

# Unlocking potential

Realising the role of local charities  
in public service delivery

The **Chartered Institute of Public Finance and Accountancy** (CIPFA) is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, major accountancy firms and other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA leads the way in public finance by standing up for sound public financial management and good governance.

# Foreword

Charities have long played a role in the provision of UK public services. Indeed, from the almshouses and hospitals of the Middle Ages to the hospices and refuges of the late 20th century, they have often led the development of what is now established as public sector practice.

Public bodies have in recent years attempted to use the commissioning process to harness the specific insights and best practice that flourishes in local charities. As these organisations have a close and specific understanding of the groups and communities they serve as well as the freedom to innovate, they have often been cited as natural partners in the delivery of public services.

Attempts to foster collaboration have led to positive outcomes but have not always been an unqualified success.

*Unlocking Potential* takes a fresh look at the interface between the charity and public sectors. The challenges introduced because of the COVID-19 pandemic have required local authorities to find quick but effective local solutions. The rapidly changing environment has meant that decisions are made outside of the traditional decision-making process. More than ever, local authorities are finding charities a key source of local knowledge and a flexible vehicle through which to respond to change.

Leaner commissioning teams are now having to work harder to craft innovative solutions and the concept of social value has changed thinking about value for money. The public and politicians are also placing increasing importance on diversity and removing structural barriers within social provision. The focus on 'place' as a means to create social connections through communities should set the context for an increase in charitable provision. Historically we know that due to the reduced resources available to local authorities, the full potential of working with the charity and voluntary sector may not have been reached, although there may be some change because of the pandemic.

Developing genuine partnerships between local authorities and the charitable and voluntary sector is complex when different funding arrangements and operating environments are at play and resources are limited. Working differently is easy to say, but hard to do amid the reality of reduced resources and capacity and the impact of the pandemic. Despite this, when placed alongside the current challenges faced by local government, the benefits are more relevant than ever.

This report argues that local authorities can create the right opportunities to work with their local charity and voluntary sector. They can also assist with challenges that arise from the pandemic, support communities in any recovery and bring about the changes that both sectors will want to see. For many, doing so may require revisiting their current commissioning practice and challenging their existing conceptions about the sector. New approaches might be needed to access the knowledge and resources that exist at a local level and embrace the benefits that greater engagement with the sector offers. A positive approach to these challenges will ensure that there is a thriving charitable and voluntary sector within a local area and the wealth experience and knowledge they hold will not be lost. Local authorities and communities face unprecedented challenges, but this report presents an opportunity to improve working arrangements with local charities.

CIPFA will be doing more work in this area and we would welcome stakeholders' views on the issues that arise.

**Rob Whiteman, CBE**  
Chief Executive, CIPFA

# Executive summary

The charity and voluntary sector can bring substantial added value to local authority services. It is acknowledged that encouraging the sector to have a greater role in the delivery of public services can be difficult when procurement practices have of necessity been rooted in achieving greater and often more short-term cost efficiencies. This might also have been a product of local authorities' attitudes towards risk. The pressures of the pandemic, the focus on the community and an increasing focus on social issues and social value will have encouraged local authorities to look at all options for service delivery.

*Unlocking Potential* considers the factors that may prevent greater involvement of charities and voluntary organisations in the provision of public services and the triggers, including the pandemic, that may now lead authorities to think differently. The report follows research undertaken by CIPFA on how local authorities have been engaging with the charity and voluntary sector and has been informed by the work of the Charities and Public Benefit Entities Faculty Board. CIPFA intends this publication to be a stimulus for further debate on this topic.

There are substantial benefits in involving local charities and voluntary organisations in public services delivery:

- Charities and voluntary organisations are closer to service users; this has been particularly important during the pandemic. It means that they are well placed to engage communities and gather information and can tap into direct experience and local knowledge of a particular need and how to meet it. As a part of the communities they serve, they are also able to understand the needs of service users, particularly those users that are difficult to reach.
- Charities can leverage various additional forms of funding and resources.

- Charities operate locally, use local supply chains and maximise local benefits.
- Charities focus on preventative action, which aims to stop the core issues that they are trying to address.

These benefits sit against a background of changes to local authority procurement. This includes the challenges (and failures) previously faced by large government contractors, which have consequently seen local authorities' confidence in the outsourcing model shaken. Such challenges have contributed to a slowdown in outsourcing itself, with more authorities looking to bring services back 'in-house'. It has also resulted in authorities engaging more closely with their local market and being open to working with a broader range of providers including small to medium-sized profit and not-for-profit entities, both in service design and delivery.

Income from local government forms a significant portion of the voluntary sector's total income. Research highlighted that the current funding environment does not favour small and medium-sized charities (SMCs). Commissioners are now operating with smaller teams of staff and fewer resources. This has contributed towards a system of commissioning that could squeeze SMCs out of public service delivery. However, this resource squeeze highlights the need for change to encourage vibrancy in local delivery.

The Public Services Social Value Act 2012 requires authorities to "have regard to" an area's economic, social and environmental wellbeing in making procurement decisions. Central government is placing increasing focus on this approach, with departments needing to account for social value in decision making and the publication of a new framework to aid that process. The new approach stresses the importance of qualitative evidence, which can make it easier for the value generated by small charities to be recognised.

The legislation has contributed towards a change in how many authorities now think about their spending power, and how it is articulated and understood within their organisations. Not all local authorities treat social value in the same way. The extent to which it is embedded into their operations varies. Some authorities have taken a procedural approach that is more flexible and have incorporated it within their definition of value for money. Again this has had the added stimulus created during the pandemic of placing the focus on communities and the need to understand the social value that arises from procurement decisions.

Social outcomes should be more easily identifiable within smaller charity and voluntary organisations, given that many are set up to achieve social change at a local level. Social value is difficult to define and quantifying social value is a challenge. It will be important therefore that local authorities understand how and where social value is created for individuals and they will need to avoid an overly mechanistic assessment of how social value is created by charities in the procurement process. This will be particularly important for smaller charities where any assessment will need to consider qualitative as well as quantitative evidence of the service being provided.

Local authority procurement is also likely to face substantial changes emanating from the Green Paper **Transforming public procurement**, whereby government intends to simplify procurement processes and legislation, embed social value in procurement decisions and provide opportunities for small businesses, charities and social enterprises to innovate in public service delivery.

CIPFA is of the view that the focus on the community that has arisen during the pandemic and social issues such as diversity and the environment created a need for local authorities to consider different and innovative ways of working with the charity and voluntary sector. This publication suggests three ways in which local authorities might consider change; the crisis

caused by the pandemic might mean that the process will need to be incremental.

