

GMCVO

Innovation

# Building Social Marketplaces

*Providing strength and diversity in public service provision*



Greater Manchester Centre  
for Voluntary Organisation

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## Foreword

We believe that local, accountable voluntary organisations, including very small ones, are able to make significant contributions to the delivery of public services, increasing client engagement and satisfaction without compromising quality or value for money. However, in many areas the nature of commissioning creates barriers to these organisations in winning contracts and so gaining the opportunity to transform services. Much has rightly been made of the need to improve the capacity of voluntary organisations; to make them commissioning ready and to simplify public sector commissioning procedures in order to make opportunities more relevant and open. But our experience has highlighted another key area of development which is often missed – that of providing suitable “marketplaces” within which commissioners and voluntary sector providers can trade.

GMCVO has been developing collaborative delivery models to function as marketplaces since 2004, when we brought voluntary sector learning providers together into a partnership on a neutral prime contractor model. Since then we have developed a range of other models of support in other areas and developed our understanding of our role in supporting the sector to deliver services on a meaningful scale.

Our initial experiment culminated in our achievement last year in delivering Towpath, a significant programme of work designed to bring those distant from work closer to the workplace and involving 63 providers successfully supporting 1,600 learners. Through this and other work we have learned the value of structures which bridge the distance between commissioners and commissioned and allow entry into markets that no amount of deregulation or capacity building can provide. We believe that for there to be a flourishing market in which voluntary organisations are able to deliver services then commissioners and voluntary organisations need special marketplaces that are suited to the small, local organisations that reach people and communities that few others can.

In this report we hope to share some of our learning and have outlined the models of collaboration we believe can help create the marketplaces that are needed to instigate significant change.

**Alex Whinnom, Director, GMCVO**



# Introduction

## The Political Context

The current government's spending plans will lead to a significant reduction in funding to the voluntary sector over the course of the current parliament.

But amongst the plans for rapid deficit reduction lie some opportunities. Financial pressures on the local public sector will demand services are designed and delivered in new, innovative and cost-effective ways. There have been government pledges that the voluntary sector should play a greater role in service delivery, receive a "better share" of public money, and that public services will be "opened up" to a wider range of providers. This is being intensified by the government's intention to mould cross-departmental policy in ways that embody the 'big society' themes of community ownership, mutualism, localism and voluntary action.

GMCVO believes that to truly transform public services for their users the most suitable local voluntary sector providers – often the smallest organisations – must be able to compete in this environment. In our view, current approaches designed to achieve this aim are insufficient. This paper provides an overview of three models successfully implemented in Greater Manchester by GMCVO, each utilised to open up access to the public service market for a greater range of smaller voluntary sector providers. It is only through the increased use of such models – designed to bring the public, voluntary and private sectors closer together – that public service provision can be genuinely diversified and strengthened for the benefit of their users.

As the market is currently structured, many smaller voluntary organisations face significant barriers to access. This is significant because, as shown in Chapter 3.1, smaller providers are often those that are best placed to deliver specialist services locally. Although involving a greater number of small providers in the commissioning process has been a concern of successive governments, and some efforts have been made to encourage this through sub-contracting, most small voluntary organisations remain unengaged with public service delivery.

How, therefore, may the market be opened up to a wider range of specialist, voluntary sector local providers? This paper aims to provide some solutions to this challenge.

## Marketplace Models

This paper suggests three models which can break down the barriers to market access currently faced by smaller voluntary organisations, and enable more to engage with public service delivery. These models function by creating more visible, accessible marketplaces; providing greater equity of access for voluntary organisations and opening up commissioning to a wider range of small, specialist local providers. These smaller organisations are often those best placed to deliver services locally, yet least capable of navigating the complex administrative demands of the commissioning process. Through

opening up access for these groups, public services benefit from locally-tailored provisions that are more accountable to communities, and commissioners are given a range of tools that help satisfy demands for cost-efficiency, diversity and innovation.

Based on GMCVO's experience and evidence base, the following three models demonstrate the benefits of supporting marketplace structure:

**a) Prime Contracting model.** Large statutory grants sub-contracted to a range of smaller organisations, co-ordinated by an appropriate intermediary in the marketplace with no direct stake in delivery.

**b) Consortium model.** Small voluntary sector providers deliver large public service contracts through a joint approach. Tendering and contract management is administered by a small-staffed central 'hub' with no direct stake in delivery.

**c) Provider Directory model.** Tailored directories of local providers created and maintained by an appropriate intermediary in the sector. These provide a marketplace within which more productive relationships can form between commissioners and voluntary organisations locally.

Three examples of GMCVO's work are provided in Chapter 3.3 which exhibit successful application of these models in the Greater Manchester sub-region;

- **Project Towpath** (Prime Contracting model)
- **Greater Manchester Health and Wellbeing Consortium** (Consortium model)
- **Voluntarysectorhealth.co.uk** (Provider Directory model)

These models may apply equally to other forms of investment in or purchasing from the sector, as well as contract-based commissioning – the main focus of this paper.

## **Benefits**

The main benefits, expanded upon in Chapter 4, are as follows:

- Service quality increased whilst bureaucracy and transaction costs minimised.
- A stronger, more diverse and accessible social market.
- More accountable, localised public services.
- New points of access for commissioners and prime contractors.
- Improved market awareness for voluntary organisations, commissioners, and the private sector.

## *Recommendations*

Finally, the paper draws on the evidence to provide some recommendations for action, expanded upon in the conclusion.

