



Outsourcing to the Voluntary and Community Sector: The Benefits

October 2014

Introduction

At a time of constrained local authority budgets, securing services that ensure best possible value for money is **paramount for commissioners**. The government's public services agenda has focused on the **value of outsourcing**, and of ensuring a **diversity of providers** in the public services market.¹ The amount spent on outsourcing services in the UK has doubled to £88bn since the coalition came to power.² The voluntary and community sector (VCS) currently receives **four times more money through contracts** to deliver services than from grants.³

This report seeks to provide evidence for the view that outsourcing to the VCS, when done properly and appropriately, is a **positive thing** – for Southwark Council, its residents, and for the VCS.

The VCS, because of its characteristics, is well placed to provide certain services – particularly to people that are **vulnerable** and **hard to reach**. Voluntary and community organisations (VCOs) are embedded in the communities in which they work, and inspire the **trust** of their service users. The sector is **innovative, flexible**, and looks to provide **added value** wherever possible. Because it does not seek to make a profit, any cost-saving efficiency will mean resources being **ploughed back** into the organisation to continue serving the community in which it works.

This paper outlines Southwark Council's current outsourcing to the sector in the context of all its contracts, and looks at what services the VCS currently provides in Southwark. It will move on to examine evidence for the VCS being an **effective service provider**, and examine **why** this is so.

The third part of the paper looks at what we can do to **make things better**, and improve outsourcing to the sector. It'll examine the barriers the sector currently faces, and what can be done to address these. Finally, it'll make **recommendations** for what could be included in any potential procurement strategy, to make sure it allows the sector to carry on playing a **big part** in service delivery in Southwark.

This paper focuses exclusively on **contracts**; it does not consider **grant funding**.

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¹ In July 2011 the government released its [Open Public Services White Paper](#), outlining its vision for a diverse market of public service providers

² 'UK outsourcing spend doubles to £88bn under coalition', *Financial Times*, 6th July 2014 (accessed 29th September 2014), <http://www.ft.com/cms/s/0/c9330150-0364-11e4-9195-00144feab7de.html#axzz3Ehmuk1Na>

³ NCVO Civil Society Almanac 2014, accessed 29th September 2014, <http://data.ncvo.org.uk/a/almanac14/how-has-the-funding-mix-changed/>

1. What is Community Action Southwark?

[Community Action Southwark](#) (CAS) is the umbrella organisation for the voluntary and community sector (VCS) in Southwark. CAS fulfils three key strategic functions for the local VCS: **support, influence and providing connections**.

We equip voluntary organisations and community groups in Southwark with the tools and information they need to help them make a difference in the communities they work in. We provide training and support on a wide range of topics to empower the VCS to become more resilient.

CAS also represents the sector to local government and other public sector agencies.

2. Current outsourcing to the sector

In order to understand the value of outsourcing to the VCS, and look at where there could be room for improvement, it is useful to look at what contracts the council currently has with external providers.⁴ This gives us a picture of where the council outsources services to the sector, and an idea of the general characteristics of these contracts.

There are a total of **214** contracts on the register, and the VCS delivers **44** of these (about 20%).⁵

- The majority of contracts provided by the VCS, 25 contracts, are within **the children's and adults services department**. The VCS provides a variety of services within this area – for example, mental health support, day services, and carers support.
- 9 of these contracts are in the **finance and corporate services** department. These contracts are mainly focused around employment services and tackling homelessness.
- 8 contracts are within the **housing and community services** department. A lot of these contracts focus on advice provision.
- 2 of these contracts are within the **environment and leisure services** department. One of these is a very large contract with Fusion Lifestyles, who are a charitable organisation, to run leisure centres in the borough.

The total value of all contracts on the register is **£2,689,849,998**, and the VCS holds contracts worth **£43,951,312** – **1.6%** of all total (estimated) contract values on the register. If we instead look at **annual** contract costs, the VCS deliver **4%** of all contracts. The annual cost of VCS contracts is **£10,997,467**, out of a total of **£265,761,846**.