- **Service co-design** – this involves commissioners working collaboratively with service suppliers to design and reshape the service based on their knowledge and expertise. There is growing recognition of the need to work with charities and people accessing services to help shape services and inform decision making. An example of this is the introduction of a new socio-economic duty for public bodies in Wales. The trust and accessibility of the charity and voluntary sector and service users means that they can co-ordinate a consensus. Service co-design can ensure that the service meets the needs and leads to better outcomes for its users, thus ensuring that resources are properly directed to these outcomes and promoting value for money. This approach may have been adopted during the COVID-19 pandemic where services have had to be designed to meet emergency requirements. This experience can create a new way of working in the future.
- **Capacity building in the market** – perceptions around complex procurement processes and contracting methods can discourage charity and voluntary organisations from engaging with their local authority. This can be overcome by providing charity and voluntary organisations with a better understanding of public sector procurement. Having the opportunity to work with the authority, which is typically more focused on service delivery, can strengthen an organisation's ability to submit bids for contract opportunities. This helps to create a more diverse and competitive supply base for local public services.
- **Changes to the commissioning processes** – commissioning for local services should be relevant to the size and nature of the service and reflect the value of the contract. As most

charities are small, to benefit from their knowledge and expertise, local authorities should review their processes to consider whether their current commissioning processes might have unforeseen circumstances.

Focusing on the following areas of improvement might also encourage opportunities to work with charities and voluntary organisations:

- Outsourcing requires that local authorities gain a sufficient level of assurance that providers can deliver the service being commissioned. All elements of the procurement process can be influenced by an authority's need to manage risk. A nuanced approach to risk is needed, such as accepting that the financial position of an organisation alone cannot provide assurance over delivery of a quality service.
- Local authorities may also need to consider how agile their approach to procurement can be within the scope of the current regulatory arrangements but also any lessons learned when dealing with the impact of the COVID-19 pandemic.
- The co-redesigning of services can be difficult for local authorities, as it is resource intensive, requires engagement with smaller organisations and can represent a cultural shift, but such an engagement process can achieve

the best service outcomes. However, new services will have been required or delivered in different ways during the pandemic. Demand for existing services will have increased for some and decreased for others, thus creating the imperative for redesigning. As part of this process it will be important that the service recipient needs are clearly understood. The charity and third sector are often the best placed to facilitate this. Service co-redesigning will also have to consider the immediate impact of the pandemic but needs will have to be recalibrated in the medium to long term for effective planning.

Local authorities may need to review their procurement operations with regard to the delivery of services, which can be assisted by the charity and voluntary sector to ensure that they are responsive to the needs of users. This is especially important following the pandemic. They may also need to consider the lessons of the pandemic and the benefits of a more nuanced assessment of risk towards smaller charity and voluntary organisations. Leaders and members may need to be informed about the benefits of employing the skills and expertise of these local organisations. However, consideration of all these issues is also likely to improve value for money assessments but most importantly will improve outcomes for service users and support recovery.

# Introduction

The charity and voluntary sector mainly consists of small organisations that operate at a local level. Their activities often address social and cultural issues that are specific to their locality. The COVID-19 pandemic has increased the impetus for this, building on the natural synergy between local authorities and the charity and voluntary sector with a common focus on helping the community. Despite these commonalities, interactions between the third and public sector at a local level do not always reach their full potential.

The pandemic has required rapid transformation of services and has led to traditional silos being broken down. The importance of small, flexible grass roots organisations has come to the fore. Local authorities may have also followed interim cabinet procurement guidance. Some of these temporary changes may result in long-term adaptations to risk and funding assessments.

This should also be set against the Green Paper *Transforming public procurement* published in December 2020. The Green Paper is intended to speed up and simplify procurement processes, place value for money at the centre and release opportunities for small businesses, charities and social enterprises to innovate in public service delivery and therefore will form a different backdrop to the issues arising. Local authorities and the charity and voluntary sector will need to consider the issues in this report but also monitor developments around the Green Paper closely.

While authorities acknowledge the added value that the charity and voluntary sector can bring, encouraging them to have a greater role in the delivery of public services might have been difficult if traditional procurement practices may have of necessity been rooted in achieving short-term cost efficiencies. In spite of a variety of initiatives at a national level, some small charities may have not previously been able to

take part in the commissioning process. However, there are clear advantages, both in the opportunities for improved outcomes for service users and the potential for longer-term value for money that can be realised by looking at the sector differently and opening up its involvement in local service delivery. This has been forced by the pandemic, where authorities have had to rely on community support to help with the issues raised and have also had the advantage of large numbers of volunteers that have come forward to support the sick and the vulnerable.

This reluctance might be a product of local authorities' approach towards risk, which is often visible in their approach towards collaboration and their commissioning and procurement processes. Both are key areas of interaction between authorities and charities that can either prevent or encourage an effective relationship in public services.

Tighter funding within authorities has impacted on many of the cultural approaches to risk management. For example, an authority's appetite to take on the perceived risks of involving charities in service provision can be more limited where there is a focus on managing the risk of budgetary overspend and service failure. However, it is important to recognise that such issues might exist to then challenge them and create methods of delivery that achieve the best results for the local people, places and communities they serve. Again, this is likely to have been accelerated in some authorities by the pandemic as new services have had to be provided or changes to existing services have been necessary.

In this report we look at the factors that might have created difficulties, and the triggers (including the challenges that arise from the pandemic) that are now prompting local authorities to think differently. It revisits the case for involving the charity and voluntary

sector in the delivery of public services at a local level and re-examines the benefits of the sector against the current context in which local authorities now operate. The report also highlights the potential issues that might be preventing greater involvement, asking what measures need to be taken and what needs to be asked to overcome them.

We intend this publication to be a starting point for further discussions on this topic. A more in-depth analysis is planned for early 2022.

Income levels have been significantly altered by the pandemic. Local authorities have been given a myriad of grants to support services, the community and local businesses, but the future of local authority income is uncertain, and it is key that services can be delivered that achieve maximum impact for the public and effective use of resources. It is hoped that this report will continue to provide a stimulus for a different way of thinking about working with the charity and voluntary sector, which we believe will create better outcomes for the local area and for local authority service users.

*Unlocking Potential* follows research undertaken by CIPFA on the experiences of professionals working in finance and procurement within local authorities, including CIPFA's Procurement and Commissioning Network. The research looked at how effectively local authorities are engaging with their local charity and voluntary sector in the commissioning process. It draws on their experiences, as well as the research of others. Its development has also been informed by CIPFA's Charity and Public Benefit Entities Board, the members of which come from a range of organisations that work for and with the charity and voluntary sector.

**Definition of the charity and voluntary sector**

Smaller organisations make up most of the charity and voluntary sector. Based on NCVO's analysis of the sector, in 2017/18 there was around 166,500 voluntary organisations in the UK, of which 96% were classed as either micro, small or medium organisations. Of these, around 76% worked locally. Therefore, as the paper focuses on the experiences and change needed at a local level, we have limited its scope to smaller and medium-sized charity and voluntary groups.