- Commissioners must embrace approaches that widen access to the market.
- Voluntary organisations must collaborate more in a changing political environment
- Consortia-building needs public sector expertise to succeed
- Successful models require championing and dissemination across the public sector
- Private sector prime contractors must engage with the voluntary sector

# 1. Marketplaces

A useful framework for discussing the involvement of voluntary organisations in public service delivery is through the concept of a market accessed by statutory agents and voluntary sector organisations.

This market contains a collection of marketplaces – the spaces in which contracts are put out for tender, funding opportunities are advertised, and contracts are bid for, won, and delivered. However, it is our experience that these marketplaces are often felt indistinct, distant and inaccessible for the majority of the voluntary sector.

In GMCVO's view, engaging more voluntary sector organisations to strengthen public service delivery may be approached through the creation of more visible, fairly accessible marketplaces within which commissioners, voluntary organisations and private sector companies can interact more openly. This paper presents three marketplace models that GMCVO have utilised in Greater Manchester to achieve this aim. Firstly, however, it is worth briefly defining the nature of a marketplace, and how they can be beneficial.

## 1.1. What is a Marketplace?

A marketplace refers to the space in which a market operates. A market, in short, is an arrangement whereby buyers and sellers exchange any type of goods, services or information. The marketplace is therefore the location, or set of locations, where these exchanges take place.

Historically, marketplaces originated as physical meeting places where people could buy, sell and trade goods in one place – like farmers' markets, for example. These marketplaces formed the basis for the growth of communities, towns and cities over time. Increasingly, marketplaces have become less tangible, made up of several component parts with various levels of structure, organisation and regulation. As technology and societies have evolved, marketplaces have expanded, diversified and come to operate across a variety of actual and virtual means.

## 1.2. Benefits of a Marketplace

Marketplaces can bring a wide range of benefits. However, these benefits can only be realised when a marketplace provides fair access for all prospective buyers and sellers to compete.

At their ideal best, marketplaces eliminate the need for buyers and sellers to independently seek out the other, saving time and resources. They can also provide new opportunities for working relationships, and act as a vital source of information and awareness of market context for all involved. A further benefit is the tendency for marketplaces to 'cluster' products or services by type, so all relevant suppliers or products can be found in one place,

or a series of known places. In the same way that supermarkets organise produce in categorised aisles, this makes it quicker and easier for buyers to find what they are looking for. It also makes it easier for sellers to reach their target market, reducing the need for costly marketing practices to reach potential buyers. This is especially useful for small providers, who may otherwise lack the necessary resources to market themselves effectively.

Importantly, marketplaces can bring about opportunities for new relationships amongst buyers and sellers. When providers have good access to a marketplace their sales, brand awareness and reputation are given new opportunities to improve.

In marketplaces where there are certain regulations in place, there also exists an important degree of trust for the buyer. Marketplaces may have quality assurance guarantees, or feedback functions like on eBay. In these circumstances, buyers know they are dealing exclusively with suppliers who fulfil certain qualifications. The transparency means that buyers are more easily able to determine the product or service's quality or suitability for their needs. In many online marketplaces, a third party can further assist by enabling customised organisation or filtering of products or services by certain criteria.

Because marketplaces involve more than one buyer or seller, there is also an important element of competition involved. This not only provides an incentive for sellers to provide good value in their product or service, but also makes sellers more aware of their market context. Effective marketplaces enable sellers and producers to understand what is already available in ample supply, and to pinpoint gaps in the market. This can provide an opportunity for providers to differentiate themselves amongst competitors and satisfy unmet need. Marketplaces are therefore an information source for providers, as well as a source of cost-efficiency for buyers. As we will see, this is an important benefit of marketplaces that goes unrealised by the large majority of voluntary organisations that struggle to access the public service market.

How fully these benefits are realised by all possible participants depends upon the nature, structure and accessibility of a marketplace. As the next section discusses, the public service market provides little clear marketplace structures, and this results in the exclusion of a large number of voluntary organisations, particularly smaller ones. Stakeholders in the marketplace – service users in particular – therefore go without the wide range of benefits we believe these groups could bring to public services.

Given the advantages that smaller voluntary can bring to public services (discussed in Chapter 3.1), GMCVO believes it is vital to create marketplaces that are more open and accessible to a wider range of voluntary sector providers.



## 2. Marketplaces & The Voluntary Sector

### 2.1. The Public Service Market

Over the last twenty years, a public service market has grown and continues to expand. As with all markets, there are 'buyers' – in the public sector – seeking to purchase the services of 'sellers' – voluntary and private sector organisations. This, in practice, is achieved through the commissioning of public service contracts. However, because of the large-scale nature of contracts, and the lack of support for smaller organisations within the commissioning process, the marketplaces where opportunities for public service delivery are found remain indistinct, distant and inaccessible for the great majority of the voluntary sector.

### 2.2. The Funding Context

The public service market contains a large and increasing amount of activity between governmental bodies and voluntary organisations, as well as private sector businesses. As this market has grown, the voluntary sector has seen an increasingly large proportion of its income arrive from statutory sources. Voluntary organisations' funding from government sources increased from 28% of the sector's total income in 1995 to 36% in 2007/8, and now stands at £12.8bn.<sup>1</sup> 22% of all voluntary organisations – 38,000 – receive some statutory funding.<sup>2</sup> However, as shown below, this funding is spread unevenly and is overwhelmingly skewed towards the very largest organisations.

### 2.3. The Spread of Funding

Despite increases in statutory funding to the sector, the spread of funding is not even.

Firstly, funding is skewed towards larger voluntary organisations. In 2008, 79% of the sector's statutory income went to 3,742 large and major organisations, compared to only 3.3% that was awarded to small and micro organisations.<sup>3</sup> This means nearly four fifths of state funding to the voluntary sector goes to just 2% of all voluntary organisations – not including, of course, the many voluntary groups that exist 'under the radar'.

