Healthy London Partnership

Unlocking the value of VCSE organisations for improving population health and wellbeing: The commissioner's role

This guide is of particular relevance to commissioners, service transformation and improvement leads engaged in delivering

- Place-based care
- Public health / prevention
- Social prescribing
- Asset-based approaches
- Community development

This guide may also be useful for VCSE organisations in developing their services.

How to use this guide?

There are many constraints on commissioners in the current financial context. There is a greater need for providers and commissioners of services to deliver more with less, and address a growing complexity of health needs. Innovation in the design and delivery of services requires new ways of working together and can also require a greater appetite for risk. Commissioners should use this guide to widen their exploration of innovative ways of working with the VCSE sector so that they can capitalise on new solutions for population health improvement.

This guide includes a variety of approaches to working with the VCSE sector as a vehicle to deliver improved health outcomes. These approaches range from adapting commissioning processes, engaging the VCSE sector to develop more sustainable business models, as well as creating an environment within which new VCSE organisations or initiatives can be kick-started and spun-out.

Many of these approaches are new and emerging. It is intended that commissioners can **pick and mix** the approaches they feel are most applicable to their local commissioning context.

HLP would like to hear any feedback on this guide as well as the challenges, successes and learnings from embedding these approaches that might help others. Click here to leave your feedback.

About this guide

This preliminary guide has been produced by the Healthy London Partnership (HLP) and is based on interviews, insights and learnings from a broad range of change-makers across the health and care system.

It is intended to stimulate dialogue on, and enable, commissioners to work with the VCSE sector in order to create additional capacity for improving health and care that is person-centred and community-based. The guide draws together examples of where this is already working well including examples from across London. It is intended to:

> i) Stimulate a conversation between commissioners and the VCSE sector about the sustainability of local, value-adding organisations

> ii) Offer guidance and advice on ways of working with the VCSE sector to develop financially sustainable services; including guidance on how to kick start new social ventures to address gaps in provision

> iii) Encourage commissioners to engage in an agile way with communities and providers to define the solutions needed

A short, sister-guide has also been produced which is intended to be read alongside this guide. The sister-guide shows how design-led approaches can be used to develop place based services and how, as part of this, business modelling can help to ensure services are financially sustainable.

Of particular relevance to this guide is the Care Act requirement for commissioners to gain a much deeper understanding of the provider market. They now need to be able to answer a wider set of questions: Is the range of provision appropriate to meet needs and sufficient to meet anticipated demand? Which providers are developing, or wish to develop, new models of provision? Where are the gaps in provision? Which providers have the potential to diversify or offer a more integrated and/or efficient service? And, crucially, which local organisations and services might be at risk and why?

This guide won't answer those questions for commissioners, but it does document approaches, supported by case studies, to proactively support the existing market and activate sustainable provision that meets people's needs and is closer to people's homes.

Foreword

Recent years have made three key things increasingly clear to those who work in health and social care. The first is that prevention is completely critical to achieving the shared objectives we have with the resources we have. The second is that healthcare is not something that happens in hospitals and GP surgeries: it needs to be part of our work lives, our leisure time, our environment, our eating and our community. The third is that the NHS system cannot do this on its own: we can only make the shifts and transformations required through working across sectors and using the skills, capacity and reach of a wide range of partners.

This is why I'm delighted to write the foreword for this guide, which focuses on how commissioners can best work with voluntary, community and social enterprise organisations to achieve their goals. Partly this is about smarter commissioning and procurement, using levers such as the Social Value Act; partly it is about different forms of innovative partnerships, such as spin-outs of service areas; and partly it is about making the best use of the resources and assets that are either within communities, or can be newly invested from outside. Above all of these, though, it is about a clearer understanding of the sheer capacity, scale and track record of these organisations to tackle the challenges that the system is facing.

As healthcare commissioning becomes more place-based and moves towards population footprints and Sustainability and Transformation Partnerships (STPs), the role of charities and social enterprises arguably becomes even more important. Put simply, none of the STPs will be able to meet the objectives of their plans if they do not better engage with citizens and work with and through the social sector. Better joint working at the commissioner level will only take things so far, and it is in mobilising the broad range of organisations and people at the grassroots where change will actually happen. They can reach people that the statutory system cannot, and tackle local, complex problems in a way that a large organisation can struggle to do.

Of course, this is a two-way conversation, and the social sector has its own challenges: they are often small, lack capacity, and have constrained finances themselves. Using different and sometimes non-conventional forms of financing services can make a significant difference to their ability to engage. At the other end of the scale, there are large charities and social enterprises that employ thousands of people and deliver services across multiple locations. That diversity is part of the sector's strength, and one that commissioners need to make best use of.

That is why at Social Enterprise UK we welcome this guide from the Healthy London Partnership: with better information, clearer advice and practical links to help commissioners. It will help them explore what is possible and start to realise the potential of working more strategically with charities and social enterprises; and that, in turn, will help deliver the improvements in health and wellbeing that we are all working hard to achieve.

Nick Temple, Deputy CEO
Social Enterprise UK

With thanks to all those who contributed to and supported the development of this guide, including:

Contents

1. Introduction

This section covers the:
- Background
- Challenges faced by the health and care system

1.1. Background

This guide will share the learnings from Healthy London Partnership's work, including the 'Healthy Communities' project and 'FanActiv' initiative. This work involved kick-starting and incubating initiatives that deliver improved health outcomes through the development of sustainable business models, co-designed with communities.