The definition of the charity and voluntary sector used in this document also aims to capture its rich diversity, and includes voluntary and community organisations, social enterprises, co-operatives and mutuals.

Source: NCVO, UK Civil Society Almanac 2020  
<£10,000; Small organisations, income > £10,000 and < £100,000; and Medium organisation, income > £100,000 and <£1m.

# Overview of the benefits

The benefits of involving charity and voluntary organisations in the delivery and design of public services are well understood. Indeed, we found that these were well known and accepted by the local authorities we spoke to. Several of the sector's unique selling positions have become more relevant against local authorities' current operating environment.

## 1. Services more tailored to local needs

### What is the benefit?

Charity and voluntary organisations often have closer proximity to users of services compared to a local authority. They are therefore better placed to identify and gather information about the community's needs. Being based around their local networks, they also have a role in engaging communities and will often employ people with direct experience of a particular need. By tapping into this knowledge and expertise, authorities can help ensure services remain responsive to the circumstances of users. This focus on personalisation helps to achieve better outcomes for service users and creates the potential for an improved cost/benefit analysis.

### Why is it of relevance now?

As communities change, their needs change. Even before the pandemic communities were becoming increasingly fragmented, with fewer commonalities between different groups and their needs. As a result, local populations have become more differentiated and require personalised services. This presents a challenge for local authorities to identify and develop intelligence about communities and deliver services that meet their needs.

The demand for local authority services and support has increased due to the pandemic and the impact of the COVID-19 lockdowns. These services need to be flexible to meet the changing demands of the crisis and the needs of local communities. The pressures created by the pandemic lead to the need for new services and new ways of delivering them and to be responsive to the community.

Charity and voluntary organisations are often founded in local communities, providing trusted support and networks for harder-to-reach groups. They have expertise in social engagement and direct experience of areas of need or disadvantage in their locality. Therefore their knowledge and relationships offer authorities a ready-made infrastructure to assist them to deliver the right services for the communities they serve. Most charities that support local issues are small and although they have such a depth and breadth of experience, their skills and resources are focused on service provision. They may need support in terms of the administrative and 'back room' functions but also to meet local authority procurement needs.

## 2. Access to a wider range of resources

### What is the benefit?

Charity and voluntary organisations can pull in other funding, resources and talent that local authorities may not have access to. For example, volunteers may participate in the delivery of services, and are often engaged in all aspects of a charity's work. Similarly, charities often receive support from the private sector as well as other sources, including grant-making foundations or individual giving.

Harnessing the resources leveraged from these sources can allow authorities to align the delivery of local services and achieve better results for the people and places they serve.

## Why is it of relevance now?

Funding cuts and continuing budgetary pressures have resulted in local authorities, having to strip back many of the services they provide. Funding streams and income remain uncertain but the demand for services of varying forms is likely to increase. Difficult decisions have had to be made to achieve savings, which have had consequences on the quality of services being delivered. However, the external resources that charity and voluntary organisations can draw on means this can open up a new network of support that would otherwise be difficult for individual authorities to access.

The current funding environment means authorities are also being forced to revisit their existing methods of service delivery. However, to do so requires an investment of time and resources, as well as an appetite to trial new approaches. Charities can often attract funding to find innovative ways of solving new or long-term problems that uses their existing experience. This 'seed funding' allows new or improved methods of service delivery to be developed and tested, prior to being supported by authorities themselves.

## 3. Maintaining and creating local wealth

### What is the benefit?

Most UK charities operate locally, with around 76% of small charities classed as 'local charities'<sup>1</sup>. These organisations typically occupy property and employ people within their immediate area, as well as using local supply chains. Spending that supports these organisations results in money being retained locally, maximising its 'local benefit'. Spending in this way means money is circulated around the community and multiplied through local supply chains, assets and labour.

### Local Multiplier Effect

Local Multiplier 3 (LM3) is a method that can be used by an organisation to measure how the money it spends impacts on the local area.

Halifax Opportunities Trust measured the impact of their contract for the Jubilee Children's Centre on the Calderdale Council area and generated an LM3 score of 2.43.

This means every £1 of income generated by Halifax Opportunities Trust at Jubilee Children's Centre creates £2.43 for the local economy.

Source: 'Powerful Communities, Strong Economies', 2017 – Locality.

### Why is it of relevance now?

Against a testing financial environment and a new emphasis on 'place', more attention is being given to how local authorities can ensure that a greater proportion of locally generated wealth stays in the local area.

Events in 2020 have led to an increased demand to see diversity addressed with regard to the services provided and the way in which they are provided, which may require new services or changes to existing provision within a limited time window.

The long-term community needs following the pandemic remain to be quantified but it is certain that demands on local services will remain a moving landscape for the foreseeable future.

One consequence of local authorities' preferences for outsourcing to large national providers on the basis of cost is the location of this spend. This trend has resulted in public money leaving local economies before it can be of broader benefit to the community. Some procurement practices have resulted in expenditure being directed to out-of-area head offices, rather than circulating around local neighbourhoods. This was a finding from research by Locality on community organisations' contributions towards local economic resilience.<sup>2</sup> It recommends authorities commission locally and at a small scale to better support economic resilience in their areas.

1. [The UK Civil Society Almanac 2020](#), National Council for Voluntary Organisations (NCVO).

2. [Powerful Communities, Strong Economies](#), Locality, 2017.

This approach to spending is demonstrated by Preston City Council, who developed a model aimed at building local wealth. The model's principles are wide-ranging, and its success has been picked up by policy makers, politicians and practitioners alike.

One of the model's pillars is 'progressive procurement', which helps ensure public spending is reinvested back into the local economy. However, doing so requires a dense local supply chain that is committed to social value. This should include socially focused and locally owned small and medium-sized enterprises (SMEs), as well as providers from the charity and voluntary sector.

## 4. Attention given to preventative action

### What is the benefit?

Charity and voluntary organisations often undertake a range of activities that support their overall charitable purpose. In addition to the delivery of services, many charities focus on prevention by aiming to stop the root cause of the issues they are trying to address. Their proximity to users and understanding of local circumstances mean they have knowledge on the changes needed to prevent the complex issues they are tackling.

Charity and voluntary organisations also often take a comprehensive approach to addressing individuals' or communities' needs by providing joined-up and holistic support. This can involve co-ordinating services that address multiple issues including preventative action. For example, many charities have complementary services that offer 'wrap around' support that is often funded in other ways.

