



Commissioning in the third sector: lessons from public and voluntary partnership during Liverpool's Objective One funding

Andy Churchill

Policy Briefing 2(20)

February 2023



The Liverpool City Region

Source: Office for National Statistics licensed under the Open Government Licence v.3.0

Contains OS data © Crown copyright and database right 2020

Commissioning in the third sector: lessons from public and voluntary partnership working during Liverpool's Objective One funding

Key takeaways

1. The role of procurement is increasingly important to the functioning of the third sector (voluntary organisations and charities), and procurement decisions impact the functioning of local economies.
2. It is no longer appropriate to rely on central government, nor on attracting investment from footloose large companies. The solution is local activity – doing it ourselves, assisted by an understanding of what works.
3. The important role played by third sector organisations in local economies is not well understood, and many policymakers are not aware of recent developments around procurement in the sector. Liverpool's experience of European funding during the 1980s, 1990s and 2000s provides important lessons for how voluntary and public sectors can work together effectively.
4. It is important to share information on working with the third sector to support local people and the local economy. Local Authorities and larger firms should examine their commissioning procedures and see how they can adjust them to give a fairer opportunity for local third sector organisations and local firms.
5. Third sector organisations in turn should look at opportunities around procurement to increase delivery to their target groups, and develop closer working with commissioning organisations.

1. Introduction

This policy briefing discusses how the public and voluntary sectors worked together to deliver economic and social regeneration in Liverpool during the 1990s and 2000s, assisted by European funding. Until the end of the last century, Liverpool experienced a forty-year period of economic and population decline. Government regeneration schemes were often short-term and ignored local demographic and economic context (MIDO, 1989).

Merseyside was declared an Objective Two area for 1989-93 (designated as a declining area) and so received European Funding to allow it to catch up. However, this funding did not achieve its objectives. Investment during this period was in the main planned and implemented by men from central and local government, supporting business development while ignoring local residents, their desires and understanding. The Merseyside economy,

and its population, continued to decline during this period, and the region was subsequently moved from Objective Two to Objective One status (joining 'falling behind' regions such as Greece and Southern Italy).

An Objective One plan was produced, explaining Merseyside's problems and proposing solutions. The first drafts were prepared by central government, with local government input. At this point, the third sector got involved, producing their Vision for Merseyside. Slowly the draft plan for the area was turned around from a top down process to something more relevant to the strengths and weaknesses of the area, involving local people and incorporating a range of more diverse voices and opinions.

Around 15% of the funding was then allocated for spending on the most deprived areas in the region (European Commission, 1994; Evans, 2002) with

plans developed by local partnerships and involving local residents and small businesses. Comprehensive analysis of the 38 areas was carried out, informed by local knowledge. Since 2011 the population of Liverpool has risen once again, and while problems of deprivation remain, demographic and economic decline has been halted.

2. The changing relationship between the public and third sectors

Meanwhile, the late 1990s saw an increased focus on the role played by commissioning in the public sector. Traditionally, local authorities and other public sector bodies based procurement decisions primarily on total cost, with little consideration of the effect on local economies, businesses, employment and the environment.

In 1998, the UK government published the *Compact on Relations between Government and the Voluntary and Community Sector in England*. The Compact is an agreement between government and the third sector to improve their relationship for “mutual advantage and community gain”, and contains codes of practice on funding and procurement, as well as consultation, representation and working with minority groups (LGA, 2008). This was followed in 2006 by a report on ‘intelligent commissioning’ by the Office for the Third Sector (later renamed the Office for Civil Society), and in 2010 by a renewal of the Compact following the launch at Liverpool Charity and Voluntary Services (CVS) of the ‘Big Society’ by Prime Minister David Cameron. The Public Services (Social Value) Act came into force in 2013 and requires those who commission public services to “think about how they can also secure wider social, economic and environmental benefits” (Cabinet Office, 2021).