The size of these contracts varies, but they tend to be on the **smaller side**. 16 contracts are worth between £50,000 and £200,000. 10 are worth between £200,000 and £500,000. 9 are worth £500,000 to £1 million, and 8 are worth £1 million or more.

The largest of these contracts (by total contract value) is with the Camden Society for the provision of **day transport services** for people with **learning disabilities**. This is for the value of **£14,897,820**. The smallest of these contracts is with Cambridge House for advocacy services, and this is for a value of **£60,000**.

⁴ The most recent [contracts register](#) is dated June 2014. It is important to note that the register only lists contracts worth over **£75,000**

⁵ I have defined VCS organisations as those that have charitable status, but have **excluded housing associations**.

The areas in which the sector has contracts with the council are as follows:

- Advocacy and advice services
- Respite, play, and short breaks for those with learning disabilities
- Transport for those with learning disabilities
- Employment support
- Homelessness
- Domestic abuse
- Mental health
- Carers support

These are all areas in which it is important for service users to **trust** those offering the services. Some of these services are generally targeted at people that are **hard-to-reach** – for instance, **homelessness services** and **domestic abuse services**.

It can be argued some VCOs in the borough see contracts as a good source of income. In order to build our evidence base, we recently conducted a survey into the sector’s opinions on commissioning. We asked respondents to indicate how much they agreed with the statement: ‘Public sector contracts are a **viable source of income** for voluntary and community sector organisations like ours’. 56% of respondents agreed with this statement – **17% strongly agreed**.⁶

Contracts with the voluntary and community sector seem, in general, to be on the **shorter side**. When we compare the length of all the contracts on the register to the length of just the VCS contracts, we can see that a greater proportion of them are **13-24 months** long, and there are fewer contracts in the longer categories.



⁶ We carried out a survey focused on commissioning between September and October 2014. The response rate was 15%.

3. Why is the VCS an effective service provider?

There are a number of reasons why the VCS is effective at providing public services:

3.1 Social value/added value

Voluntary and community organisations (VCOs) are **not motivated by profit**, and are constantly finding ways to **add value** to the work that they do.

[Thames Reach](#), for example, employs service users through targeted measures such as traineeships. All jobs are open to current or former Thames Reach service users, as well as clients from other homelessness organisations. As a result, **22%** of Thames Reach staff have experienced homelessness in the past⁷.

77% of charities in Southwark provide some **training** to their volunteers⁸. Training is provided on a wide range of topics, from IT skills and administration to homelessness issues and safeguarding. This provides those volunteering with skills that increase their confidence, and could provide **avenues into work**.

There are a variety of other ways in which the sector adds value, and goes beyond delivering what it is contracted to do. [Contact a Family](#) (CAF) in Southwark has provided some great examples of how they add value. See Box 1 below.

Box 1: [Contact a Family \(Southwark\)](#)

CAF in Southwark has dealt with escalating levels of demand in recent months. In January 2014 they were helping 886 families, and by October 2014 this had risen to 1030. They receive on average, one referral per day. One family support worker at Contact a Family supports over **300 families**.

The issues that families are dealing with have changed a lot over the past few years, and the staff at Contact a Family have had to develop their knowledge base accordingly. Families now need support with a wide range of issues –for example, **no recourse to public funds, housing issues, and immigration**.

CAF uses the VCS partnerships it has built to work innovatively to save money. This includes finding **free venues** for its events, so that money is not spent on room hire but is instead **put back into helping families**.

CAF adds value because it has a **broader knowledge** of what services are available in the borough, and is well-placed to **refer** families to other parts of the voluntary sector. It does invaluable **preventative work** with parents, keeping them out of the statutory system, and this is provided **outside of its contract**. For example it trains parents to improve their **employability**, making it easier for them to get into work. It also raises the confidence of parents, meaning they are equipped to talk through their children's issues themselves, making them more **independent**.