### Why is it of relevance now?

As a result of long-term reductions of resources, local authorities' ability to provide preventative services has suffered. Research has found authorities in England shifting spending away from preventative services in order to meet more immediate costs.<sup>3</sup> This was echoed by the views of the chief executives of authorities from across the UK who were surveyed as now spending around half as much as they would like on prevention.<sup>4</sup> The need for preventative services is however likely to increase as a result of the pandemic, most likely in the areas of educational support, mental and physical health management and family liaison.

Investment in preventative measures can help reduce spending over the longer term. However, spending in this area can be sensitive to changes in political will and public consensus. It can also be very difficult to evaluate and assess the effectiveness of preventative services, especially as they will have to respond to a rapidly changing environment. Therefore it is of little surprise that authorities have switched to an even shorter-term focus in response to the pandemic, funding issues and increasing demand on services.

It is unrealistic to suggest that the charity and voluntary sector alone can help address the impact of significant need and previous sacrifices on preventative spending by local authorities. The sector itself is not a replacement for well-funded preventative services. However, knowledge of local issues and solutions can assist authorities to make informed decisions in this area. Engagement with charity and voluntary organisations can help provide authorities with robust evidence for their spending on prevention and ensure their resources are used effectively.

3. [A Quiet Crisis: Local Government Spending on Disadvantage](#), New Policy Institute for Lloyds Bank Foundation for England & Wales, 2018.

4. [Leadership Index](#) – January 2019, New Local Government Network.

# Overview of current situation

Prior to the pandemic, local authorities had in recent decades balanced the delivery of services by both 'in-house' provision and outsourcing. This included the use of charity and voluntary organisations in both service delivery and service design. However, recent trends, the impact of the pandemic on the community and the need to ensure that both local authorities and the charity and voluntary sector support diversity and emerging areas of practice are prompting and emphasising the need for local authorities to re-examine their interactions with this sector.

## 1. The impact of the pandemic on local authority service provision

### What has happened?

The pandemic has had a fundamental impact on local authorities. They have to support adult social care where service provision has had to adapt rapidly to increased needs. In the short term, successive lockdowns have introduced the imperative to ensure that those who are shielding are getting essential services. Lockdown has meant that homelessness has had to be dealt with in different and more urgent ways. At the same time local authorities have had to become central to other vital services during the pandemic in supporting local communities and businesses. The impact on future service provision has yet to be fully assessed but COVID-19 has had an effect across the spectrum of services – social care, education, housing and public health to name but a few.

### What does this mean for local authorities?

This is difficult to quantify. For example, large-scale procurement has been a necessity for issues such as the procurement of personal protective equipment for the care sector. However, simply quantifying new service demands is likely to need the help of

organisations at the heart of the community. This would then challenge the practice of large sector procurement and would encourage the need for service co-design. This might be the opportunity to find local solutions and unlock community support.

## 2. Outsourcing scale fail – the impact on the scale and size of suppliers

### What has happened?

The collapse of and challenges faced by large government contractors have seen local authorities' confidence in the outsourcing model shaken. As demand has increased and resources have reduced, authorities' commissioning practices began to favour providers able to deliver at scale, navigate their systems and provide assurance that the risks associated with the service were being adequately managed. This saw authorities rely on larger, well-known companies and national charities on the understanding that they offered greater security and better short-term value for money. Service quality and the additional value generated by the provider for the community it served were not able to be prioritised. Against the backdrop of this contracting culture, many charity and voluntary sector providers were left unable to compete. This led to an increasing number of sizeable public service contracts going to a small number of big contractors.

### What does this mean for local authorities?

Local authorities are challenging the practice of opting for large national providers. They are retracting from outsourcing based on cost, volume and timescales alone, and are considering different approaches to service delivery. This has contributed to a slowdown in outsourcing itself, with more authorities looking to bring services back 'in-house'. It is also

resulting in authorities engaging more closely with their local market and being open to working with a broader range of providers both in service design and delivery. This includes small and medium-sized enterprises from both the for-profit and not-for-profit sectors.

*“Outsourcing to large national providers does not give you the risk transfer that you thought that you had. By pushing things to the margin, they were not providing the value for money you thought you were getting”.*

Strategic Procurement and Commercial Services Manager

Much of the failure in the outsourcing market exposed its lack of diversity, as well as authorities' focus on cost efficiencies at the expense of other potential options for longer-term value. There are substantial benefits for local authorities when they engage more closely with their local charity and voluntary sector as they look for alternative service providers and aim to build a 'mixed economy' of public service provision.

*“We’ve realised that big does not always mean beautiful”.*

Director of Finance and Investment

### 3. Compounding consequences of continued long-term reductions of resources

#### What has happened?

Income from local government forms a significant part of the voluntary sector's total income despite reduced spend. Cuts to local government core funding have been

dramatic and have meant councils continue to face budgetary pressures. The future of local authority income will be impacted by the closure of local businesses and the increased demand on services because of the pandemic. This is evident in the steady reduction in the level of funding available to small and medium-sized voluntary organisations by local authorities.<sup>5</sup> As well as there being a reduction in the income available from local government, there has also been a shift toward authorities opting to commission services from large, rather than small and medium-sized charities (SMCs). Analysis by NCVO found earned income from local government fell from 46.5% in 2007/08 to 29% in 2017/18.<sup>6</sup>

This trend was examined by Lloyds Bank Foundation for England & Wales, which found that 84% of local government funding now goes to larger charities (income > £1m).<sup>7</sup> Small and medium charities receive a much smaller proportion of local government funding compared to large charities, the majority of which (67%) are national. This is despite SMCs making up 96% of the sector, the majority of which work in their local area.<sup>8</sup>

CIPFA research highlighted that the current funding environment does not favour SMCs. This is partly attributed to local authorities' commissioning processes. This finding accords with other research by Lloyds Bank Foundation for England & Wales looking at commissioning processes by public bodies and their impact on charities of this size.<sup>9</sup> The research found more than half of small and medium-sized charities reported that they were being prevented from bidding for contracts, or being unsuccessful based on tender specifications, timescales or contract size, for example. It uncovered patterns of practice among commissioners that were contributing to this trend. These practices

5. [Navigating Change: An analysis of financial trends for small and medium-sized charities](#), NCVO, January 2016. Research report commissioned by Lloyds Bank Foundation for England & Wales.

6. [UK Civil Society Almanac 2020](#), NCVO.

7. [The Value of Small](#), Institute for Voluntary Action Research, June 2018. Research report commissioned by Lloyds Bank Foundation for England & Wales.

8. [UK Civil Society Almanac 2020](#), NCVO.

9. [Commissioning in Crisis](#), Lloyds Bank Foundation for England & Wales, December 2016.

were found to be widespread, and were cited as resulting in SMCs being 'sized out' as a consequence of a 'contracting culture' that threatens their survival.