Both the 'Healthy Communities' project and 'FanActiv' initiative aimed to tackle obesity in London. 'Healthy Communities' focussed on childhood obesity within three local neighbourhoods; it developed three different initiatives based on the local needs. 'FanActiv' focussed on tackling obesity through a physical activity intervention which harnessed the competitive spirit of football fans.

Each of the four initiatives were designed with sustainable business models at their core, piloted and independently evaluated. As a result, most of them have the potential to operate independently of public sector funding, and have therefore the potential to be scaled; and those which demonstrated positive outcomes in the pilot phase are now transitioning into social enterprise models.

Each of the three 'Healthy Communities' initiatives, and the 'FanActiv' initiative, were developed independently but the model used to create them was the same. This model included:

- Defining the problem through meaningful engagement with the local community and VCSE sector - using a design-led approach;
- Designing and piloting financially sustainable business models which, once operating at scale, have the potential to be financially independent of public sector funding;
- Partnering with the VCSE sector, community leaders and entrepreneurs to kick-start and 'own' the initiatives;
- Providing incubation support for the initiatives through training, business modelling, partnerships and non-traditional funding mechanisms.

Make Kit

Make Kit is a healthy and affordable recipe pack

Snack Stop

Snack Stop brings local retailers to schools to sell healthy and affordable snacks

Active Local Links

Active Local Links connects families with local health and wellbeing activities

FanActiv

FanActiv harnesses healthy competition between football fans to increase their physical activity

The work of the 'Healthy Communities' project and 'FanActiv' initiative has helped to develop potentially sustainable initiatives capable of delivering health outcomes and operating at scale. Ultimately, this model could help commissioners to use their funding more effectively whilst improving outcomes for their local communities.

What follows in this introductory guide builds on the learning from this experience as well as perspectives from commissioners, innovators and social entrepreneurs across the health and care system.

1.2. Challenge faced by the health and care system

Demand on health and care services is rising. There are now more people than ever living longer and subsequently with more long term health conditions. This is putting a huge burden on services at a time when finances within the public sector are being stretched to their limits.

The NHS is committed to achieving £22 billion efficiency savings through productivity gains of 2% or 3% a year between now and 2020, despite a predicted growth in demand of 3.1% per year[1]. Evidence suggests that to stem the flow of demand, and tackle the widening gap in health inequalities, services need to shift their focus from treating ill-health to prevention and early intervention – including the social, economic and environmental factors that affect health in its broadest sense[234]. The Five Year Forward View (FYFV) has therefore called for a radical upgrade in prevention and said the sustainability of the NHS is dependent upon this[5].

The Better Health for London report (2014) has also placed emphasis on prevention with an ambition for London to become the healthiest global city through tackling childhood obesity, increasing physical activity and improving workplace health and self-care[6]. HLPs report on the return on investment from primary prevention estimated that approximately £430 million of annual savings could be generated in London alone from a dampening of demand by 2020-21.

Whilst it is recognised that investing in prevention now, should reduce demand on services in the future, prevention budgets, public health initiatives and mainstream services are experiencing real-term cuts to their budgets. It is estimated that 4% of the healthcare budget is currently spent on prevention[7]. It can be challenging for commissioners to invest in prevention initiatives,

particularly when tackling 'wicked problems' where the evidence base is limited. Furthermore, the return or release of cash savings may be felt in different parts of the health and social care system, and much later on, from where the investment was made.

The Sustainability and Transformation Plans (STPs) resulting from the FYFV, recognise the importance of prevention including the need to address the wider determinants of health in partnership with the VCSE sector, through social prescribing for example. However, currently some of the detail about how this will be achieved is missing[8] and there is concern that with increasing pressure to demonstrate short to medium term cost savings, prevention is at risk of slipping down the agenda. A new approach to up-scaling prevention within the current financial constraints is urgently needed and this will require a joint focus on innovation to deliver more personalised and place-based care in partnership with others.

"There is a growing mismatch between spending on public health and the significance attached to prevention in the NHS 5 Year Forward View."

– Health Committee publication

2. Rationale

This section covers the:

- What are place-based approaches and why are they needed?
- What is the VCSE sector and how can it help to deliver improved health outcomes?
- What are the challenges and opportunities in working with the VCSE sector?
- What is the commissioner's role in working with the VCSE sector to improve population health?

2.1 What are place-based approaches and why are they needed?

The concept of place-based health has evolved over time. It emphasises the importance of personalised care delivered by integrated care systems which seek to empower people and prevent an escalation of their needs. It builds on local assets to provide care closer to home and takes into consideration a person's wider context including their physical and social environment.

The shift toward place-based care is happening across the country; such as through devolution in Greater Manchester where there is a greater focus on prevention, early intervention and the wider determinants of health[10]. So too in the Morecambe Bay Primary and Acute Care System Vanguard where the focus has shifted to population health and self-care[11] and in the many STPs which reference social prescribing. In all cases the VCSE sector are recognised as key partners to success.

Place-based approaches are particularly appropriate where the problem seeking to be solved is complex - or 'wicked' - and the solutions are either uncertain or require multiple forms of intervention[12]. There are a number of different approaches to delivering place-based care but often they involve a similar set of features including: community engagement, harnessing local assets, system coordination and the use of a multi-level approach to achieve better outcomes[13].   It is these features which make VCSE organisations so well placed to be involved, alongside other providers, as joint partners in achieving health outcomes through place-based approaches.

2.2 What is the VCSE sector and how can it help to deliver place-based care?

What is the VCSE sector?