Finally, CAF has the ability to reach out to those families who otherwise **may not seek help or support**. The main source of referrals to CAF is self-referral, from people who have heard about CAF through word of mouth. These are often people who are **unwilling to approach social services**, as they feel there is **stigma** attached to this. Without CAF, these families may not receive support when it is needed, and could end up in the system at a much later stage – when their needs are **acute**, and therefore much more **expensive to alleviate**.

⁷ Thames Reach, accessed 29th September 2014, <http://www.thamesreach.org.uk/what-we-do/user-employment/>

⁸ CAS uncovered this statistic during our Value the VCS campaign, which built a picture of what the borough would look like if the sector did not exist. The full Value the VCS campaign website is available here: <http://valuethevcs.org.uk/vcs/>

The VCS has the capacity to bring in funding from elsewhere in order to achieve its goals. 40% of VCS organisations in Southwark receive **pro bono professional services**, and 28% receive **goods and services in kind**. For organisations working locally, for every **£1** of council funding, over **£5** is brought in from other sources. Additionally, unpaid trustees and volunteers contribute over **4.5 million hours** per year. This equates to over **£38.6m** at the London Living Wage.⁹

3.2 Preventative power

A large amount of the work the VCS does is **preventative** – it stops needs escalating and becoming acute down the line. Preventative work has a large amount of potential for making **savings** in the future.

CAS carried out a campaign last year, [Value the VCS](#), to look at just what would happen if certain organisations ceased to exist, and how this might lead to needs escalating. As part of this we carried out video interviews with a number of organisations across the borough. These interviews provided insights into the value of the preventative work they do:

- **Family Action**: Family Action does a lot of work with families that have complex needs; in particular, safeguarding needs. If they didn't exist, a lot more children would end up in the **care system**, and more parents would experience mental health deterioration and also end up in **hospital**. To give an indication of how much this saves – the cost of an average inpatient stay in hospital is estimated to be **£3,283**. The work that Family Action does is **unique** and could not be replaced by statutory services.
- **Age UK Stones End Day Centre**: Stones End Day Centre provides day centre services for **isolated older adults** whose contact with their carers is limited. Without the day centre, larger numbers of older people would decline more quickly both mentally and physically, leading to higher rates of **hospital admissions**.
- **The Open Door Resource Centre**: The Open Door Resource Centre provides support to those with severe mental health needs. They prevent crises from escalating and those with mental health issues ending up unnecessarily in **hospital beds**.
- **Toucan Employment**: Toucan provides employment opportunities and support to those with learning disabilities. These tend to be people whose needs are not met by the Job Centre, but who do not have high enough level needs to be catered for by other services. Without Toucan, their employment prospects would be much worse – and their inability to find work could create a **burden on the benefits system**.

As a good example to show the fiscal benefit of preventative services, we can look at the work of [Cambridge House Law Centre](#). Cambridge House Law Centre carries out valuable work with those at risk of **eviction** and **homelessness**.

The cost of delivering the service is **£172,000**, or £185 per client (the service is currently supporting 930 housing clients).

As a result of this service, clients have experienced £142,000 in financial gains and 100% of court cases have been won for people at risk of eviction – resulting in a saving of £79,680. Additionally, 30 homes have been secured from homeless clients, providing savings of £79,680.

On the whole, the work that Cambridge House Law Centre does has created over **£867,325** in savings by preventing unnecessary eviction and homelessness. The work they do creates savings that are **five times as much** as the cost of the delivery of the service.

⁹ This information also comes from our Value the VCS campaign (see above).

3.3 Trust and ability to reach hard-to-reach groups

People tend to want services delivered by those they trust, particularly when it comes to services that cater specifically for the **vulnerable**, such as domestic abuse and homelessness services. There is a high level of **public trust** in charities. According to an [Ipsos MORI report](#) published in June 2014, the public gives an average score of 6.7 out of ten when asked ‘*how much trust and confidence do you have in charities?*’.

40% of the public say that they or their close family or friends have ever benefitted from or used the services of a charity (up from 34% in 2012) – this proportion has **increased steadily** since 2005, when only 9% gave this response.