#### Patterns of practice in public procurement

- A. Understanding:** lack of knowledge by commissioners about the service they are commissioning and the needs of individuals can lead to practices that trivialise local expertise and shut out those with the skills and knowledge to meet needs effectively.
- B. Specifications:** aspects of contracts and tender specifications can automatically exclude smaller charities.
- C. Processes:** the processes commissioners follow can inadvertently impede on providers' ability to bid effectively and successfully, particularly for SMCs that have very limited resources and capacity.

Source: 'Commissioning in Crisis', 2016 – Lloyds Bank Foundation for England & Wales.

#### What will this mean for local authorities?

Research illustrates that the continued long-term reduction of resources is having an impact on local authorities' interactions with smaller and locally-based charities. Spending cuts across local government have resulted in an overall reduction in funding available and tighter operational budgets. Commissioners are now operating with smaller teams of staff and fewer resources. This has contributed towards a system of commissioning that could squeeze SMCs out of public service delivery.

While the impact of the reduction of resources is set to continue, there is a need to create a more positive operating environment for SMCs, so that local authorities and communities can benefit from the positive outcomes they provide. Against the high-profile collapse of contracting giants, the need for change is pronounced. Without it, the current environment could see SMCs no longer considered as viable providers of local services, impacting on both the future of public service delivery and the vibrancy of the charity sector.

## 4. Social value – a stimulus for a different way of thinking

### What has happened?

The concept of public spending generating social value is not new. However, it was formalised in the Public Services (Social Value) Act 2012 ('The Social Value Act'), which applies to commissioning practices of public authorities in England and came into force in 2013. It requires authorities to "have regard to" an area's economic, social and environmental wellbeing in making procurement decisions.

The Social Value Act has resulted in the concept gaining greater prominence in local authorities. Recent research found that two-thirds of local councils now have a good understanding of social value.<sup>10</sup> The legislation has contributed towards a change in how many authorities now think about their spending power and how it is articulated and understood within their organisations.

*“Social value has been a driving factor in changing the way in which we work”.*

Director of Finance and Investment

While legislation means social value is now consciously considered by procurement and commissioning teams, it provides a substantial degree of flexibility around how the requirements are applied. Authorities consider social value differently and the extent to which it is embedded into their operations varies.

Some authorities have taken a procedural approach to social value and have allocated it a fixed percentage in their evaluation of tenders during the bidding process. However, others have incorporated it within their definition of value for money. The latter is likely to represent a more flexible approach but it is notable that it requires a greater degree of professional judgement.

10. [Front and Centre: Putting Social Value at the Heart of Inclusive Growth](#), Social Enterprise UK, May 2019.

There are many positive examples of local authorities engaging with social value; however, engagement with the concept is not yet fully universal. This partly reflects the nature of the concept itself, which can be difficult to understand and has been described as a 'slippery buzz-word'.

### What will this mean for local authorities?

As local authorities' understanding of social value grows, it is expected that engagement will increase. This trend will be advanced by the government's plans for social value to have greater prominence within commissioning across the public sector. The government's Civil Society strategy placed a heavy emphasis on the principles of the Social Value Act being applied to grant making and other areas of public decision making, including local government.<sup>11</sup> The new Green Paper *Transforming public procurement* includes provisions on social value and comments that when public procurement authorities are drafting contract terms and evaluating tenders they can, and should, "take a broad view of value for money that includes social value. This includes award criteria for evaluating final bids and scoring their quality, to encourage ways of working and operational delivery that achieve social value objectives." The Green Paper also indicates that social value will be included in an anticipated National Procurement Policy Statement. Importantly HM Treasury's new edition of the Green Book: *Central Government Guidance on Appraisal and Evaluation* (2020) includes a section on option appraisal that encompasses social value (the Green Book notes that this is also known as public value).

In addition, supporting guidance for a *Cabinet Office Procurement Policy Note – Reserving below threshold procurements* considers the issue of social value for central government contracts. As the concept that local authorities should be using their spending power to deliver social change

becomes more established, it is likely to prompt a different way of thinking. Already we have seen authorities developing a 'social value policy', which has led them to revisit their procurement and commissioning practices. This was a finding from research undertaken by Social Enterprise UK in 2019, which found nearly 45% of 180 English local authorities had such a policy – an increase from 24% of authorities in 2016.<sup>12</sup> As part of this exercise, authorities have been considering their existing providers in a different light and placing new expectations on the added value they could be delivering. This involves looking beyond the procurement function, and considering how social value can be embedded across all areas of an authority's operations.

One of the strengths of the charity and voluntary sector is the additional social value it delivers as part of its normal operating model. Social outcomes should be more easily identifiable within smaller charity and voluntary organisations, given that many are set up to achieve social change at a local level. This should open the door to authorities engaging with the sector as an established means to fulfilling the requirements of the Social Value Act.

To do so, authorities will need to recognise the differences between the types of social value bigger and smaller organisations generate, and the different ways this can be measured. Quantifying social value remains a challenge that has resulted in the emergence of a variety of expensive solutions and elaborate measurement techniques that are accessible to the very largest providers. However, dependence on these measurement processes may not achieve successful outcomes for all services or service users and might be too mechanistic. It will be important that there is an understanding of where and how social value is created for individuals. Therefore, authorities will need to be able to understand and accept qualitative evidence from small charities to avoid inadvertently impeding on their ability to bid successfully.

11. [Civil Society Strategy: Building a future that works for everyone](#), HM Government, August 2018.

12. [Front and Centre: Putting Social Value at the Heart of Inclusive Growth](#), Social Enterprise UK, May 2019.

An organisation's ability to generate data about social value should not be seen as indicative of a better service.

The COVID-19 pandemic will have an impact on social value and what it means to local authorities and the community at large. COVID-19 has highlighted social inequalities across the UK and the world. At the same time, recent issues have brought social and racial inequality to the forefront of people's priorities. The environment is also a local issue of importance to communities, with approximately 75% of local authorities declaring a climate emergency. It is likely therefore that expectations from social value will have changed,

The pandemic has absolutely highlighted the need for local provision of services. Local authorities have supported the elderly and have been vital in the support of the provision of services to adult social care; they have been concerned about the clinically vulnerable in society and will need to support those with mental health problems. Local authorities will need to consider what social value means when supporting services and individuals during the pandemic and what it might mean as we emerge from the crisis and enter the recovery phase.

### Defining social value

The Public Services (Social Value) Act 2012 does not define 'social value', although it does imply a focus on securing improvements to the economic, social and environmental wellbeing of an area through the procurement process.

The lack of a precise definition has allowed for a flexible approach to interpreting social value, with various bodies having developed their own definitions.

Some interpretations place an emphasis on additional benefits above and beyond the core services being procured, while others place emphasis on securing better outcomes or maximising the impact of services.