The VCSE sector encompasses many organisational forms from charities to social enterprises, to businesses with a social mission. It includes cooperatives, Community Interest Companies, Companies Limited by Guarantee, Mutuals and more. In the context of this guide, the focus is on local VCSE organisations that - by their nature - tend to be small to medium sized organisations and often face very different challenges to the large national or international VCSE organisations. The sector as a whole is very diverse with varying support needs and ambitions. For some VCSE organisations, their goal will be to achieve a modest yet significant local impact whilst others will seek to drive impact at greater scale. Though VCSE organisations share many of the aims of the public sector, they are also able to leverage different forms of funding, galvanise support, and quickly respond to complex needs in a way that the public sector at times cannot.

Figure 1 - VCSE organisational forms

THE VCSE SECTOR

PURE COMMERCIAL ENTERPRISE	BUSINESS GIVING A PORTION OF PROFITS TO CHARITY	SOCIALLY RESPONSIBLE BUSINESS	SOCIAL PURPOSE BUSINESS	CO-OPERATIVES	ENTERPRISING NON-PROFITS	ON-MISSION ENTERPRISING ARM OF A CHARITY	OPERATIONAL CHARITY

Source: Adapted from Charities Aid Foundation (CAF) Venturesome (2010)
"Financing Big Society: Why social investment matters"

How can it help to deliver place-based care?

The VCSE sector can play a key role in personalised, place-based care. It is an important partner for health and care commissioners in helping to upscale prevention within the complex and financially challenged system. Recent legislation and strategy documents such as the Health and Social Care Act (2012), Care Act (2013) and Five Year Forward View (2014) have recognised this and promoted the role of VCSE organisations in service provision.

VCSE organisations are locally rooted and often have a wealth of local knowledge and connections as well as the ability to flex and adapt to local needs, innovate, and help people to navigate the health and care system[14]. They often have a unique insight into the health challenges and assets within a place and are able to provide a personalised approach to addressing the needs of service users, locally. Being locally rooted and often well trusted in the community makes them better able to connect with traditionally 'hard-to-reach' groups and so they play a particularly important role in tackling health inequalities.

The sector also provides wider social value through the employment of local people and utilisation of volunteers which can build community resilience and social capital. For example, 41% of social enterprises created jobs in 2015 and 59% of social enterprises employ at least one person who is disadvantaged in the labour market. In 2012-13, there were approximately 15million regular volunteers in the UK who contributed an estimated £23.9bn to the UK economy[16].

The ability of VCSE organisations to leverage funding - through trading, corporate partnerships and fundraising – makes the sector well placed to harness funding from other sectors toward shared health goals. For example, 73% of social enterprises earn more than 75% of their income from trade and many charities are shifting their models to reduce their reliance on public sector funding[15,16].

This unique local insight and ability to flex and personalise approaches; in combination with a track record of leveraging funding and adding social value makes the VCSE sector an essential health partner.

"This is important in relation to social prescribing too. We've commissioned 5 locality link workers that can receive referrals and route people through to local voluntary sector organisations providing a non-medical response to deal with demand."

- Neil Bucktin, Head of Commissioning, Dudley CCG

2.3 What are the challenges and opportunities in working with the VCSE sector?

The work of many local VCSE organisations is becoming strained by funding cuts and sustainability challenges are an increasing concern. A growing body of evidence shows that many charities are struggling. Both national and local funding for small and medium sized voluntary organisations has rapidly decreased since 2008 as a result of public sector austerity and despite an increasing need for their services. This is particularly affecting smaller organisations which tend to be more reliant on single income streams. Many are facing closure and only a small percentage of groups are able to prioritise building reserves[16].

One third of charities with an annual income of less than £1m are operating with no reserves at all and 23,000 charities stopped operating across England and Wales between 2008 and 2013[17]. Evidence suggests that shifts in commissioning practices to fewer, larger contracts may have exacerbated some of the financial issues faced by VCSE organisations, as well as a lack of core competencies within the voluntary sector workforce and a shortage of skilled volunteers[16].

The sector needs to respond to changes within the health and care system including new commissioning frameworks and constrained finances, and ensuring their services respond to the full breadth of local need. A move toward consortiums and alliances is critical to this, as is ensuring diverse and sustainable income streams which aren't wholly reliant on public funding, where possible.

Evidence does suggest that sustainable business models are possible and research suggests that the sector is starting to adapt to the challenges it faces. 31% of social enterprises are reported to have made a profit last year[15] and there has been a rise in Community Interest Companies and other social enterprise models. Research by the independent Power to Change Trust found that the majority of community businesses expected to increase their income, hire more paid staff and grow their volunteer base in 2017.

Charities are also becoming increasingly enterprising and beginning to diversify their income streams through trading too. Between 2008/09 and 2012/13, small and medium-sized charities increased their income through fundraising and charitable trading by up to 60%; though this was not enough to offset losses in reduced public income[17].

In order to capitalise on the important role of the VCSE sector in delivering joint health outcomes, commissioners must take the opportunity to support the shift toward financially sustainable business models; ensuring there is a vibrant and thriving local VCSE market.

What about the CVS (Council for Voluntary Service)?

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A CVS is a local voluntary sector organisation dedicated to bringing the local charitable sector together. They offer a variety of services and support to the sector including training, funding advice and advocacy. They usually operate at Borough level and they may or may not incorporate the local volunteering centre. Many will also have experience in managing grant schemes on behalf of statutory bodies.

Traditionally these CVS organisations might have supported the voluntary sector to develop the skills and networks required to become more financially sustainable. However, funding shortages have hit many local CVSs particularly hard. Our experience is that provision across London is very variable and where some are struggling to stay afloat, others, like in Hackney, have played a critical role in bringing their local VCSE sector together and in doing so have attracted funding into the area.