Voluntary and community sector organisations often appear in response to **unmet need**. They are in touch with some of the hard-to-reach people that statutory services have been unable to help. They have an in-depth understanding of **local needs** and **how best to meet them**. They can provide services to people who may otherwise feel **isolated** or alienated from the communities in which they live.

A good example of this is the [Latin American Disabled People’s Project](#) in the borough. This organisation was formed as a response to the fact that those migrating from Latin America were experiencing **language barriers**, and problems **accessing services**. See Box 2 for more information.

Box 2: [Latin American Disabled People’s Project](#)

The Latin American Disabled People’s Project is an organisation that exists to improve outcomes for Spanish and Portuguese speaking people living in London. Most service users do not have a basic knowledge of the English language, and are asylum seekers, refugees, and migrants. These people are likely to find it difficult to integrate with their communities, leading to isolation. Service users also experience problems such as learning impairments, mental health issues, physical disabilities, illness, and poverty.

These people would most likely fall under the radar if this charity did not exist.

3.4 Consortia working

VCS organisations are often well-placed to **come together** to bid for larger contracts, meaning they can respond to the need to **develop economies of scale**.

A great example of this recently has been the formation of a VCS consortium for providers of older people’s services in Southwark, COPSINS (see Box 3). VCS consortia give commissioners **more options** when awarding larger contracts, and provide a real opportunity for the sector to **compete against bigger providers**.

CAS is currently in the process of bringing together a consortium of carers support providers, in order to bid for contracts upcoming as part of the council’s [Carers Strategy](#). These organisations in partnership will be well placed to meet the needs of carers; arguably, better than one organisation would be. Consortia structures enable different providers to come together to make sure they can deliver **all** parts of a contract in an effective, efficient way.

We used our recent commissioning survey to ask about the sector’s views on consortium working. 47% of respondents indicated that they knew what a consortium was, and would consider being part of one. 37% of respondents said that they were a member of a VCS consortium, and felt that it was beneficial to their organisation. This indicates a positive attitude towards consortia, at least among those we surveyed, and a feeling that being part of a consortium can be beneficial for organisations.

Box 3: COPSINS

COPSINS (Consortium of Older People's Services in Southwark) was established in 2012 in response to changes in commissioning processes. COPSINS consists of six organisations: Age UK Lewisham and Southwark, Alzheimer's Society, Blackfriars Settlement, Dulwich Helpline and Southwark Churches Care, Southwark Pensioner's Centre, and Time and Talents.

These organisations have strong expertise in providing befriending, social engagement and accessible information and advice. Together as COPSINS they made a bid to Southwark Council in 2012 for a services contract, and won. Groups in the consortium now know each other well, as referrals are much stronger as a result.

The establishment of COPSINS has led to more **positive outcomes for older people** in the borough, as well as a strong collaborative approach for the VCS locally.

4. What recommendations can we make to improve how the VCS is commissioned?

A number of courses of action would improve outsourcing to the sector and ensure that the voluntary and community sector can provide high quality public service delivery:

4.1 Embedding social value into procurement

When considering contract awards, it is imperative that the council considers bids on their value for money – not just their price. Local authorities have a duty to consider 'social value' alongside 'best value'. Social value has no set definition. It is [defined by the think-tank Demos](#) as: "*wider non-financial impacts of programmes, organisations and interventions, including the wellbeing of individuals and communities, social capital and the environment. These are typically described as 'soft' outcomes, mainly because they are difficult to quantify and measure.*"

[The Social Value Act](#) came into force in January 2013 – almost two years ago – yet Southwark Council still has no clear policy on social value. This is not the case in other London boroughs. For example, Lewisham has a [Social Value Policy Statement](#) and it would be good to see something similar in place in Southwark. See Box 1

CAS is driving this forward through the establishment of a Social Value 'Task and Finish', including representatives from both the VCS and the council. The task and finish will establish a Social Value policy for Southwark, and hopes to embed social value across the council's commissioning processes.

Box 4: London Borough of Lewisham's Social Value Statement

Lewisham's Cabinet approved their [Social Value Policy Statement](#) in December 2013.

