sector capability. In the past year he has focussed on raising awareness within the sector about public services opportunities, and the tools and capacity support available to help VCSEs to play a part in them. Michael was instrumental in establishing the **VCSE Commercial Masterclasses** programme and sits on the **Commissioning Academy Steering Group**, championing the Academy's focus on VCSEs.



Over the last year, the Crown Representative has supported commissioners across the public sector – including the Department for Work and Pensions, the Home Office and the Ministry of Justice – to access the best of the voluntary sector through the commissioning process.

He is ensuring an ongoing focus on the vital role of VCSEs in public services, from the design phase through to delivery. To this end, Michael sits on the following boards and groups:

- **Home Office VCSE Stakeholder Forum** – focus on role of VCSEs in commissioning and the impact of Police and Crime Commissioners
- **Ministry of Justice Transforming Rehabilitation Advisory Panel** – focus on the VCSE role in Transforming Rehabilitation
- **Department for Work and Pensions Merlin Advisory Board** – focus on effective VCSE role in supply chains
- **Department for Work and Pensions, Office for Disability Issues** – Disability Action Alliance Commissioning working group
- **Commissioning Academy Steering Group** – focus on commissioning strategy having strong account of the role of VCSE and social value

For more information, please contact Michael at [Michael.O'Toole@cabinet-office.gsi.gov.uk](mailto:Michael.O'Toole@cabinet-office.gsi.gov.uk) or follow him on Twitter via [@otoole\\_michael](https://twitter.com/otoole_michael).

## 3. A More Competitive Voluntary Sector

We understand that the changes set out above present challenges, as well as opportunities, for civil society. For this reason, government is committed to removing obstacles that stand in the sector's path, and recognises its market stewardship role, building and supporting capacity where it is necessary.

### Breaking Down Barriers

Government has taken steps to ensure that contracts are open to all civil society organisations, regardless of size. We know that smaller players can struggle to compete, which is why we are providing consortia-building initiatives, help with impact measurement and bespoke support for specific procurement exercises, such as the MoJ's rehabilitation reforms (see below).

### Breaking Down Barriers – Transforming Rehabilitation

Our extensive engagement with the sector on Transforming Rehabilitation highlighted the need to ensure that VCSEs – and smaller providers in particular – can compete for opportunities throughout the supply chain. In August 2013, we launched [Partnership Finder](#), a provider directory for VCSE organisations working in the criminal justice space. Funded by the Ministry of Justice and delivered by Clinks, the directory helps commissioners and primes identify potential supply chain or consortia partners. More than 360 organisations have signed up so far and are using the service as part of the competition. In addition, the MoJ has worked hard to ensure that the design of the contracting process is as open to the sector as possible. The MoJ developed industry-standard contracts for lead organisations and supply chain partners, which embed market stewardship principles through the supply chain.

**Consortia-building** allows VCSEs and mutuals to combine their individual strengths and expertise, to become providers of sufficient scale to deliver larger contracts. The £275 million **National Offender Management Service ESF Co-Financing Organisation (NOMS CFO)**, for instance, recognised that civil society organisations had difficulty competing for large contracts. NOMS CFO launched a consortia-building programme, **More Than the Sum**, which contracted with 15 lead organisations following an innovative commissioning process. These organisations were awarded sums ranging from £50,000 to £250,000 to assist VCSE, private and statutory organisations to form stable, sustainable consortia which will be able to deliver offender services across England. The consortia, which will themselves be social enterprises, are making strong progress (see below). They are currently developing their governance and legal structures, and will shortly be contract ready.

#### **More Than the Sum – Safer Stronger Cornwall Consortium**

More Than the Sum assisted Safer Stronger Cornwall Consortium (SSCC), a Cornwall-based enterprise. SSCC focuses on creating sustainable, quality employment for people from disadvantaged groups including people with mental health issues, the unemployed, substance misusers and ex-offenders.