Secondly, for the voluntary organisations that do receive state funds, income is increasingly obtained in the form of public service contracts over grant-based funding. Contract income from statutory bodies increased to £9.1 billion in 2008 - nearly three quarters of total government funding to the sector and accounting for over 50% of the sector's income.<sup>4</sup>

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<sup>1</sup>NCVO, '[Estimates of Government Funding to the Third Sector: Experimental Statistics 2010](#)' (June 2010)

<sup>2</sup> NCVO, '[UK Civil Society Almanac 2010](#)' (April 2010), pp.47-48

<sup>3</sup> Ibid

<sup>4</sup> Ibid

However, the great majority of this contract income goes to larger organisations - not those typical of the voluntary sector. In Greater Manchester, for example, there are 5,325 registered charities containing only 20,825 paid staff – an average of less than 4 per registered charity. There are approximately 6,600 further small voluntary organisations that have an annual income of less than £5,000 each. The majority of the Greater Manchester sector are not necessarily benefiting from the increase in income from contract-based commissioning.

It should also be noted that the majority of public funding to local organisations in Greater Manchester, and across the country, is not from national government but from local government and the local NHS.

## **2.4. A Social Market**

GMCVO believes that to make opportunities for public service delivery equally accessible to all suitable providers across the private and voluntary sectors, it is necessary not only to ensure that prime contractors are motivated to sub-contract more extensively, but that we create marketplaces which appreciate the unique characteristics of voluntary organisations operating with a “social market”.

Voluntary sector organisations have a double bottom line: they are constitutionally obliged to break even financially, but also to realise certain social outcomes and charitable objectives; better public health, reduced educational inequality, lower unemployment, less drug use, and so on. This is a crucial difference between voluntary organisations and private sector businesses. The latter can certainly be socially responsible, but have a single bottom line: financial return on investment. It is the social commitments of voluntary organisations that underpin market interaction between statutory and voluntary sectors. It is a market based not on capital, but on the realisation of shared social goals. In this sense, it is a social market. Social return, rather than financial return, is its key driving force, although it is important to realise that the impact of social returns can often create substantial indirect financial benefits.

The special characteristics of voluntary organisations, and their interaction with the statutory sector in a social market model, have important implications. Because of their double bottom line, voluntary organisations cannot be expected to behave in the same way as private sector businesses. For example, social outcomes are often best realised when an organisation is embedded within a community so as to best understand local needs and make contact with the hardest to reach people. As a result, many voluntary organisations do not wish to expand beyond a small number of staff. In contrast to private sector organisations, growth is not a primary concern of many voluntary organisations. Indeed, it is often something that is avoided because it places at risk an organisation’s level of local community trust, outreach, and accountability.

This difference between profit-driven businesses and voluntary sector organisations is crucial. Yet as the marketplaces containing opportunities for public service delivery exist, voluntary organisations are treated much the same as the larger private businesses seeking

contracts. They are expected to market themselves effectively to a range of commissioners and prime contractors, or are assumed to possess the same capacity as private sector businesses to navigate large-scale tendering processes and conduct the complex management and monitoring tasks necessary. Such demands of smaller voluntary organisations are unrealistic and act as substantial barriers to access – often, we believe, in cases where public services could greatly benefit from their participation. This also applies to some organisations considered ‘large’ in the voluntary sector, but which by private sector standards are relatively small.

In order to widen access to a greater range of the most suitable providers, it is important that marketplaces are created which appreciate the unique attributes of voluntary sector organisations, and account for the peculiarities of the social market underpinning interaction between the statutory and voluntary sectors. It is also GMCVO’s view that systems which benefit smaller voluntary organisations often benefit small business as well. GMCVO is presently considering including small business in voluntary sector supply chains, as they can be a better value match with a small local organisation than with a large institution, regardless of sector.

## 3. Engaging Smaller Providers in the Marketplace

### 3.1 Smaller Providers in the Market

As the brief review of the public service market shows above, smaller voluntary organisations struggle to access opportunities provided by the statutory sector for public service delivery. Yet, in GMCVO's view, it is small voluntary organisations that can often deliver the most suitable local service provision.

Although larger providers are often capable of delivering high quality services on a large scale, we believe smaller providers possess several advantages. It is not the case that all small organisations exhibit all these features. However, GMCVO's experience implies that, for the most part, these claims hold true:

- **Greater Local Expertise.**

Smaller providers are firmly embedded in local communities. This applies geographically but also within communities of interest – disabled people, young people, or ethnic minority groups, for example. Such organisations possess a distinctive level of trust within their community, and service-users benefit from high levels of local and specialist knowledge.

- **More Locally-Tailored Services.**

Because of smaller voluntary organisations' level of local expertise, people benefit from services that are tailored particularly for their local needs. Smaller organisations are best placed to understand local demographic requirements – or the requirements of their particular interest group - and deliver services accordingly.

- **Better Local Reach.**

Smaller organisations' limited size and close relationship with communities mean they are most able to make contact with the hardest to reach people. This is particularly important in the most disadvantaged areas with high levels of poverty, long-term unemployment, and related health and social problems.

- **Greater Independence & Accountability.**

Many voluntary organisations are, in the first instance, created by people aiming to help themselves and others in similar situations, where no adequate existing provisions exist. This means many smaller organisations are not 'doing to' but 'doing with'. Through being developed as 'self-help' services, many smaller providers are more independent and accountable to local people because they are run and governed by their own users. Services are therefore likely to be more responsive to local people's needs and concerns.