2.4 What is the commissioner's role in working with the VCSE sector to improve health?

It is the commissioner's role to ensure that local health and care needs are met, and critical to this is ensuring a financially sustainable and activated VCSE market. There is a joint responsibility between the VCSE sector and public sector to improve health through prevention and this can be achieved through working together more effectively, and in partnership.

Commissioners have an opportunity to shape, stimulate, support and even galvanise the VCSE market to ensure it is financially sustainable and able to deliver maximum impact where it is most needed. Greater financial sustainability is likely to involve VCSE organisations developing more diverse income streams and becoming less reliant on public sector funding. Commissioners can support this transition to be achieved through less traditional methods of financial investment, provision of assets, sharing knowledge with staff or facilitating the creation of partnerships and alliances. This support - also called **incubation** - is sometimes provided by specialist infrastructure organisations such as CVSs or on incubation programmes but, as a key funder, commissioners also have a role to play.

Figure 2 - Commissioner-led incubation

- Funding
- Sharing networks
- Assets
- VCSE Sector
- Sharing skills & knowledge
- Commissioning infrastructure support
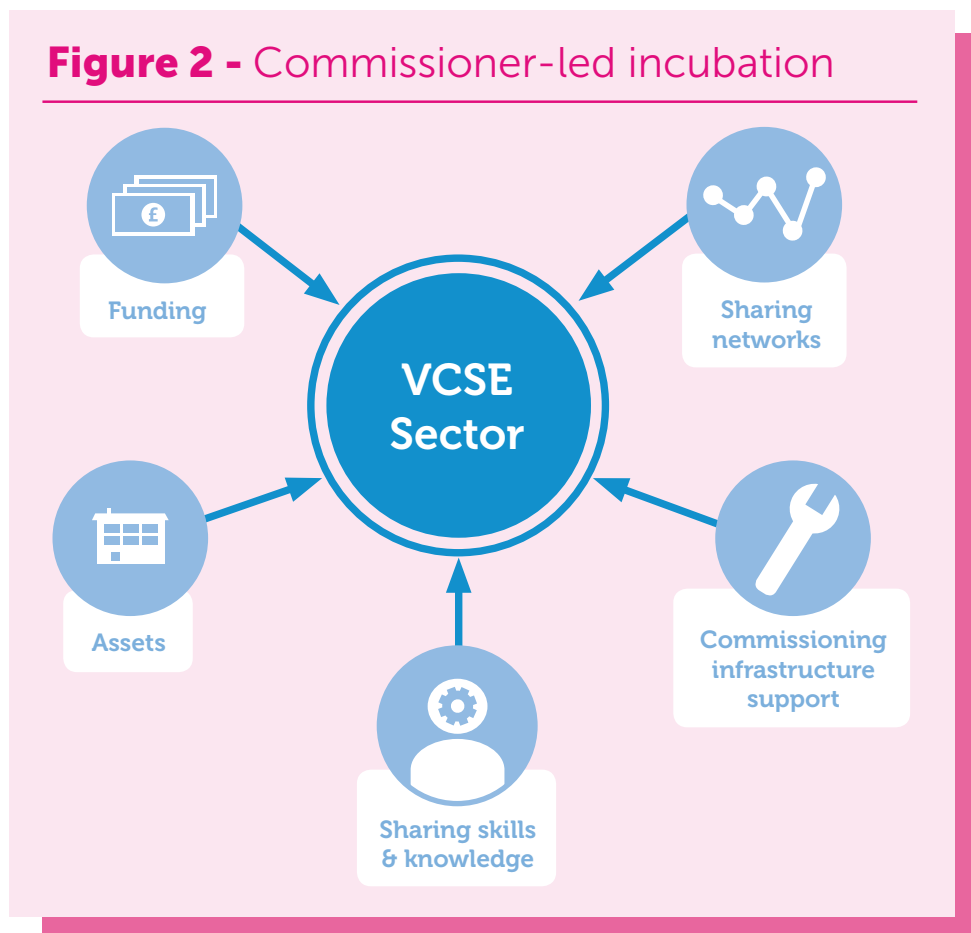
Recommendations' by the Lloyds Bank Foundation said that funders, including public sector funders, needed to:

1. Reform their commissioning processes so that funding could reach small and medium sized charities
2. Reduce the volatility of their funding to small and medium sized charities, and
3. Support charities to build their capacity[17]

These recommendations' have been echoed by many of the people who have supported the development of this guide, and can be applied to the VCSE sector as a whole.

Commissioners providing leadership to ensure the financial sustainability of their local VCSE sector are likely to not only see their funding going further, but to also see the impact of their funding and ability to produce positive outcomes for communities increasing too.

Shaping the market

Much of the content of this guide amounts to influencing – or 'shaping' - the VCSE market in order to deliver health outcomes more effectively and sustainably, and to activate providers around gaps in provision.