Lewisham Council defines social value as "activities that will improve the quality of life and life chances of Lewisham residents, and enhance the sustainability of the borough". The policy contains six objectives:

- 1) Promote employment and economic sustainability
- 2) Raise the living standards of local residents
- 3) Promote participation and citizen engagement
- 4) Build the capacity and sustainability of the voluntary and community sector
- 5) Promote equity and fairness
- 6) Promote environmental sustainability

It is notable that the VCS is explicitly mentioned in this statement.

4.2 Strengthening Southwark Council's VCS Compact

[Southwark Council's VCS Compact](#) was last revised in 2010, before the publication of the [Open Public Services White Paper](#). It would be a good idea to refresh this Compact to include recognition of the VCS as a partner in service delivery.

The current Compact does not offer any direction on how the council's relationship with the sector as a deliverer of contracts should look (although it does include a lot on grants). The Compact states that 'in health and social care, and in other areas, voluntary and community sector organisations are contracted to deliver services'. This is the only reference to VCS contracts.

The Compact could be refreshed to include clear rules directing how the Council should interact with the sector as a service provider. CAS would like to see commitments to the following:

- **VCS engagement before procurement stage.** Compact Voice recommends engagement with the VCS from the earliest stage in order to fully comply with the Social Value Act¹⁰
- A clear **12 weeks' notice** of contracts ending. This does not always happen, and can cause problems for the VCS, particularly with regards to giving employees notice.
- An **appropriate length of time at PQQ and ITT stage.** We would recommend a minimum of 5 weeks at the PQQ stage, and 6 weeks at the ITT stage. This would result in more targeted, higher quality submissions. 80% of respondents to an NCVO survey said that short procurement timescales have prevented their organisations from bidding for work.¹¹
- A commitment to providing time for the **development of consortia**, and a favourable approach to consortia bids from the sector
- Procurement approaches need to be varied to **suit the individual circumstances.** Grant funding may still be appropriate if the service is small.

¹⁰ 'Understanding Social Value: A guide for local Compacts and the voluntary sector', Compact Voice, March 2014
http://www.compactvoice.org.uk/sites/default/files/social_value_guidance_2014.pdf

¹¹ 'Making public sector procurement more accessible to SMES', NCVO, Autumn 2013
http://www.ncvo.org.uk/images/documents/policy_and_research/public_services/sme_consultation_response.pdf

The Compact was used successfully at **Essex County Council** in order to improve procurement from the voluntary and community sector (see Box 1). This model could work well for Southwark.

Box 5: Improving Procurement Processes at Essex County Council through the Compact

Back in 2011, a Working Group at Essex County Council simplified and provided helpful guidance on the tendering process, in order to help voluntary organisations feel more empowered when bidding for contracts.

As a result of this, the Essex Compact has a specific '[Funding and Procurement Code of Practice](#)'. The length of the council's standard PQQ was reduced by half, and the compact has been integrated into guidance across spending processes.

Read more [here](#).

4.3 Preventative procurement

Greater value should be attached to those services with a **preventative capacity**. Preventative services are those which reduce future need, particularly the need for acute services provided at crisis point, which are generally very **expensive**.

All procurement decisions should take into account whether the procurement will do anything to reduce future need. This could be done by making procurement decisions on the basis on their impact over a **five or ten year period**.

CAS has successfully made the case for an Early Action Commission, and this work is now being led by the [New Economics Foundation](#) (nef). The findings of the Early Action Commission will be important for providing strategic direction with regards ways to embed preventative commissioning across the council. The commission will be providing an interim report in January; its findings should be taken into account if a new procurement strategy is being developed.

4.4 Appropriate size and length of contracts

In order to ensure that services being delivered are high quality, it is important to support a **mixed market** of service providers, to avoid monopoly and complacency. It is important to embed procurement processes that do not, by their nature, **exclude smaller providers** just by the virtue of them being small.