Since January 2021, all major central government contracts must evaluate social value impacts, rather than merely ‘consider’ them (Cabinet Office, 2020;

Cabinet Office, 2021), with guidance for VCSEs (Cabinet Office, 2021). In 2022, the NHS announced that it will require a minimum ‘weighting’ of 10% for social value in all procurement decisions. In Liverpool City Region, the Combined Authority uses a wider definition of social value than most, and in 2022 published its social value policy framework, which recognises the potential of local government to maximise the positive impacts of commissioning decisions (LCRCA, 2022).

3. Embedding social value through commissioning

The evaluation of social value impacts is now commonplace in public sector commissioning. Three types of social value are generally assessed:

- Social (e.g. activities that promote a united community)
- Environmental (e.g. efforts to assist the community in reducing waste or pollution)
- Economic (e.g. training, employment or apprenticeship opportunities for disadvantaged groups)

According to research published in 2022 by the Department for Culture, Media and Sport:

“VCSEs (Voluntary, Community and Social Enterprises) are an important part of the UK economy, and play a significant role in the provision of public services. The UK government is committed to delivering social value through its procurement, and increasing opportunities for VCSEs in public procurement is one way it can go about delivering on those promises. To do so, however, it is important to understand in greater detail the role they are currently playing - that is the knowledge gap this report hopes to fill.” (DCMS, 2022a: i)

The research finds that 12,500 third sector organisations earned a total of £36bn from public sector contracts between 2016 and 2020, with local government offering significantly more contracts to the third

sector than other parts of the public sector. This finding was supported by another 2022 DCMS report, which found 68% of contracts awarded to third sector organisations come from local government, with only 13% from central government and 11% from the NHS (DCMS, 2022b).

The relationship between the public and third sector has been taken to a new level in recent years by the Community Wealth Building (CWB) agenda, developed and popularised by the Centre for Local Economic Strategies (CLES) think tank. In Preston, a prominent UK example of a local authority to embrace CWB, there has been a particular focus on the procurement policies of ‘anchor’ institutions – large public and private sector organisations with significant budgets which, if purposed towards spending that maximises social value, can have significant local benefits.

By harnessing local authority spending and supply chains to focus on local procurement, the CWB model has contributed to an increase in local authority spending with Preston-based organisations from 5% of total spend in 2012/13 to 18.2% by 2016/17, reduced unemployment and increased training for young people. While each area must recognise and address its own problems and strengths, the Preston model provides an example of how the third and public sectors can work together effectively to improve local outcomes.

4. The strengths of the third sector

What can the third sector bring to local economic development that cannot be provided by the public and private sectors?

Local and central government are democratically accountable, but with this accountability comes an imperative to pursue policies that are electorally appealing. The private sector can be dynamic and take action quickly, but businesses are profit-motivated and may not focus on the longer-term. The third

sector occupies a middle ground between the dynamism of business and the accountability of government, while promoting social value and reinvesting in socially valuable activity.

The third sector has a potentially crucial role to play in improving the UK’s poor productivity performance. Charities and voluntary organisations are skilled at dealing with complexity, including working with marginalised groups, and working in partnership with the public and private sectors. However, the role of the third sector is not widely recognised by policymakers and the general public. For example, in Michael Heseltine’s *No Stone Unturned* report, which recently celebrated its 10th anniversary, there were multiple useful recommendations aimed at local government and businesses, but voluntary organisations and charities were hardly mentioned. Local Enterprise Partnerships were created by the coalition government to aid coordination between business and government on matters of local economic development, but third sector organisations were initially represented on only a few LEP boards.

Access to decision-makers remains a problem for the third sector. Liverpool City Region Combined Authority (LCRCA) is an example of a local government that is increasingly open to third sector advice and input, but local government has historically been accused of being more comfortable doing things ‘for’ people, rather than with them. Many third sector organisations are long-established, with significant institutional memory that could be brought into use. Liverpool CVS for example was established in 1909.

5. Partnering with the third sector

How then can the strengths of the third sector contribute more effectively to the efforts of public sector bodies in Liverpool City Region and beyond? The increased focus on social value and the role of procurement in shaping local economic outcomes over recent years is welcome. However, the third sector and public

sector can continue to improve how they work together for the benefit of local communities.