Shaping the market is a statutory requirement for Local Authorities under the Care Act (2014)[18]. It places a duty on them to move from being an influence on the care market to taking much more of a proactive and collaborative role – working more closely with service users and providers to support the care market. Although the local authority may still act as a purchaser of care, its overarching responsibility is to ensure the diversity, quality and sustainability of the local provider market.[19]

Currently there is no reciprocal duty on CCGs to shape the healthcare or wider VCSE market. However there is growing evidence to suggest that the most effective way of ensuring sufficient services to meet or prevent demand is through co-ordinating health and social care commissioning approaches and developing place-based perspectives on how the health and care market operates, so that services which meet local needs can be developed.[19]

Figure 3 - Theory of Change

Commissioners

Improved population health

Population needs met, gaps in provision filled

Diverse, thriving and activated market

Public sector funding used more effectively and sustainably

Self-sustaining initiatives and organisations

Sustainable income
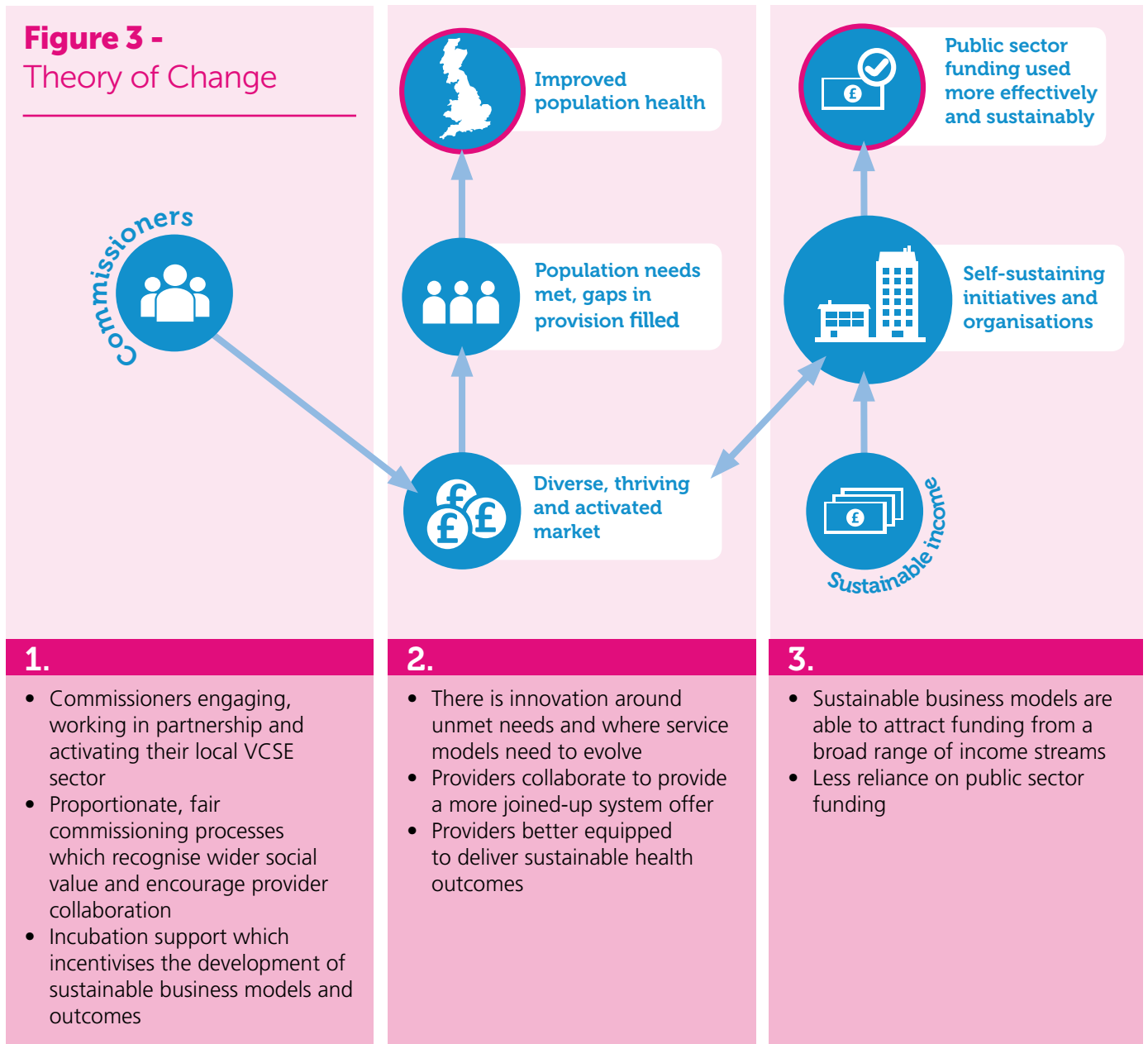
1.
- Commissioners engaging, working in partnership and activating their local VCSE sector
- Proportionate, fair commissioning processes which recognise wider social value and encourage provider collaboration
- Incubation support which incentivises the development of sustainable business models and outcomes

2.
- There is innovation around unmet needs and where service models need to evolve
- Providers collaborate to provide a more joined-up system offer
- Providers better equipped to deliver sustainable health outcomes

3.
- Sustainable business models are able to attract funding from a broad range of income streams
- Less reliance on public sector funding

3. Realising the value of the VCSE sector

The rationale section set out the importance of place-based approaches in delivering health outcomes and the role of the commissioner in activating and supporting the VCSE sector to achieve positive impact. This section of the guide will explore how commissioners can achieve this. It will include:

- An introduction to financial sustainability
- Adapting the commissioning process to level the 'playing-field' and recognise broader social value
- Incubation for greater, more sustainable impact
- Activating partners around un-met or complex needs

3.1 Introduction to sustainability

On page 13 the challenges faced by the VCSE sector are highlighted; parts of the sector are becoming increasingly financially strained and this is limiting its ability to sustainably deliver health outcomes at the scale required.

'Sustainability' means different things to different people. In the context of this guide it is referenced in relation to the **financial sustainability** of VCSE organisations and the services they deliver – Is the organisation generating enough revenue to support core operations, deliver services and develop or grow their offer in the long term, and without an over-reliance on single or public sector income streams?

When considering sustainability at the local level, a number of questions are worth considering:

- What can commissioners do to ensure their investment delivers impact and the desired outcomes?