### 3.2. The Sub-Contracting Approach

Due to the established pattern of public service contracts being few in number and large in scope, the public service market tends to favour large providers. Only larger voluntary organisations possess the necessary capacity to navigate the complex tendering applications and manage the revenue of big contracts common within this framework.

A 2008 GMCVO research project, culminating in the report *Commissioning Possible*, highlighted the way in which tendering processes are overly complex for smaller organisations, too time-restrictive for most, and that success is overly dependent upon independent relationships with commissioners. This excludes all but a handful of organisations with which commissioners have existing relationships.<sup>5</sup>

Government efforts to involve smaller providers centre on maintaining the commissioning of large contracts, whilst encouraging the practice of large prime contractors sub-contracting to smaller organisations. For example, the Office of the Third Sector stated in 2006 they would:

*“seek to provide stronger support for sub-contracting and consortia-building”.*<sup>6</sup>

The Department for Work and Pensions’ (DWP) 2008 ‘Commissioning Strategy’ similarly stated:

*“We envisage a market where smaller providers will mainly act as sub-contractors.”*

The DWP’s current website says:

*“It is ... in the interest of potential prime contractors to engage with suitable specialist organisations to enhance their delivery ... it is essential that small specialist providers market their services to potential prime contractors demonstrating the value for money and additionality, such as local expertise that they could bring to any contract”.*

The current political and economic context suggests that the commissioning environment is likely to stay focused on large contracts that favour large organisations as prime contractors. The DWP, for example, has stated:

*“Our future contracting strategy around competitive tendering for fewer, larger contracts will remain”.*<sup>7</sup>

Opportunities for smaller voluntary organisations, therefore, are likely to remain within the realm of sub-contracting. However, extensive co-operation between prime contractors and small voluntary providers has not materialised, and most voluntary sector organisations remain unengaged with public service delivery. In GMCVO’s view, this is largely due to

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<sup>5</sup> Martikke, Susanne. ‘[Commissioning Possible](#)’, GMCVO (Nov 2008)

<sup>6</sup> Office of the Third Sector, ‘[Partnership in Public Services: An action plan for third sector involvement](#)’ (Dec 2006), p.5

<sup>7</sup> Department for Work and Pensions, ‘[FAQ: Working with the third sector](#)’

unrealistic demands made of smaller voluntary organisations, together with a lack of substantive encouragement from the public sector for large prime contractors to engage with the most suitable voluntary sector providers. Many prime contractors are so large that even entering their supply chains directly is too difficult for small voluntary organisations.

The commissioning process for the DWP's Work Programme effectively excluded almost all local voluntary groups from entering the supply chains in their own right. However there are some positive developments, as private sector prime contractors, encouraged by government, have displayed a new willingness to engage with the voluntary sector in Greater Manchester both directly and through GMCVO. It will be interesting to see how relationships develop, and whether emerging good practice is taken up by other government departments.

### **Widening access to the market**

The pertinent question, therefore, is how smaller voluntary organisations can be provided with better access to the market whilst an emphasis on large-scale contracts continues.

The models presented below, drawn from GMCVO's experience, represent three ways that smaller voluntary organisations can be made able to compete and bring their unique levels of local expertise to public service delivery. They represent the creation of more visible and accessible "social marketplaces". Voluntary organisations, commissioners and private sector businesses are provided with new points of access which, if implemented alongside commissioning practices that demand prime contractors engage with the wider voluntary sector, can ensure the most suitable, specialised voluntary providers can compete to provide the best service for the public.

### **3.3. Providing New Points of Access: Three Marketplace Models**

Stemming from GMCVO's experience as a voluntary sector support organisation in Greater Manchester, it is our view that a wider range of voluntary organisations can become engaged with public service delivery through the creation of open, accessible marketplaces within which commissioners and voluntary sector providers can trade.

The evidence-based models outlined below provide voluntary organisations with clearer points of access to public service delivery and vital mainstream funding opportunities. Commissioners are provided with tools that enable greater cost-efficiency whilst services are opened up to a more diverse range of innovative local providers.

Smaller organisations, meanwhile, are able to access service delivery opportunities without being restricted by the administrative and marketing burdens currently involved. This allows organisations to maintain their limited size and level of local trust, and concentrate resources on the frontline. Transaction costs and bureaucracy are minimised as administrative duties are channelled through a single, small-scale intermediary in the marketplace, rather than conducted individually by a number of separate sub-contractors.

The following three marketplace models are not unique to GMCVO, nor are they an exhaustive list of all possible options to strengthen marketplace structure. However, our experience has shown their effectiveness in connecting smaller voluntary organisations to public service delivery and larger grant-based opportunities.

### **Three accessible marketplace models:**

#### **a) Prime Contracting model**

This model allows large contract and grant-based work funding to reach smaller organisations through a sub-contracting approach co-ordinated by an intermediary in the marketplace with no direct stake in delivery. The intermediary is able to shoulder the administrative burdens and financial risks that otherwise prevent smaller organisations from accessing statutory contract-based opportunities.

Through this prime contracting model access to mainstream funding streams is opened up to a range of smaller voluntary organisations that otherwise lack the resources to independently access the market. Local people benefit from investment in smaller community organisations most able to deliver locally-tailored, accountable provisions across a wide range of services, sustaining and enhancing their contribution to meeting local needs.

#### **b) Consortium model**

Consortia enable small providers to deliver public service contracts in a joint approach – as part of a membership of local voluntary organisations specialising in a particular service area. Providers are able to concentrate resources on the frontline as complex tendering processes and contract management are administered by a small-staffed ‘hub’. Contrary to the prime contractor model, members in a consortium possess joint ownership – contract bids and delivery are co-designed and managed by all members. However, complex tendering, administrative and monitoring procedures – barriers which normally restrict access for smaller organisations - are overseen by the consortium hub.