The consortium is designed to work with the “whole” person, offering support in all areas which will lead to a reduction in reoffending. SSCC are currently gathering advice as to what legal entity will best suit the requirements of the group and have 30 potential members, which consist of social enterprises, voluntary organisations, colleges, charities and public bodies.

Cabinet Office’s **Transforming Local Infrastructure (TLI)** programme (see p33 for details) has enabled consortia-building at local levels. TLI invested in local VCSE support organisations, many of which placed high importance on support for consortia. The programme helped some organisations develop new vehicles and training for VCSEs to strengthen their capability to win public contracts and work closely with public service commissioners.

Cabinet Office has also funded NAVCA and ACEVO to develop a **joint consortia-building support service**. The service, which will be available from early 2014, will provide end-to-end support, from an introduction to consortia structures, through start-up and legal support, to bespoke consultancy for existing SPVs. In the **adult skills sector**, similar work is underway by the Department for Business, Innovation and Skills. BIS is assisting smaller organisations in this market, by drawing together sources of consortia-building support.

## Consortia in Action

### Safer Bristol Crime, Drugs and Alcohol Partnership

Bristol City Council, through the Safer Bristol Crime, Drugs and Alcohol Partnership, has recently re-commissioned its hate crime services. Informed by the principles of the Bristol Compact, Safer Bristol's commissioning process included a thorough market analysis and a focus on co-development. The process led to the commissioning of a new voluntary sector partnership led by SARI (Stand Against Racism and Inequality), which includes the Brandon Trust, Bristol Mind and LGBT Bristol. Each organisation brings specific expertise to the consortium, ensuring that service users have access to well-informed and targeted support.

### Destia

[Destia](#) is a London-based health and social care consortium, established in 2010 as a means for local voluntary organisations to win public service contracts. Since then, it has grown to include 55 members and has won large-scale tenders such as a £1 million contract from the Central London Clinical Commissioning Group to deliver the Tri-borough Expert Patient Service. Destia is pursuing an ambitious growth programme and is now looking to raise £6 million of social investment.

### Nova Wakefield District

Nova (formed by the merger of Wakefield District Wellbeing Consortium and Voluntary Action Wakefield District) is a special purpose vehicle and support agency for VCSEs in the Wakefield area. The consortium has 109 members, combinations of which are currently delivering a range of contracts such as Healthwatch Wakefield, which provides consumer advice on health and social care services. Nova is also delivering the £1.2 million ESF Support for Families programme, which helps families overcome long-term unemployment, and provides the majority of the district's Youth Contract services as a subcontractor.

If VCSEs are to be able to evidence their outcomes to commissioners, **impact measurement** needs to be at the core of the social sectors' practices, with consistency amongst measurement terms and methodologies. That is why Cabinet Office is supporting [Inspiring Impact](#), a sector-led campaign to accelerate the uptake of impact measurement. In its first year, the campaign has produced a number of resources for VCSEs and is now developing a complementary online platform, which will include a **self-assessment tool** to help organisations identify impact measurement resources. To help VCSEs that already deliver public services to evaluate their impact, we are also releasing data where we can. For instance, the Ministry of Justice runs the [Justice Data Lab](#), which assists organisations working with ex-offenders. The Data Lab provides aggregate reoffending data for provider cohorts, as well as that of a matched control group, allowing providers to demonstrate the effect of their service.

### Access to Affordable Long-term Finance

Social finance is not limited to Social Impact Bonds alone. In addition to providing risk capital that allows commissioners to design new models of delivery, social investment more widely is driving funding into the voluntary sector, helping effective organisations demonstrate their models and reach scale; both pre-requisites for delivering public contracts. Our actions are helping to develop a long-term supply of affordable finance, which will enable further growth in the UK's social sector.

For instance, we set up [Big Society Capital](#) (BSC), the UK's wholesale social investment bank, and the first of its kind in the world. BSC invests capital in intermediaries, which themselves go on to fund frontline organisations, such as **The Greenway Centre** (see below). BSC committed investment to 20 intermediaries in its first year alone, using its capital to cornerstone ten social investment funds. BSC have made investment commitments totalling £150 million since it became operational in April 2012, growing the finance options available for social sector organisations.