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- If a providing organisation or a service ceased to exist, what impact might that have on the local community? Which providers are at risk of this? Are there other organisations who could fill the gap?
- Where is innovation needed and where could new models of delivering care provide greater return on investment?
- What other sources of funding or support could be attracted to support delivery? Could the provider be supported to develop a business model that never intends to be fully reliant on public funds but instead attracts supplemental trading or other revenue too?

Seeking to ask, answer and **influence** the answers to these questions hasn't traditionally been seen as a core part of a commissioner's role but this is beginning to change. There are now numerous examples of where commissioners taking on this role are having a transformative effect on the VCSE market, and in turn the services available to their communities.

With commissioners' budgets being squeezed, those non-statutory services that are currently commissioned will become increasingly at risk. By working with providers at an early stage to consider what can be done in this context, they are more likely to be prepared for and more resilient against future reductions in funding. In this way, providers can be stimulated to become more sustainable, more impactful and less reliant on single income streams – ensuring services remain available locally.

Underpinning this guide is the belief that all VCSE organisations should be working toward greater (if not complete) financial sustainability, and that where possible, this should move away from a reliance on public sector funding. Depending on their mission, beneficiaries / customers and business model this will be more achievable for some than others. For some VCSE organisations financial sustainability will be achieved independently through diversifying their income streams, others may need support to do this.

"Being clear on the business model you're delivering is really important and having a number of revenue streams in place to whether political/local changes is vital for sustainability."

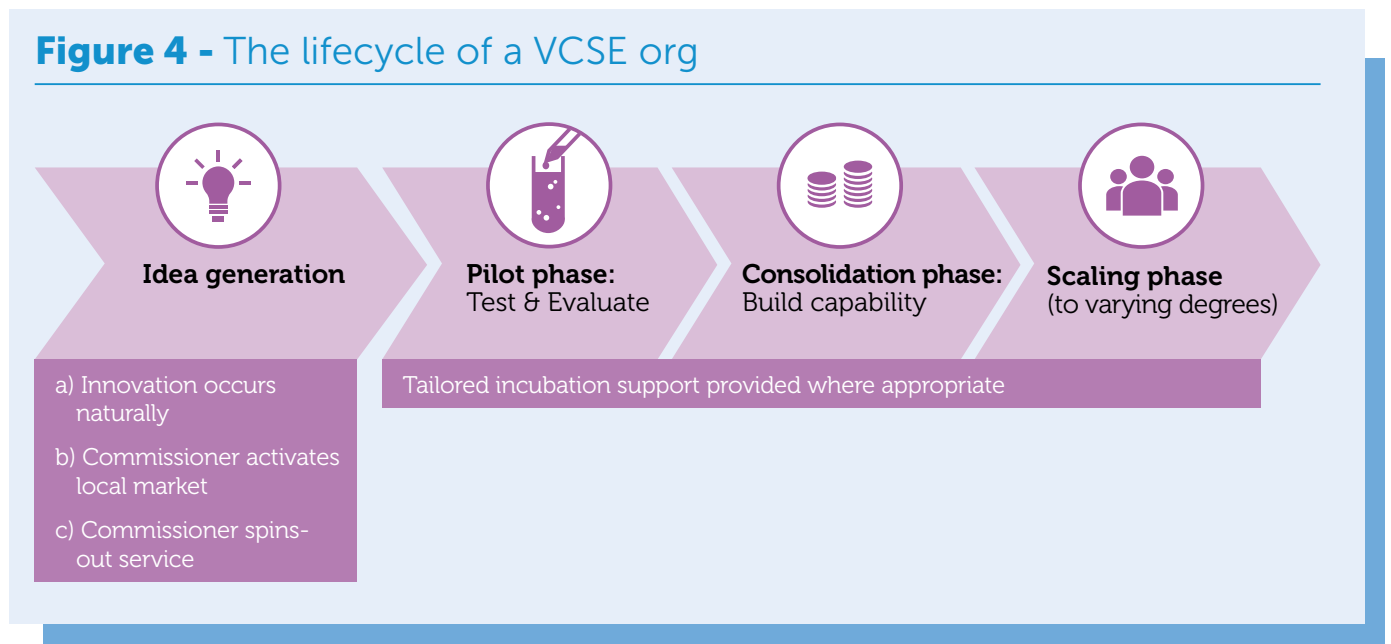*– Zoe Portlock, Director, Bromley-By-Bow Centre.*

"We have diversified our income through different types of grants but also through trading - charging people who can afford to pay but keeping services free for those who can't."

– Sharn Tomlinson, CEO, Mind in Mid Herts

Below is an illustrative diagram demonstrating the lifecycle that a VCSE organisation might go through to reach a sustainable state, and to continue innovating, as well as where commissioner input and activation can be provided. There will be an attrition rate at each phase of the lifecycle as the idea is developed, tested and evaluated for effectiveness, viability and sustainability. Effective incubation can ensure that those ideas and innovations that have the potential to succeed, do.

Figure 4 - The lifecycle of a VCSE org

| Idea generation | Pilot phase: Test & Evaluate | Consolidation phase: Build capability | Scaling phase (to varying degrees) |

a) Innovation occurs naturally

b) Commissioner activates local market

c) Commissioner spins-out service

Tailored incubation support provided where appropriate

3.2 Adapting the current commissioning process

There are a number of opportunities for commissioners to engage with providers as part of their role in commissioning services that deliver the best value and impact. Joint decision making about how best to manage and prepare for the current and future financial climate, and working through challenges in partnership can be particularly effective.