Consortia allow the involvement of a wider range of voluntary organisations to shape and deliver large-scale public service contracts with unique levels of local experience and community outreach. Whilst small organisations may lack the necessary oversight and resource capacity to form and manage their own consortia, a central hub can overcome the normal administrative and relationship-building barriers faced by smaller voluntary organisations.

#### **c) Provider Directory model**

Directories of local providers, when mapped according to relevant criteria, provide commissioners with a tool that encourages the use of a far wider range of voluntary sector service providers in the commissioning process than currently exhibited. Directories, created and maintained at little cost by an intermediary with a relevant sector overview, strengthen marketplace structure in a way that not only expands commissioners’ awareness of the market, but also provides new opportunities for voluntary organisations to form

partnerships, exchange resources, and form other working relationships. Provider directories also offer a means for organisations to better understand their market context, and locate gaps in provision they may be able to address. They can also be utilised by individual service-users seeking out particular provisions.

The range of benefits these models bring will be discussed more fully in Chapter 4. Firstly, below are three ways in which GMCVO has successfully implemented these marketplace models to open up public service delivery opportunities to a wide range of small providers otherwise excluded from the market.

### **(i) Prime Contracting model: *Project Towpath***

Project Towpath was a two-year project co-ordinated by GMCVO between July 2008 and March 2010. Its aim was to improve the confidence and skills of the hardest to reach unemployed people in Greater Manchester, and bring them closer to work.

The project was funded by a £637,000 grant from the European Social Fund and contract from the Learning and Skills Council. This funding was bid for and won by GMCVO, which then sub-contracted, in grants of up to £12,000, to 63 organisations specialising in a wide range of community outreach services relevant to helping people who were long-term unemployed to become 'job-ready'. Through Towpath, the organisations involved successfully engaged with over 1600 people otherwise unlikely to have undertaken alternative forms of learning. The project was successful in picking up on problems before they became restrictively complex for many unemployed people.

As well as successfully achieving the desired soft outcome of making participants 'job-ready', the Towpath project also achieved significant hard outcomes such as entry to employment or formal learning and reached double the targeted number of beneficiaries. The prime contracting structure also ensured that all provision met the LSC quality assurance standards, which would have been unlikely otherwise.

An independent review into the project by the Community Audit and Evaluation Centre at Manchester Metropolitan University found that "majority of participants felt they had benefited in a number of ways as a result of the initiative".<sup>8</sup> It stated that:

*"The majority of organisations reported a clear and definite impact on the people they worked with, whether in terms of 'soft' outcomes (e.g. confidence and self-esteem) and skills (e.g. team-working) or more specific and practical competencies (e.g. computer literacy, language, writing)."*

The nationwide Community Grants project, of which Towpath was a part, was novel in the sense that it sought to use a support organisation (GMCVO) as an intermediary between statutory funding agencies and the voluntary sector. It was only through this mechanism in the marketplace that small community organisations – those sufficiently embedded in local

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<sup>8</sup> Arrowsmith, Jamie. [Was it Worth it?](#), Community Audit & Evaluation Centre, MMU (Oct 2010)



communities – were able to access this funding in order to engage the hardest to reach people.

GMCVO’s knowledge and experience of the local sector and of delivering LSC contracts meant that funding was made accessible to groups which, due to reasons of lack of capacity, experience, and familiarity, would often find it difficult to successfully gain support from larger awarding bodies. Subsequently, local people benefited from investment in local, specialist providers who best understood local needs and the steps necessary to make contact with the hardest to reach people.

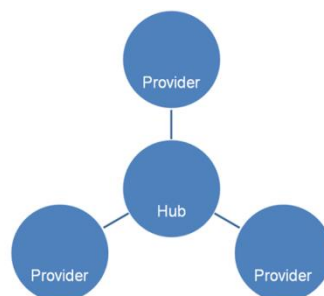
**(ii) Consortium model: *Greater Manchester Health and Wellbeing Consortium***

GMCVO has recently established a Greater Manchester Health and Wellbeing Consortium. It is in its early stages with a board of directors and around 20 member voluntary organisations specialising in health and social care. It is now in a position to bid for contracts.

The primary goal of the consortium is to improve the quality of life of people in Greater Manchester, especially those who are most in need, through the provision of high quality, responsive, generalist and specialist services and initiatives in the field of health and wellbeing.

The consortium consists of a membership of voluntary organisations specialising in providing health or social care in Greater Manchester, and continues to grow. A central small, staffed hub will seek out commissioning opportunities, bid for contracts and manage the ensuing revenue. Contract delivery will be undertaken by a variety of relevant local voluntary sector member organisations, co-ordinated by the hub. The hub will award sub-contracts to members in order to deliver the contract, based on either joint delivery planning or an open and competitive sub-tendering approach. Unlike the prime contracting model above, the members of the consortium share ownership, and are consulted with extensively for service design and delivery. The complex administrative, financial management and monitoring burdens will be shouldered by the small-staffed hub.

**Figure 1: Hub & Spokes Model**



As shown in Figure 1, the consortium will operate with a ‘hub and spokes’ model. The hub, working in close co-ordination with GMCVO and a board of directors, will consist of a small staff team responsible for negotiation, tender writing, contract management, resource allocation, quality improvement and organisational capacity building (within the specific context of contract delivery). It will not only ensure smooth and efficient contract

management, but also seek out new funding and business development opportunities on behalf of the membership. The 'spokes' in the model refer to voluntary organisations that are members of the consortium, which provide health or social care services locally, and which are best placed to deliver a range of holistic, bespoke health services at the point of need. Even smaller voluntary and community groups are involved as "micro-providers" through spot purchasing by consortium members.