#### **Big Society Capital – The Greenway Centre**

The Greenway Centre is a frontline organisation that has benefitted from BSC's investment. BSC invested £1 million in the PURE Community Energy Fund, which provides finance for community renewable energy projects. PURE in turn invested in The Greenway Centre, a local community and business hub in Bristol, run by Southmead Development Trust. It hosts a range of activities for community groups, from employment and training courses for adults, to exercise classes for ex-offenders and those who have had heart attacks or lung problems.

We believe we can still do more to make social investment available to high-potential VCSEs, by tapping into private capital that wouldn't otherwise be used for social purposes. **Co-mingling funds** – where commercial capital is invested alongside philanthropic capital to achieve social outcomes – have the capacity to deliver at considerable scale. Government is making it easier to set up these funds and has already produced a template fund structure, which can be used by those looking to establish similar investment models.<sup>19</sup> In 2014, we will go a step further, testing the barriers to establishing co-mingling funds as we aim to pilot one ourselves.

At the same time, we recognise that individual investors are vital for the next stage of growth in the UK social investment market. In 2013, we announced a new **social enterprise tax relief**, which could generate as much as £480 million of private investment in the first five years alone.<sup>20</sup> It is essential to get the terms of the tax relief right if we are to successfully match the needs of individual investors with those of social organisations. For this reason, we consulted extensively with stakeholders and are now deciding on the final policy design, with the intention to introduce the reform at Budget 2014.

<sup>19</sup> For more information, see <https://www.gov.uk/government/collections/social-investment#co-mingling-funds>

<sup>20</sup> *The Role of Tax Incentives in Encouraging Social Investment*, Worthstone, 2013, p. 26

## Building Capacity and Skills

We are helping VCSEs to engage with public service opportunities by **building their capacity**, regardless of what stage they are at in their growth and development.

Our £20 million Investment Readiness Programme is helping VCSEs to reach scale. At one end of the spectrum, government is creating a pipeline of resilient social enterprises for the future, by supporting high-potential start-ups through the [Social Incubator Fund](#) (SIF). The £10 million SIF funds social incubators, such as Bethnal Green Ventures (see below), which provide finance and targeted support to accelerate early-stage social enterprises.

### Social Incubator Fund – Bethnal Green Ventures

The SIF provided £900,000 funding to Bethnal Green Ventures (BGV), which has recently completed its first support programme. BGV supported ten ventures, providing each with £15,000 investment, a three month support programme and access to mentors, as well as office space. Ventures included Open Utility, a marketplace for renewable energy; Playlab, who produce mobile games that help people overcome health problems and Fluency, which helps young people learn digital skills and find employment. Within a month of the programme ending, four of the ten recipients had secured further investment and others are currently negotiating terms. With further SIF support, BGV will support up to 80 further ventures in the next four years.

The other half of our Investment Readiness Programme supports more established organisations looking to take on public contracts or investment, through the £10 million [Investment and Contract Readiness Fund](#) (ICRF). The ICRF supports social ventures that seek to raise investment of more than £500,000 or bid for contracts valued at over £1 million. The fund pays for specialist business support, helping recipients to develop resilient financial management systems, create investment-ready business plans and strengthen management

capability. Since the 2012 launch, it has committed over £7.6 million to more than 75 ventures, such as the Midlands Together CIC (see below), as well as running heavily-subscribed call-out targeting public service mutuals.

### Investment and Contract Readiness Fund – Midlands Together CIC

Midlands Together CIC works to create employment opportunities for ex-offenders in the construction industry. Midlands Together buys empty or run-down homes, employs ex-offenders to repair and refurbish them, before selling them on, with any profits reinvested into the business. The ICRF provided a £149,300 grant to the venture, which enabled them to bring in crucial finance expertise from Triodos. Triodos helped Midlands Together to structure an investment bond that would appeal to investors. The result was a fully-subscribed bond issue that raised £3 million – a phenomenal 20x return on investment – to help roll out the venture's model to the West Midlands. Triodos recognised the ICRF's important contribution, asserting that "due its complexity and early stage nature, this deal would never have got off the ground without ICRF support".