Source: 'Commissioning in Crisis', 2016 – Lloyds Bank Foundation for England & Wales.

# Overview of different ways of working

## What can local authorities do to support greater involvement of their local charity and voluntary sector in public service delivery?

Local authorities' approaches to working with the charity and voluntary sector will differ depending on the nature of the authority, its locality and the type of service being delivered. New and innovative methods and models have emerged over recent years, such as through the introduction of a new socio-economic duty for public bodies in Wales, aimed at promoting more effective ways of working. New models of working with the charity and voluntary sector have emerged during the pandemic. It will be important to harness the positive initiatives that have arisen. The following is not an exhaustive list, nor is it designed to promote a specific approach. However, it provides an overview of those new ideas and initiatives aimed at improving practices both outside and as part of the commissioning cycle.

### 1. Service co-design

#### What is this method of working?

'Co-design' involves commissioners working collaboratively with suppliers and service users to develop services. It enables a wide range of people to contribute towards the design of the service based on their knowledge or expertise. It goes beyond consulting by directly involving users in shaping services and how they are delivered.

The charity and voluntary sector can be a key stakeholder in helping local authorities engage with service users as part of service co-design. Their trust and accessibility means that they can co-ordinate a consensus and provide a voice for particularly hard-to-reach groups. This method of collaboration means

engaging them as experts in the specific services they provide and communities they work with.

#### What makes it positive?

'Co-design' can help ensure services address users' needs and lead to better outcomes. The approach helps local authorities to develop services that do not make false assumptions and avoids duplication.

This can result in better services for users and longer-term savings for the authority. It can also help fill gaps in commissioners' knowledge about the services they are commissioning and the needs of the users they are commissioning for. Such gaps are increasingly common in authorities where fewer commissioners are working across more service areas.

Done well, the approach can also unlock new ideas and support from users, and motivate staff involved in the commissioning process. It is likely that the pandemic has precipitated service co-design as emergencies and needs have arisen. Early engagement with organisations that understand the current services and problems that exist at a local level, particularly those that have resulted from the pandemic, can help build commitment in creating lasting change. So what should be considered as a part of the co-design process and the impact of the pandemic?

- What has changed because of the crisis?
- How will service changes be reflected for those needing services and those providing the services?
- How can local authorities provide services to meet those changing and future needs in the medium to long term?

Understanding the networks offered by the charity and voluntary sector can also help input into the ongoing monitoring and evaluation of these services. A collaborative approach to working is referenced in CIPFA's Financial Management Code, which sets standards of financial management for local authorities in the UK.

### Stakeholder engagement

Stakeholder consultation can help to set priorities and reduce the possibility of legal or political challenge late in the change process. Stakeholder consultation helps to encourage community involvement not just in the design of services but in their ongoing delivery. This is especially the case when a local authority adopts an enabling approach to public service delivery that, along with the active involvement of the third sector, may facilitate future reductions in service costs.

*Source: Financial Management Code (CIPFA, 2019).*

## 2. Capacity building to support the market

### What is this method of working?

Perceptions around complex procurement processes and contracting methods can discourage charity and voluntary organisations from engaging with their local authority.

This can be overcome by providing charity and voluntary organisations with a better understanding of public sector procurement and the opportunities to work with the authority. Organisations can be helped to develop resources in these areas through workshops, training or networking opportunities.

This can be of particular benefit to organisations that are already delivering or want to deliver services but find it difficult to compete for contracts because they lack the skills and experience to formulate bids successfully.

### What makes it positive?

Investing in the capacity of the local charity and voluntary sector can empower greater engagement with their local authority. Unlike larger providers, most small charities do not have professional bid writers. However, capacity building can strengthen an organisation's ability to submit bids for contract opportunities. It can help charities to convey their skills and experience to commissioners in a way they recognise, enabling them to see the benefits of these in the delivery of services.

'Gearing up' charity and voluntary organisations helps to stimulate and shape the local market, which ensures a more diverse and competitive supply base for public services. It also enables the authority to better understand the market and the extent of choice available.

An example of this building capacity is the London Borough of Islington. The council supports local businesses, and in particular the voluntary and community sector, to compete equitably for public sector opportunities.

It organises workshops, training and information sessions in response to identified needs to help suppliers put forward better bids.

## 3. Changes to commissioning processes

### What is this method of working?

Generic processes and working practices can mean local authorities do not make the best out of the potential opportunities in the commissioning process with charity and voluntary organisations. Commissioning should be relevant to the size and nature of the service, and reflect the value of the contract.

Facilitating participation by charity and voluntary organisations in service delivery means looking at whether an authority's approach to commissioning is appropriate and proportionate. As most charities are

small, this means considering whether the authority's current commissioning practices and processes might be having unforeseen consequences for smaller providers.

For example, tender specifications, timescales and aspects of the contract may restrict a potential supplier's ability to compete to deliver the service. A contract's size, length or payment structure may automatically exclude most of the charity and voluntary organisations from the bidding process. Similarly, the length and terminology used in tender documentation can make bidding prohibitively time-intensive and administratively difficult for smaller organisations with limited capacity. Examining these elements to ensure that they do not prevent those suppliers most suited to delivering a service from bidding can help identify changes and ensure that the best provider is selected. Simple changes can open up participation for smaller providers.

It is perhaps important to note that the government's Green Paper *Transforming public procurement* proposes introducing "a new flexible procedure that gives buyers freedom to negotiate and innovate to get the best from the private, charity and social enterprise sectors." It will give procurement teams "maximum flexibility to design a procurement process that meets their needs and the needs of the market."

Alternatively, smaller charities and local authorities might find it beneficial if local authorities instead considered issuing grants to achieve certain outcomes rather than using a procurement process. Grants can be particularly well suited to the current environment where needs are changing and becoming more complex, because they allow more flexibility for charities to be able to respond to changes. They could also be targeted to assist with capacity building provided appropriate governance and procedures are adopted.

## What makes it positive?

Changes that allow the charity and voluntary sector to compete on a level playing field can result in those organisations with the most suitable skills and expertise being included in the bidding process. A procurement process that results in providers competing equally and fairly will be more effective in securing the right provider to deliver the service.

As changes might need to be aimed at making commissioning more proportionate, this can result in the simplification of procurement processes. This benefits those submitting bids, as well as saving time for the authority in assessing these submissions.

### Changes to commissioning

#### *Streamlined tender process by Manchester City Council*

Since 2008, Manchester City Council has used its significant buying power to maximise the social, economic and environmental benefits for its local communities.

The council has for the last ten years undertaken an annual independent analysis of the impact its procurement policies have had on its local communities. The analysis includes the percentage of spend being retained in Manchester, jobs for residents supported through its supply chain, new jobs created each year for Manchester residents including apprenticeships, the number of volunteering hours provided through the supply chain and the percentage of spend with small to medium-sized enterprises (SMEs).