- We should move from doing things for residents to supporting them to tackle issues themselves: through social capital grants; involvement before proposals are discussed; letting residents take the lead; and collecting and publicising local and consistent statistics. The public sector could work more closely with CVSs and others to identify VCSE organisations, their skills, expectations and visions.
- Let VCSE organisations describe their learning and capabilities following the three decades of European funding and what we should be doing next, as well as carrying out and disseminating evaluations. European funding not only supported training, but helped relieve poverty, provided capital support for local community buildings and resources, greening local businesses, and support for local SME recruitment.
- Make evaluations and analysis more accessible for local communities. Public and third sector organisations have made improvements to how they publish and publicise their research but there is still work to be done to improve transparency and promote collaboration.
- Examine good practice. Work with others to understand and use the growing development of procurement and social value to enhance our area. Find out more about the third sector, and involve them at all stages.
- Have the courage to pass more control to local people to consider and implement what they see as important for their area, mobilising their resources and ideas. Let them take the lead.

6. References

Cabinet Office (2020) Procurement policy note 06/20: taking account of social value in the award of central government contracts.

<https://www.gov.uk/government/publications/procurement-policy-note-0620-taking-account-of-social-value-in-the-award-of-central-government-contracts>

Cabinet Office (2021) VCSEs: A Guide to Working with the Government
www.gov.uk/guidance/vcses-a-guide-to-working-with-government

Cabinet Office (2021) The Social Value Act: information and resources.

<https://www.gov.uk/government/publications/social-value-act-information-and-resources/social-value-act-information-and-resources>

Department for Culture, Media and Sport (2022a) *UK Public Procurement through VCSEs, 2016-2020*.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1069635/UK_Public_Sector_Procurement_through_VCSEs.pdf

Department for Culture, Media and Sport (2022b) *The role of Voluntary, Community and Social Enterprise (VCSE) organisations in public procurement*.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1100749/The_role_of_Voluntary_Community_and_Social_Enterprises_in_public_procurement.pdf

European Commission (1994) *Merseyside single programming document: Objective 1 – structural development and adjustment of regions whose development is lagging behind*.

http://aei.pitt.edu/95613/1/CX8594373ENC_001.pdf

Evans, Richard. (2002) 'The Merseyside Objective One Programme: Exemplar of Coherent City-regional Planning and Governance or Cautionary Tale?'. *European Planning Studies*. 10 (4). 495-517.

Liverpool City Region Combined Authority
(2022) *Social Value Policy and
Framework*.

[https://www.liverpoolcityregion-
ca.gov.uk/governance/social-value-
framework/](https://www.liverpoolcityregion-ca.gov.uk/governance/social-value-framework/)

Local Government Association (2008)
Working with the third sector.

[https://www.local.gov.uk/sites/default/files/
documents/working-third-sector-pdf--
1ab.pdf](https://www.local.gov.uk/sites/default/files/documents/working-third-sector-pdf--1ab.pdf)

Merseyside Integrated Development
Operation (1989) *Report on activity, 1988-
92*. MIDO, 1989.

The Heseltine Institute is an interdisciplinary public policy research institute which brings together academic expertise from across the University of Liverpool with policy-makers and practitioners to support the development of sustainable and inclusive cities and city regions.

Heseltine Institute for Public Policy, Practice and Place
University of Liverpool, 1-7 Abercromby Square, Liverpool, L69 7WY

Follow us @livuniheseltine

About the author

Andy Churchill is Chief Executive of Network for Europe, an organisation which provides support to Voluntary and Community sector organisations across the North West. Network for Europe has been operational for over 30 years, and led the VCSE sector's engagement with European Union funding during the 1990s, 2000s and 2010s. It also encouraged engagement with the third sector across Europe.

The information, practices and views in this Policy Briefing are those of the author(s) and do not necessarily reflect the opinion of the Heseltine Institute.

Our cover image, 'Liverpool Summer 21', is licensed from Tim Jokl under CC BY-NC 2.0. <https://www.flickr.com/photos/tmjokl/51228444973/>

Policy Briefings can be accessed at: www.liverpool.ac.uk/heseltine-institute