This model provides a point of access into the market which allows the involvement of a wide range of innovative local providers to deliver on large-scale public health contracts. Small voluntary organisations benefit from access to mainstream funding sources hitherto inaccessible due to lack of capacity or resources. Local people benefit from health services shaped by these organisations' local expertise, reach, and accountability to the community.

It is important to note that the vital factor which paved the way for the development of this consortium was GMCVO's extensive work with commissioners in the NHS. This ensured that the 'buyer' would be there in the marketplace, *before* embarking upon the extensive consortium-building process. GMCVO believes this to be an important precondition for the building of new consortia.

### ***Sheffield Wellbeing Consortium***

A similar venture in Sheffield has secured several large contracts since forming in 2008, and has delivered successfully through the specialist provisions of 60 voluntary organisation members, co-ordinated by a hub run out of Voluntary Action Sheffield, a similar organisation to GMCVO. Operating with the same hub and spokes model outlined above, the consortium has been successful in winning and delivering several public health contracts through the provisions of their member organisations. Smaller voluntary organisations have thus been granted access to funding streams not otherwise accessible, and local people have been provided with targeted services steeped in local knowledge and expertise.

For example, the Wellbeing Consortium won a £300,000 contract and subsequent £170,000 extension to deliver part of the Altogether Better Community Health Champions regional project funded by a £6.8m grant from the Big Lottery Wellbeing Fund. Co-ordinated by the small central hub, the consortium delivered the contract using 19 member organisations to improve public health in Sheffield's least healthy areas. The project recruited 238 "Health Champions", and has worked with over 5000 people in Sheffield's least healthy communities, contributing over 10,000 hours of voluntary work.

The Altogether Better Community Health Champions programme was cited in the government's latest White Paper on Public Health as an example in best practice of how local people in their communities can work together to create healthier lifestyles.<sup>9</sup> It is important to note, therefore, that the level of quality, locally tailored service provided in Sheffield by a variety of organisations working together was only possible because of the

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<sup>9</sup> Department of Health, *Healthy lives, healthy people White Paper: Our strategy for public health in England*, 30 November 2010

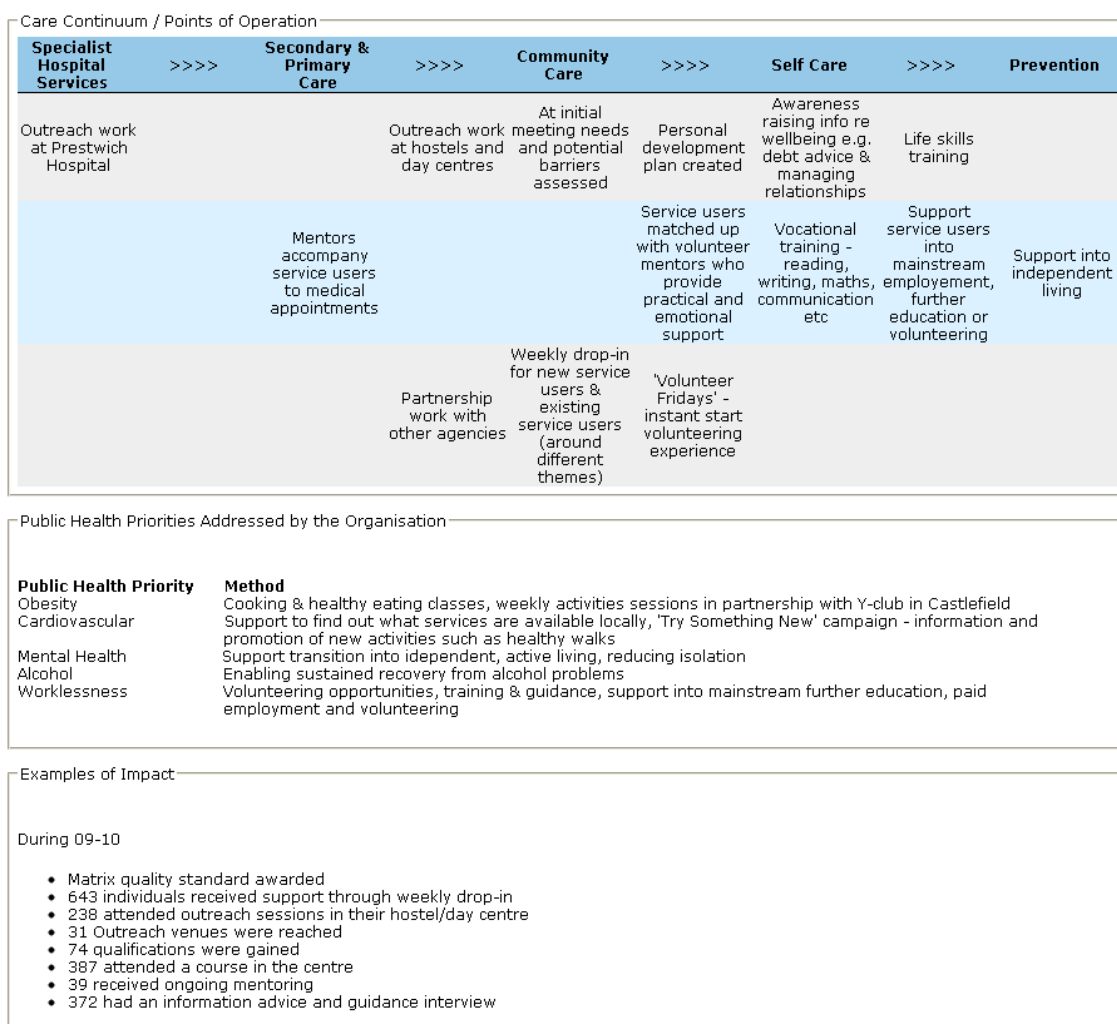
consortium’s hub providing new points of access into the market. A more easily visible and accessible “marketplace” was created, within which all suitable voluntary organisations and commissioners are able to trade.