Government also provides support to voluntary organisations looking to **develop commercial and business skills**. For instance, our [Commercial Masterclasses](#) help VCSEs to tender more effectively for public contracts. The Masterclasses have run since March 2013 and tap the procurement expertise of private sector providers and voluntary sector umbrella bodies. Over two days, participants attend workshops on topics such as bid-writing, consortia-formation and financial risk management. This first wave will run until spring 2014, benefitting 600 individuals. Following positive feedback from participants, we are now working to extend the programme to focus on specific sectors. The Home Office and Cabinet Office, for example, are currently working to deliver a further series of Masterclasses in early 2014. These will be targeted at VCSEs that work to prevent violence against women and girls, and are

interested in contract opportunities provided by Police and Crime Commissioners.

We are taking steps to understand and improve the skills the sector needs to engage with the new funding environment. We appointed **Dame Mary Marsh** to conduct a [review of skills and leadership in the sector](#). Dame Mary brought together a wide range of organisations and individuals to look at the challenges and opportunities that exist. Her review made recommendations across four priority areas: routes into and through the sector; data informed social change; digital fluency and skills sharing. Government is collaborating with sector partners to take these forward, enabling the sector to have the ownership for shaping their response. For instance, we are working with Charityworks to **increase the numbers of graduates** they have outside of London as part of their sector graduate scheme. We are also exploring ways to **build digital fluency and inclusion** with colleagues at the Government Digital Service, as well as investigating how best to **encourage more businesses to offer their time and skills** to strengthen the capability of VCSEs in dealing with skills gaps they identify.

Bespoke programmes have been launched to support VCSEs and mutuals' skills and capacity in response to specific opportunities. To build capability to ensure civil society providers can compete in the **Transforming Rehabilitation** competition, we funded skills and capacity-building activity for VCSEs and mutuals working in criminal justice (see p32). Similarly, we supported the sector in the run up to the election of **Police and Crime Commissioners (PCCs)**. The **Safer Future Communities** programme built and strengthened networks in all of the 42 police areas and developed a range of resources, helping civil society to engage with PCCs. These ranged from analysis of PCC manifestos and police and crime plans, to give clarity on PCCs' priorities, to a statistical toolkit on crime and reoffending, to help VCSEs make the case for their services.

## Building Capacity and Skills – Transforming Rehabilitation

In parallel to the launch of Transforming Rehabilitation, government made a wide variety of capacity building and skills support available, to better enable VCSE providers and mutuals to compete for contract and supply chain opportunities. To help VCSEs to reach the necessary scale to take on larger contracts, we ran a tailored call-out to the **Investment and Contract Readiness Fund**, which focused specifically on criminal justice organisations. As a result, we committed more than £1 million to ten VCSEs that work with offenders, such as Only Connect (see below). We also assisted with the growth and development of public service mutuals in this space. Working closely with the Ministry of Justice, Cabinet Office has been helping to create an opportunity for **public service mutuals** in the new landscape, including committing over £1 million worth of tailored packages of support for the most promising projects.

### Investment and Contract Readiness Fund – Only Connect

Only Connect is a crime prevention charity based in London, which has grown from a small, privately-funded organisation to a medium-sized charity increasingly funded by contracts and grants from the statutory sector. By 2013, Only Connect sought to scale up its offender services to win larger public contracts. In order to overcome a number of barriers, such as uncertainty over legal compliance and access to financial support, Only Connect applied to the ICRF, which awarded them £110,125 in July 2013. Since then, Only Connect has undertaken an extensive organisational overview, with a focus on financials and service provision. The organisation is now in preliminary conversations regarding business planning and is in discussion with a prime provider.