This section refers to some of the relevant regulatory considerations in light of the Public Contracts Regulations (2015) but does not negate the need to consult technical documents on complying with these[20].

The key message from this section of the guide is that procurement is just one part of the commissioning process. There is a range of strategic planning activities that should be undertaken outside of the context of a procurement that can help to maximise the value and quality of commissioned services. This is particularly relevant where the commissioning environment is becoming increasingly focused on commissioning for outcomes to address complex challenges. This shift will directly impact on the VCSE sector by creating a greater focus on demonstrable impact as well as enabling greater flexibility for services to adapt and innovate within the lifespan of a contract.

The table on the next page outlines some of the key changes in commissioning from the more traditional approach to the emerging outcomes-based approach. The potential opportunities that exist at various stages of the commissioning cycle are then described in sections 3.2.1 – 3.2.3.

The effect of these changes has had a mixed impact on the VCSE sector. The move towards fewer, larger contracts has been particularly challenging for small and medium-sized organisations that are not large enough to operate as a prime contractor and cannot always deliver on the scale required in specifications or compete on cost with larger organisations[22]. Smaller organisations have also not traditionally always had robust data collection methods to demonstrate their impact in the way that contracts now often require.

This has been exacerbated by:

1. the complexity of the procurement process which places an extra burden on small and medium sized organisations who may not have the expertise or manpower to cope with this or submit high enough quality bids, and

"Originally commissioning was more of a transactional process, centred on contracts. Now, it's becoming more sophisticated - contracts are more sophisticated with a greater focus on outcomes rather than pieces of activity."

– Neil Bucktin, Head of Commissioning, Dudley CCG

. . . .

"The dynamics of government funding have shifted radically towards competitive commissioning and contract models. These changes have failed to create a level playing field for small and medium sized charities, which has exacerbated their vulnerability."

– Lloyds Bank Foundation

. . . .

"Generally, commissioners ask for a lot and don't give much support in return."

– Sharn Tomlinson, CEO, Mind in Mid Herts

. . . .

"Devolution is helping people to think about our communities in a different way – the commissioning approach will have to change"

– Zoe Portlock, Director, Bromley-By-Bow Centre.

Theme	Traditional commissioning approach	Emerging outcome-based commissioning approach
Specifications	Prescriptive service specification that is likely to be focused on inputs and outputs	Permissive specification that is more focused on longer-term outcomes rather than the granularity of service delivery arrangements
Innovation	A rigid approach that discourages innovation in service delivery by insisting upon compliance with prescriptive specifications	Promotes innovation by not being overly prescriptive about the way in which a service should be delivered and incorporates the perspectives of people using those services
Value	Focused on financial value for money and generating short-term cost savings	Focused on wider social value and long-term benefits to society with a greater emphasis on prevention
Outcomes and measurement	Emphasis on the utilisation of existing and limited data to understand the needs and deficits that exist in the system and to manage an extensive range of key performance indicators (KPIs)	Emphasis on using community assets to build a better understanding of population needs and to identify what will work most effectively to deliver positive local impact. This population health intelligence will then permeate strategic commissioning decisions
Ownership	Commissioners 'own' the commissioning process which does not routinely involve the communities affected by those services	Commissioners meaningfully engage with the community and embrace a co-production approach to service design
Flexibility	Minimal flexibility granted to providers with emphasis placed on meeting targets rather than adapting to current population health priorities	Services are designed iteratively and are able to adapt to the needs of the local population. Services are frequently evaluated to determine their effectiveness with learning incorporated into future service design and delivery
Nature of approach	Providers compete with each other to deliver the prescriptive service at the lowest cost to achieve minimum quality standards and rarely deliver services in partnership	Promotes a collaborative approach to service design and delivery where positive relationships exist in a vibrant and engaged provider market. Communities, the voluntary sector and local people are able to engage with the provider market

[Table adapted from the New Economic Foundations' guide on "Commissioning for outcomes and coproduction][21]

2. smaller VCSE organisations being more likely to have been dependent on single income streams, making them more vulnerable to changes in funding.[17]

However, the shift of focus to outcomes, social value, and greater collaboration can create positive opportunities for the VCSE sector too. Commissioners are able to adapt the commissioning process to ensure that funding is able to reach the providers that offer the most value, regardless of their size.

The following sections will cover:
• Pre-procurement: collaboration, activation of alliances and consortiums and co-design
• Specifications: Focus on outcomes, use of the Social Value Act
• Procurement process: Format of bids, proportionality of requirements

3.2.1 Pre-procurement

Regular and meaningful engagement and communication with current and potential providers is vital. Engaging providers around perceived gaps in provision and any opportunities at an early stage can be beneficial for both providers and commissioners to gain a shared understanding. Being clear on the strategic direction and future challenges of the commissioning organisation, and where possible involving providers in defining this, enables them to make more informed, longer term, business decisions.

The Public Contracts Regulations' (2015) expressly permit this type of market engagement prior to procurement – not just in relation to the specification but on the process – whilst also permitting engagement with service users and other stakeholders.[20] The Regulations also permit a number of different ways in which the procurement process might operate.

One example of the Regulations allowing for flexibility in the process is via the Light Touch Regime (LTR) [23]. The Crown Commercial Service has published guidance on the LTR, which can be found in the sign-posting section of this guide. It is essential that even in the context of a Light Touch Regime, the guiding principles of transparency and equal treatment or non-discrimination must be applied.