See [www.sheffieldwellbeing.org.uk](http://www.sheffieldwellbeing.org.uk) for more information.

### (iii) Provider Directory model: *Voluntarysectorhealth.org.uk*

The Health Partnership at GMCVO has developed a directory of voluntary sector health and social care providers in Greater Manchester as an information resource for commissioners, other organisations and service-users. Organisations are mapped according to criteria specifically relevant to the commissioning process. This includes provisions along a ‘care continuum’ ranging from prevention to specialist hospital services, and their services which address the eight key public health priorities of obesity, cardiovascular disease, mental health, alcohol, smoking, cancer, worklessness, and sexual health. Figure 2 shows an example of one voluntary organisation in Greater Manchester as mapped and presented in the online directory.

**Figure 2: Mapping of a local voluntary organisation**



The mapping of organisations in terms of their ‘market offer’ to a particular group of commissioners provides commissioners with information about prospective service

providers specifically relevant to their requirements, sorted by health area and with a customisable search function. It is GMCVO's experience that commissioners lack the necessary overview of the local voluntary sector or sub-sector, and tend to rely on existing relationships with organisations. In the current environment, relationships with commissioners often determine success, so the number of organisations that can be successful is inevitably restricted. Directories like [voluntarysectorhealth.org.uk](http://voluntarysectorhealth.org.uk) help to overcome this problem, providing commissioners with a customised voluntary sector or sub-sector overview of relevant local providers. Instead of a restrictive reliance on relationships with individual organisations, commissioners can have a relationship with the local voluntary sector market as a whole via a resource they can trust.

Mapping in this way may also be of benefit to potential prime contractors and other small organisations wishing to establish local partnerships, or for organisations to share buildings or resources.

Meanwhile, specially constructed directories provide voluntary organisations with a clearer picture of their market context. This allows voluntary organisations to pinpoint areas of ample supply and locate opportunities for unmet need to be addressed in their area. Voluntary organisations are thus able to operate more effectively - not just independently but also in conjunction with one another - in what is essentially a competitive market environment.

A further benefit of directories could be as an information source for service-users with personalised budgets – the service is free for anyone to browse local service providers by various relevant criteria.

## 4. Investing in Social Marketplaces: Five Benefits

The models outlined in Chapter 3 represent the creation of marketplaces that provide new, clearly visible points of access for voluntary organisations, commissioners, and large prime contractors. The expansion of models like these ensures that public service delivery is open to smaller voluntary organisations that, in GMCVO's view, are capable of providing the most accountable, locally-tailored services with a high degree of trust and expertise in their community.

Transaction costs and bureaucracy are also minimised throughout these models, because administration and monitoring is channelled through one intermediary location rather than by each organisation independently.

In a political context within which the practice of contracting out public services looks likely to increase, these models open up public service delivery to organisations that, in GMCVO's view, provide the most accountable, locally-tailored services with a high degree of local trust and expertise.

### Key Benefits:

#### **1. Service quality increased whilst bureaucracy and transaction costs minimised**

All costs and administrative duties are channelled through one small-scale intermediary in the marketplace with no direct stake in delivery. This avoids the need for costly measures to build the capacity of individual organisations or for commissioners to maintain an abundance of individual relationships with smaller potential sub-contractors.

Resources can remain concentrated on the frontline as contract management, quality monitoring, evaluation and other related duties are conducted by a small-staffed intermediary in the marketplace with a relevant sector overview. A wider range of small providers are involved in service delivery, whilst bureaucracy and transaction costs are substantially limited.

#### **2. A stronger, more diverse, and accessible social market**

Through marketplace models that relieve smaller organisations of the burdens associated with complex tendering procedures or marketing to commissioners, opportunities for public service delivery are opened up to a wider range of the most specialist local voluntary sector providers, strengthening and diversifying the social market of public service delivery.

Small organisations are connected to mainstream income sources that will help sustain and enhance their contribution to meeting local needs. They are also able to maintain their limited size, a factor crucial to many smaller organisations' level of local trust, expertise and accountability.

### **3. More accountable, localised public services**

We believe public services can be more locally specialised and accountable to the community if they are delivered by organisations that are run and governed by their own users. Opening up the commissioning process to these smaller voluntary organisations, through models such as those in this paper, allows public services to benefit from these unique qualities.

### **4. New points of access for commissioners and prime contractors**

Commissioners are limited in the number of relationships they can maintain with voluntary organisations. Yet research by GMCVO shows that a relationship with a commissioner is the most important factor in determining success.<sup>10</sup> Large prime contractors, especially from the private sector, are expected to sub-contract to smaller local providers, yet also lack points of access into the voluntary sector.

The creation of more visible social marketplaces provide commissioners and prime contractors with new points of access into the voluntary sector, presenting opportunities for effective relationships with – and a better overview of – the sector as a whole.

### **5. Improved market awareness for commissioners, voluntary organisations and the private sector**

Markets work best when there is a sufficient level of information available to all sides; to avoid duplication, address gaps in provision, and spread good practice more efficiently. These models maximise the information available to all parties across the voluntary, statutory and private sectors so that best practice can be shared, duplication avoided, and gaps in provision located.

For voluntary organisations in particular, opening up marketplace access using these models provide groups with the greater market awareness, enabling better identification of unmet need. Moreover, in GMCVO's experience smaller organisations are often unaware of sub-contracting opportunities and unsure who likely prime contractors in their field are. These models provide new points of access to overcome such knowledge barriers.