Alongside this capacity-building programme, we have also been working to ensure VCSEs have the commercial skills they need to successfully bid for and deliver rehabilitation contracts. In addition to targeting existing initiatives, such as our **Commercial Masterclasses**, specifically at criminal justice organisations, we funded 3SC to develop a bespoke capacity building **Action Plan**. Based on the specific, costed recommendations set out in this plan, the MoJ provided funding to ACEVO, to draw up a **self-assessment checklist for VCSEs** and deliver a series of **skills and information workshops** across England and Wales. The Ministry of Justice has awarded Clinks a grant to assist providers to understand key legal aspects of the TR programme and be in a better position to negotiate contracts with tier 1 providers.

## Access to Effective Support Services

We understand that the transition to an environment where civil society income increasingly stems from contract delivery is not easy. That is why we invested £30 million through the **Transforming Local Infrastructure Fund**, to strengthen local VCSE support organisations. 74 local infrastructure organisations received funding to transform the way they supported local VCSEs through changes such as mergers and collaboration, private sector engagement, IT and frontline support. To make this most effective, the learning from this programme will be analysed and formally shared in early 2014, including the many successes of those areas who did not receive funding.

### **Transforming Local Infrastructure – Wolverhampton Voluntary Sector Council**

Wolverhampton Voluntary Sector Council received £315,067 funding to transform the support services of Local Infrastructure Organisations (LIOs). Seeing the potential to make both LIOs and frontline VCSEs more sustainable in the long term, they:

- Set up purchasing 'Clusters', so VCSEs could benefit from bulk purchasing savings, share knowledge and develop partnerships
- Formed People in Partnership, a management company that bids for and manages public service delivery contracts, and forms local VCSEs into supply chains.
- Established a network of pro bono professional support, with the assistance of Business in the Community (BITC), concentrating on HR, marketing and publicity.

In addition to these strands, the LIO partners joined their various membership databases into a single directory for the whole of the Wolverhampton VCS, to assist in developing the purchasing clusters and supply chains.

## 4. Encouraging Volunteering and Social Action in Public Services

The government recognises the unique contribution that active citizens can make to public services. We want more public services to consider how social action can help their users, creating greater opportunities for citizens to take part in delivery. When individuals engage in social action, they develop valuable skills for the workplace and beyond, and have higher levels of life satisfaction.<sup>21</sup> Crucially, though, their volunteering benefits the wider community. Social action sees engaged citizens contribute to public services alongside existing public sector professionals, which can lead to better service outcomes and user experiences, as the examples below illustrate. That is why we have committed to making it easier for ordinary people to play a part in public services.

Government has set a number of initiatives in train to capitalise on this dual benefit. In April 2013 we launched the [Centre for Social Action](#), to demonstrate social action's critical role in tackling some key public service challenges, like improving hospital patient satisfaction, reducing re-offending rates, or reducing pressure on A&E departments. We are investing up to £40 million to support such programmes, to demonstrate how they can improve the way we deliver public services (£36 million invested by us and £4 million by Nesta). We are supporting programmes like the **King's College Hospital Volunteering Programme** (see below) and **Cities of Service**, a US initiative that helps cities tap the power of their people, to tackle their most pressing challenges. The Cabinet Office is working with Nesta and Bloomberg Philanthropies to test the Cities of Service model with a small number of cities in the UK.

For more information on how government is promoting social action, please see <https://www.gov.uk/government/publications/encouraging-social-action>.

<sup>21</sup> *Encouraging Social Action*, 27th November 2013, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/261624/2901062\\_SocialAction\\_acc.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/261624/2901062_SocialAction_acc.pdf)

## Social Action and Volunteering – Transforming Rehabilitation

Government recognises that social action has an important role to play in reducing reoffending. It does this by targeting intermediate goals such as secure housing or reduced substance misuse. As part of the [Centre for Social Action](#), we launched the [Rehabilitation Social Action Fund](#) (RSAF), which is helping organisations with a proven track record of using social action to rehabilitate offenders to deliver their model at larger scale. The RSAF will fund 12 organisations, with the aim of generating a robust evidence base for social action reducing reoffending, which will empower VCSEs to demonstrate their impact to commissioners over the long term.