Following this work by CIPFA the annual analysis will now include a breakdown of Manchester's spend with charities and the voluntary sector.

To encourage more Manchester-based organisations and SMEs to bid for procurement opportunities, Manchester City Council has reduced the volume of questions for contractors and has also made the bidding process less time consuming and more straightforward.

This increased the council's level of spending within its boundaries from 50% of all spend in 2008/9 to over 71% in 2017/18.

# Other areas with the potential for improvement

## **Which areas might need to be improved to increase the opportunities for local authorities to work with charities and voluntary organisations in public service delivery?**

Chapters 3 and 4 set out how the charity and voluntary sector has the potential to offer real advantage to local authorities in public service delivery and design. This chapter focuses on areas of potential improvement that might encourage or increase the opportunities for this collaboration.

### **1. Authorities' approach and appetite to risk**

#### **What is the issue?**

Outsourcing requires local authorities to gain a sufficient level of assurance that providers can deliver the service being commissioned. Assurance is needed in order to manage both the risks to service recipients as well as the authority. Unsurprisingly, it can be difficult for smaller charities to replicate the assurance given by a large provider with a strong commercial balance sheet and comprehensive insurance cover. As a result, charity and voluntary organisations are typically viewed as riskier options by commissioners.

The authority's assessment of risk can be reflected in the interactions it has with the organisation it contracts with. The length and format of funding, payment methods, and approaches to contract management can all be influenced by the authority's desire to manage and mitigate risk. Worst-case scenarios might result in a contract that aims to transfer the risk over to the charity and voluntary organisation as the service provider. This could contribute towards more

problematic funding models and has the potential to be overly bureaucratic for both the service provider and the authority.

At the same time local authorities have to balance their need to manage the risks that both they and the service recipients may be exposed to as a part of service commissioning. Local authorities' risk management processes will still need to ensure that those risks are effectively managed and, where necessary, mitigated.

*“In stating that we want more third sector organisations to bid for work, we have had to shift our approach and be more overt in taking on risk.*

*Some contracts have tough conditions as they are working in risky areas. However, in other contracts you do not need equivalent levels of bureaucracy and monitoring. Doing so distracts us and them [the provider] from getting the job done”.*

*Director of Finance and Investment*

#### **How can local authorities reassess their approach to risk management?**

We found some authorities taking a mature approach to risk management in working with the charity and voluntary sector.

There remains an understanding that the financial position of smaller charities may make them appear riskier. However, the more mature attitude takes an approach where financial risk represents one element that needs to be considered in its assessment

of risk. Under this type of assessment, it is accepted that the financial position of an organisation alone cannot provide assurance over delivery of a quality service. Such authorities are aware that there are benefits from considering the wider advantages that the charity and voluntary sector organisation can provide. These authorities consider broader aspects of value for money in their selection of suppliers. Their assessment process will need to consider a broad range of factors that looks beyond the size of the provider's balance sheet.

We also found authorities that were taking a pragmatic attitude towards identifying those services that are high risk and those that are not. This assessment impacted on their choice of funding methods and level of monitoring and reporting, as well as other elements of the funding relationship. These elements are crucial and can impact an organisation's ability to successfully engage in these opportunities. Therefore, while each authority's assessment of the risk of a service will differ, it is important to underline that the practice of determining the specific elements of the relationship should be supported by clear communication and early engagement with providers to develop an understanding of what is appropriate.

One authority identified that taking a blanket approach to contract management had contributed towards an excessive amount of performance information being reported to them by their providers. They now aimed for performance monitoring that was appropriate and proportional to the service and level of funding being awarded. This was done to reduce bureaucracy and avoid overly onerous reporting. The frequency, style and nature of reporting aimed to reflect the authority's assessment of risk and the level of assurance required. This had been achieved by the authority speaking with their suppliers to determine what they reported on internally. In many cases the performance information their suppliers provided to their trustees or senior management teams was found to be adequate for the purpose of contract management.

It is anticipated that an authority's approach to risk management will have been reassessed during the pandemic where charities and voluntary organisations will have had to step forward to help with the delivery of services in many areas, key examples being adult social care and providing assistance to the clinically vulnerable. Assessments will need to be made of where this has worked well or where it has not, and where changing of risk appetite in the future may result in better services being provided to service recipients.

The approach to risk management is therefore an important aspect of an authority's approach to working with the charity and voluntary sector. However, it is a complex process and change is not likely to be easy, despite those changes brought forward by the pandemic, so expectations will need to be managed, particularly as change is being introduced. The assurance processes will need to be both robust and rigorous from both local government as commissioner and from the charity and voluntary sectors as service providers, and both will need to take decisions from a balanced and risk-assessed standpoint. The failure of either side of the relationship could lead to financial performance and management issues, represent reputational risks for both sides and most importantly will impact on service outcomes.

## 2. An open outlook to legislation and regulation

### What needs to be considered?

The potential for building capacity with charitable and voluntary sector providers has a greater potential to succeed where a more flexible and 'lighter' approach to commissioning has been viewed as consistent with EU rules. Approaches to procurement will change in a post-Brexit world and in light of the aforementioned Green Paper.

The legal and regulatory framework surrounding public procurement empowers authorities to take a different approach,

rather than present a roadblock. It provides commissioners with a range of flexibilities that have the potential to promote greater engagement with the charity and voluntary sector. Emergency procurement procedures used during the pandemic under the Public Contract Regulations 2015 have shown how flexible the framework can be, though it is not advocated that emergency procedures should continue to be used outside of the urgent issues and demands brought forward by the current crisis.

*“The legal framework is complicated, but it has a tremendous amount of flexibility in it”.*

Head of Strategic Procurement

### What is the best way to facilitate an approach that takes advantage of the flexibility in the legal framework?

The responsibility for ensuring commissioners comply with the applicable legal and regulatory framework typically rests with the authority’s legal department and this report supports proper compliance with this framework. We found authorities with procurement teams eager for change, but who had come up against challenge from their legal department. Internal challenge from legal departments is acknowledged as necessary to ensure compliance with the sometimes complex legislation but working with and having effective dialogue with the legal department can provide the opportunity for identifying the flexibilities available for procurement.

Much of the freedom desired by commissioners can be achieved by reviewing existing processes against what is needed. Procurement experts have advocated that an agile and considered approach is possible within the scope of current regulations.<sup>13</sup> Many of the internal rules that might block this approach can be removed by looking at them afresh. By prioritising investment in this function and supporting learning

and development, teams can be equipped with the right knowledge to act as enablers of change.

A more inclusive approach requires a pragmatic attitude towards risk. This needs support at a senior level and an empathy among members of the potential benefits of change.