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<sup>10</sup> GMCVO, *Commissioning Possible*, 2008

Voluntary organisations are made more aware of services already in ample supply by other organisations, and where there are gaps that need filling. Organisations are thus provided with opportunities to differentiate themselves in a competitive environment, at the same time as responding more accurately to unmet need. Furthermore, commissioners' needs-assessment, service design and contract specification will benefit from a more rounded appreciation of the voluntary sector's capacity.

These marketplace models also present new opportunities for partnership building and resource exchange. With new points of access voluntary organisations are able to operate more effectively, and collaboratively, in a competitive marketplace.

## **5. Creating Strong & Diverse Social Marketplaces: Five Recommendations for Action**

### **Conclusion: Building Social Marketplaces**

A single focus on building up the individual capacity of voluntary organisations is not a cost-effective way to expand the sector's involvement in public service delivery. It places unrealistic demands on smaller organisations to become effective marketers of their services, and administrators of contracts, in order to be successful in a complex, large-scale commissioning environment.

Commissioners have a limited amount of room to engage with the voluntary sector, and are becoming even more distant in the current climate. This limits their possible knowledge of the sector's capacity, and restricts the number of relationships commissioners can maintain with potential sub-contractors; relationships which often determine success. Large contracts tendered in this environment mean many organisations - often those most capable of providing locally-tailored, accountable provision across a range of services - are excluded from public service contracts.

Statements from the current government indicate an intention for the voluntary sector to take on board a greater proportion of public spending in the future. Current trends suggest this is most likely to occur in the form of public service contracts. GMCVO believes that, to involve the most high-quality, accountable and specialist local providers from the voluntary sector, embracing models such as those in this paper is of fundamental importance. Without doing so, contracts will continue to be put out for tender with little chance that smaller voluntary organisations – which display these qualities most vividly – can become involved on a meaningful scale.

Creating marketplaces which provide new points of access for smaller organisations – overseen by an intermediary organisation or mechanism with a relevant sector overview and no direct stake in delivery – provides the spaces in which voluntary organisations, large private sector prime contractors, and commissioners can interact to provide more accountable, localised public services. Commissioners and prime contractors are not limited by individual relationships, and smaller voluntary organisations are not burdened with restrictive administrative and marketing demands.

## Five Recommendations for a strong, diverse social market:

### ❖ ***Commissioners must embrace approaches that improve marketplace access***

Smaller voluntary organisations can only become properly utilised within public service delivery if the statutory sector engages with, encourages, and – where appropriate – funds the expansion of marketplaces that provide new points of access for these groups.

The marketplace needs to be made accessible to a wider range of providers, and the three models highlighted here are shown to achieve this aim. They provide service delivery opportunities to a wide range of the most suitable, specialist local service providers. These models relieve small organisations of the prohibitively complex administrative burdens normally associated with the commissioning process, and reduce bureaucracy and overall costs at each end.

### ❖ **Voluntary organisations must collaborate more in a changing political environment**

Voluntary organisations need to collaborate more extensively in the new political environment, and embrace cooperative models of working such as those in this paper, or else risk getting left behind.

They must demand sector infrastructure that provides better access to the public service market – an increasingly vital source of funding – and strive to be part of the process of change, affecting the formation of supply chains and shaping the evolution of service delivery, rather than passengers.

### ❖ ***Consortia-building needs public sector expertise to succeed***

Commissioners should lend their public sector expertise to consortia-building processes and the formation of provider directories, or the encouragement of these and other similar arrangements. GMCVO's areas of work have all benefited from strong working relationships with the public sector; none of our successful case studies in this paper would have been possible otherwise. Public sector individuals have provided valuable advice regarding the preferable structure of consortia, and on the information that provider directories would most usefully contain. Commissioners should be encouraged to partake in more of this collaborative work with voluntary sector partnerships, consortia, and support bodies.

### ❖ **Successful models require championing and dissemination across the public sector**

Voluntary sector organisations rarely see their most effective delivery models championed in the statutory sector. Through expanding working relationships with the statutory sector



the voluntary sector's most effective marketplace models should be championed to spread best practice - not just throughout the voluntary sector but across the public sector too.

❖ **Private sector prime contractors must engage with the voluntary sector**

It is likely that an increasing amount of private sector businesses will operate within the social market of public services over the coming years, as more public services look set to be contracted out via large-scale contracts. As such, large prime contractors from the private sector will become potential sources of funding for smaller voluntary organisations in the future. At the same time, smaller voluntary organisations could greatly enhance the value and effectiveness of the prime contractors.

Although GMCVO has found that the speed and complexity of the process effectively excluded almost all local voluntary groups from entering Work Programme prime contractor supply chains in their own right, there have been some positive developments. Prime contractors, encouraged by government, have displayed a new willingness to engage with the voluntary sector in Greater Manchester both directly and through GMCVO. This good start needs to be followed through in the shaping of future contracts and across the commissioning practices of other government departments. However, lessons also need to be learned from the Work Programme where processes did not work to involve smaller voluntary organisations. For this end we recommend an evaluation of the DWP's approach to the commissioning process for these contracts, once services are being delivered.

Moreover, although it is necessary that government departments ensure large prime contractors are adequately motivated to engage with the wider voluntary sector, the most suitable smaller providers will continue to struggle to become part of supply chains unless new points of access are provided.

This paper suggests three models which help achieve this end. Prime contractors, as well as commissioners, need to engage with consortia, directories and other such models in the voluntary sector to ensure that the most suitable providers can deliver services locally.