### Rehabilitation Social Action Fund – Khulisa

We all strive for relationships, skills, purpose and autonomy. However, many offenders have been victimised themselves at a young age and may be driven to satisfy their needs in anti-social ways. Khulisa aims to develop sustainable behavioural change and coping skills by helping offenders to look at how they can meet their needs in positive ways. Following this programme, local volunteers are matched with offenders, who support them with resettlement, training, education, employment, accommodation and family relationships. Having already been trialled amongst 18-25 year olds, financial and expert support from the Rehabilitation Social Action Fund will help this programme scale-up in Hampshire, Bolton and London, also supporting adult offenders and those with community sentences. The funding will also go towards an evaluation by Buckinghamshire New University and the RJ4All Institute to build the evidence base for this social model.

Concurrently, the National Offender Management Service is improving outcomes for ex-offenders, by connecting to voluntary organisations that offer mentoring services, through the **Just Mentoring Hub**. This online portal launched in June 2013 and has seen around 200 providers sign up to date.

### King's College Hospital and the Helping in Hospitals Programme

Staff at King's College Hospital developed a ground-breaking programme which vastly improved patients' experience of a stay in hospital. A staff-led initiative used volunteers to support patients to do simple things which go far beyond the normal remit of hospital volunteers, like accompanying patients to buy a newspaper, feeding patients who need extra help, or waiting with them before surgery: things which stretched hospital staff can't manage during their busy days.

The volunteering team at King's College Hospital appealed to the community for willing volunteers; thousands responded. King's College Hospital has shown that this ambitious programme has led to a significant rise in patient satisfaction and has the potential to keep people out of hospital through reducing re-admission rates.

*"My feeding role on the ward takes the pressure off the nurses and allows them to do something else – while I am helping the patient. Patients interact with me well because I'm not in uniform, it's as if I am a family member coming to help."* Keisha Martin, Volunteer

The role of the **Centre for Social Action** is to identify groundbreaking programmes like this and then:

- support them to grow and do more – at King's College Hospital we are funding a roll out of the volunteering programme across more King's College Hospital wards, targeting up to 1,350 volunteers.
- learn about success – at King's College Hospital we are evaluating the programme so we can understand why it has been positive for patients.
- copy successful programmes – at King's College Hospital we are creating a blue-print of the programme to make it easy for other hospitals to do the same.

The Helping in Hospitals initiative announced in November 2013 will help expand the reach and impact of other hospital volunteering services. Successful hospitals will be announced in early 2014.

### Dementia Friends

Dementia Friends is a community mobilisation initiative that aims to give one million people an understanding of dementia, and the small things that could make a big difference to people living with dementia in their community. The campaign is delivered by the Alzheimer's Society and supported by the Centre for Social Action and the Department of Health. It aims to create a network of one million Dementia Friends across England by 2015. This works by training Champions, who reach out to people and pass on their knowledge through training sessions. Everyone that attends a session becomes a Dementia Friend, and is asked to commit to an action that will help a person with dementia or their carer. Since the formal launch, over 58,000 people have become Dementia Friends and over 6000 people have been trained as Champions.

## 5. Conclusion

We have pledged to enable civil society to play a greater role in the running of public services. This commitment is on track: in health, criminal justice, policing and elsewhere, our work is transforming the way that civil society interacts with the state. Three years in, this government is delivering on its reforms, which will improve public services whilst cutting the public deficit. Some of these changes are already making their mark; others are still being rolled out. What is common to all is our work to open these reforms up to civil society.

Government has used a combination of cross-cutting initiatives and specific campaigns of action, to make this happen. Through the Commissioning Academy and the Centre for Social Impact Bonds, we are ensuring those who decide how public money is spent are at the top of their game. Where civil society will benefit from support to respond to individual reforms, we are providing it. Whether skills, knowledge, or access to finance, government is making sure charities and social enterprises have what they need to compete. We have worked closely across government and with sector leaders, and are beginning to reap the rewards of better, more inclusive public services. This cooperation is more important than ever before, as we look to sustain this success in the years ahead.

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