In addition, the new Green Paper *Transforming public procurement* proposes to “comprehensively streamline and simplify the complex framework of regulations that currently govern public procurement”. Accompanied by the commitment to a flexible procedure for charities and the voluntary sector discussed earlier, this is likely to assist the procurement processes.

## 3. Creating a culture of co-design

### What are the issues that need to be addressed?

While difficult, it is important to acknowledge service delivery and outcomes for service users can always be improved and that it is a prerequisite to engaging users in ‘co-designing’ services. It can be a significant step for any organisation to acknowledge that it does not know the best way to develop a service. However, service co-design creates a collaborative approach to commissioning. Some of these challenges have had to be quickly overcome where services have had to be urgently created or redesigned during the pandemic. But changing from a traditional ‘top down’ approach to designing services that involve community consultation may be a cultural challenge for an authority, despite the multiple benefits of doing so.

13. [The art of the possible in public procurement](#), Frank Villeneuve-Smith and Julian Blake, Bates Wells Braithwaite, 2016.

***“Where a service has been in a single delivery model for a number of years, it takes time, energy and resources to invest to completely redesign the service and how it is delivered. It is not a small thing. It introduces instability, which means there is also a risk to it”.***

Strategic Procurement and Commercial Services Manager

Starting the process requires a knowledge of the current or potential service users and providers, which means having a knowledge of the market and whom to speak to. Finding the right networks and establishing relationships is a resource-intensive process. This can be made difficult depending on the nature of the stakeholders. For example, smaller voluntary organisations will often lack the capacity to engage with local authorities or can be reluctant to do so based on previous perceptions.

***“We are not the experts in everything, and we shouldn’t be so arrogant to assume that. We need to be proactive and develop an understanding of our local third sector”.***

Director of Finance and Investment

### **What can be done to harness the potential of service co-design?**

We found authorities willing to involve service users in shaping services and engage with their local charity and voluntary sector in doing so. There was a clear appreciation of the benefits of this approach and the unique role of the sector in facilitating and aiding in this exercise.

However, it was acknowledged that doing so represents a ‘cultural shift’ that needs an injection of resources. Authorities were aware of the level of staff time that co-designing services required and the concerted approach it demands. This was cited in the reality of what would be involved, ie direct stakeholder engagement. This needs time to gather relevant, accurate and timely information on the needs and aspirations of their target population.

Attempts toward a more ‘strategic’ approach to co-design or collaboration were considered inappropriate. Engaging users on only a strategic level via committees or panels meant views became distant and the authority became one step removed. Despite being costly, direct engagement was viewed as the more effective approach.

# Conclusion

The pandemic has accelerated the rapidly changing environment of evolving public services and has increased the impetus of working more closely with the charity and voluntary sector, offering genuine opportunities for local authorities.

The pandemic has impacted fundamentally on businesses, organisations and individuals. Businesses have had to change the way in which they operate to survive, and many will not. Many organisations, including but by no means limited to local authorities and the voluntary sector, have had to find new ways of working and interacting with each other. Individuals are suffering family separation and isolation, dealing with the direct effects of the disease and the indirect effects such as home working and home schooling. There are new social imperatives in terms of education, the protection of children, adult social care, public health and mental health all of which will need to be supported by local authorities. This will require the provision of new services and new ways of providing services including its procurement.

There have been changes to commissioning processes that were introduced as temporary measures during the pandemic. This has given some local authorities an experience of doing things differently. Such new ways of operating may extend to future service provision. The COVID-19 pandemic has required both local authorities and charities to respond quickly and flexibly to urgent needs as they develop. In addition, both the public and politicians demand to see more transparency in the delivery of services to address social issues such as diversity. The Charity Governance Code may be useful to provide an approach to promote diversity within charities.

Moving to a situation where local authorities might embrace these opportunities requires a vision about how to best use the sometimes

unique skills of the sector and respond to new and increasing need. Like any relationship, creating the right environment to work together effectively demands time and effort. This may require authorities to evaluate their approach to risk and the assurance they seek from providers, which might prompt existing practices to be refreshed. Taking a different approach will involve looking at authorities' existing interactions with the sector collectively across different departments.

However, CIPFA believes there is an imperative for authorities to consider these issues and engage with their local charity and voluntary organisations to build on the experience of the pandemic and the opportunities available. Research has highlighted that the sector can deliver better services often at reduced costs, with their participation in design and development helping to shape more successful local services and most importantly with better outcomes for their users.

Local authorities may be able extend the opportunities that the sector offers by reflecting on their processes and procedures including the ones that have had to change during the pandemic. Experiences of funding services in response to the pandemic has required commissioners to take a different approach to risk. Data has shown that charity and voluntary organisations are capable of delivering statutory and non-statutory services, but in some cases were 'purchased out' of doing so. Changes should be considered to ensure that local authorities commission services in an inclusive, socially inspired way that is responsive to the needs of service users.

Authorities' attitude and approach to risk have had to change for many reasons but will play a critical part in making these changes. Local charities and voluntary organisations might be seen as a riskier option when

compared to larger, non-local providers. Therefore, if authorities are going to use this market, they will need to be able to get the assurance they need from these providers, as well as appreciate the added value they bring.

Our initial research found evidence authorities were able to realise the opportunities presented by this sector and working more closely with providers in order to obtain this assurance. This was being done by looking at the provider's existing working practices and implementing a monitoring system that aims to energise, rather than overburden, both parties. Importantly, this approach was supported by a more nuanced assessment of risk that differentiates between different types of services. This 'recalibration of risk' has enabled opportunities for services to be developed and delivered in collaboration with the sector.

Local authorities and the charity and voluntary sector will need to ensure that they follow the progress of the government's Green Paper, which is anticipated to simplify the procurement processes, include social value in procurement decisions and provide flexible procedures for the charity and voluntary sector that will allow innovation in service delivery.

The crisis brought about by the pandemic has seen a seismic change to the provision of some local authority services and indeed has probably led to changes across them. Such changes require authorities to develop their approaches to the sector in both the short and long term. Leaders and members need to be informed about the benefits of employing the skills and expertise of local charity and voluntary organisations. Reassessing the authority's relationship with the sector requires them to revisit the additional value created by allowing local providers to design and deliver better services for local people while managing local authority risk.

# Research methodology

CIPFA research methodology was as follows:

**Procurement:** interviews were conducted with two heads of procurement from London boroughs and one from a metropolitan district council.

**Finance:** interviews were conducted between January and February 2019 with the following individuals:

- a section 151 officer from a county council
- a section 151 officer from a metropolitan district council, and
- a deputy section 151 officer from a metropolitan district council.

(A section 151 officer is a statutory officer for local authorities with responsibility for the proper administration of their financial affairs.)





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