Completing PQQs and tender documents are lengthy activities which take capacity. If the process for bidding for a contract is very complex, and the contract is short, this may act as a **barrier** to the VCS bidding for the contract. This could prevent an organisation equipped to deliver the **best results** from bidding.

Contracts that are particularly short (i.e. 12 months or less) make it impossible for the VCS to engage in **long-term planning**, or **retain high quality staff**. We have received feedback that reflects this view from the sector. At our last joint forum, one attendee reported that they were "*finding that a year is a difficult timescale to work with for writing bids, recruiting and then measuring outcomes*". In our commissioning survey, we asked respondents to indicate how much they agreed or disagreed with the statement '*contracts with Southwark Council/CCG are too short*'. 22% agreed with this statement, and 67% neither agreed nor disagreed – **only 6% disagreed**.

Additionally, [very large contracts cause problems for the VCS](#). A 2013 VCSE survey by Locality found that nearly 42% of respondents believe contracts have become larger in the past five years. A further 52% expect them to become

even larger over the next five years. 80% said that this would provide them with **less opportunities** and a **lower range and quality of services** in their area. These concerns are mirrored by an NCVO survey, where 50% of respondents said the scale of contracts has **prevented** their organisation bidding for work.

A recent [report from Locality](#) has highlighted the **dangers** of commissioning economies of scale to deal with social problems, and instead called for commissioners to look for services that are **local by default**. According to their research, moving towards locality working could save as much as **£16 billion annually** across England.

We would like to see real discussion at the pre-procurement stage about the **optimum length** and **size of a contract**, taking into account what is most appropriate for those providers who may be best placed to deliver that particular service.

4.5 Standardising commissioning and procurement

There can be **different rules and procedures** across Southwark Council departments about how commissioning and procurement take place. Not surprisingly, this is confusing for the sector. One example to note is the launch of the council's [Approved Provider List](#). This is now only being used in the Community Services Department, and the sector is still required to fill in PQQs for contracts from other departments, even if they are on this list. This caused frustration for the organisations involved, who now feel that the exercise was a waste of time.

To avoid confusion and variation in procedures across departments, we would like to see one 'commissioning unit' that standardises commissioning processes across the council and sets hard and fast rules about procurement. Bristol City Council has implemented a framework to this end, which has been successful. This could be a good model for the council. See Box 6.

Box 6 Bristol – Transforming Local Commissioning and Procurement

The Strategic Commissioning and Procurement Service at Bristol City Council has incorporated aspects of the Bristol Compact into its work. The department has **standardised** commissioning practice through an [Enabling Commissioning Framework](#), and supports the involvement of VCS providers. Read more [here](#).

4.6. Co-production

Co-production refers to the involvement of service users in the **design** of services, not just consultation processes on those services once they have been decided. There are many definitions of co-production, but it is defined by the council as *'people who use services being consulted, included and working together from the start to the end of any project that affects them'*.

Because a large number of VCOs engage with service users on a day-to-day basis, they are often well-informed about local needs. Co-production could represent a good way for the sector to get involved in service **design before procurement stage**, to ensure that procurement is appropriate and aligns with what service users need.

The council is currently in the process of developing a **co-production toolkit** and will be developing a **community co-production advisor network**. CAS will be a key partner in the development of the toolkit.

We would like to see the VCS fully involved in co-production, and **VCS representatives** on the advisor network. Because of their expertise, it is vital that they are included in the co-production of adult social care services.

5. Conclusions

We have sought to demonstrate in this report that the VCS is a **good provider of public services**, and that Southwark Council should **continue to award** contracts to the sector. However, we have also suggested some changes that could be made to procurement processes, in order to **optimise outsourcing** to the sector and to ensure that it is as **effective as it could possibly be**.

If a new procurement strategy is to be developed by the council, we would like to see **full VCS engagement** and **involvement** with the direction of that strategy. CAS is well-placed to **lead engagement with the sector** because of its relationship with the VCS in the borough, and would be happy to do so.

If you need further information on anything in this document, please contact **Rachel Clarkson, Policy Officer** via Rachel@casouthwark.org.uk