Pre-procurement market engagement could encourage the formation of provider consortia, alliances and partnerships – enabling smaller providers to be part of much larger bids. However, commissioners ought to be mindful that if done too close to a procurement process or with a specific procurement in mind, providers may feel it would undermine their competitive advantage. Instead, regular events for networking and / or training could be run throughout the year to encourage a more natural formation of partnerships and alliances through the building of trust and relationships. It is also important to note that consortia and alliances which require cross organisational working; whilst potentially presenting opportunities for efficiencies can also add to the cost of delivery for providers.

Given the unique local expertise of VCSE organisations, much can be gained from involving them in the design of new or improving services. This is also true for social enterprises who are often not invited into such discussions but may have innovative and valuable contributions to make. These pre-procurement discussions can support commissioners in developing specifications for services that are most likely to meet the needs of local people.

"Regular communication of what the next year, the next three years is going to look like is helpful. By being transparent about what's happening, it allows us to have more meaningful place-based conversations."

– Zoe Portlock, Director, Bromley-By-Bow Centre

"We're hoping to get providers in a room, and create the environment in which discussions can take place and partnerships can form."

– Neil Bucktin, Head of Commissioning, Dudley CCG

3.2.2 Specifications

The rigidity of specifications can sometimes stifle innovation or prevent the ability of organisations to adapt to emerging needs. This can be avoided through a focus on outcomes - rather than outputs - which are flexible enough to allow for changes in technology or service approach during the life of the contract.[19] In the Healthy Communities initiatives **(page 7)** it was found that taking a flexible approach to their design - which adapted as more was learnt about what worked - was central to delivering impact by meeting local needs. This was only possible through a focus on outcomes rather than outputs.

When commissioning community based services outcome measures can be quite narrowly defined. It is worth considering what other outcome measures could be included such as those related to broader social value or the development of a sustainable business model. By including these kinds of outcomes in a specification, it encourages the collection of data that could support other funding bids in the future but also places a focus on sustainability beyond the term of the contract.

The Social Value Act can be used by commissioners to 'level the playing field' for providers by recognising the wider social value that can be delivered. This could include employing people from the local area and providing volunteering or training opportunities for local people. It requires commissioners to consider the social, economic and environmental value delivered by contracted services. 49% of social enterprises operating in public sector markets say they're yet to see the Social Value Act referenced in tender documents.[16] At present, NHS standards of procurement reference sustainable procurement practices, but NHS contracts do not reference the Social Value Act by name[24]. However, there are blank schedules within the standard contract that allow for locally negotiated requirements to be added, such as those associated with the Social Value Act.

"We find specifications are often narrowly focussed rather than considering the wider benefit to the community."

– Zoe Portlock, Director, Bromley-By-Bow Centre

"Much more use could be made of the Social Value Act to level the playing field for organisations with a social mission and to create more value from public spending."

– Joint review of partnerships and investment in VCSE organisations in the health and care sector

3.2.3 Procurement process

Much has been documented about smaller providers, in particular, struggling to meet the demands that procurement processes place upon them. With a smaller pool of resources, bid writing is often neither a speciality nor something that is specifically resourced. Bid writing, and going through the full selection process can therefore place a disproportionate burden on smaller providers. Not only that, but because selection processes are often so heavily reliant on written applications, smaller VCSE organisations who don't employ specialist bid writers may be at a greater disadvantage. This is an on-going challenge for providers

but also means that commissioners could be missing-out on capable providers, able to deliver greater social value to the local population.

In recognition of this, some commissioners are beginning to introduce other methods of selecting providers, such as inviting them in for interviews or to do a presentation. Widening selection methods away from purely written submissions can enable commissioners to get the best possible providers.

As referred to previously, proportionality is a guiding principle throughout any procurement process. Commissioners are encouraged to review their processes to ask: Is a particular requirement or exclusion absolutely necessary? There are examples of providers being required to have a specific turnover to bid for contracts, go through convoluted selection processes or collect large volumes of data for contracts which may or may not be appropriate depending on the size and value of the contract being bid for. Not all procurement processes need to follow the same method and it is often at the discretion of commissioners to change this.

3.3 Incubation for greater, more sustainable impact

Introduction

This section of the guide will look at how commissioners can work in partnership with, and activate providers to achieve sustainable impact, build capacity and scale. This is also known as incubation – a term that is described in more detail below.

The term 'incubation' grew out of a rise in the amount of financial investment available to later stage, more established and proven organisations, but a bottleneck in the flow of organisations reaching this stage.

Incubation aims to address this challenge by developing more capable and impactful organisations – able to attract a sustainable income[26]. At its best, incubation can better enable an organisation to deliver outcomes using more sustainable sources of funding and investment. Often this funding and investment can be from outside of the public sector, but this will depend on the business model developed and services delivered, and may be possible to greater or lesser extents for different organisations.

Incubation is a collection of techniques that can be used to help providers to prove an idea, develop a team or demonstrate successful delivery in order for wider investment to be attracted. It can happen through accelerator programmes, co-working spaces, social venture academies and learning programmes, competitions or through the work of very early-stage funders and investors. Over the past five years all of these types of programme have increased in number around the world[26].

Incubation techniques can be used by commissioners to:

1. Generate and test ideas to solve complex local problems
2. Fill a service gap or stimulate greater competition in the market
3. Improve the impact and financial sustainability of existing services
4. Take a more strategic approach to improving population health, ensuring local provision is not destabilised by financial challenges

Whilst there are already some established incubator programmes which support organisations (see signposting section), these aren't accessible to every VCSE organisation because they often have a specific geographic or topical focus such as on technology innovations. The Healthy Communities project **(page 7)** successfully used the principles of incubation by harnessing the assets within

"While there is money available for early–stage ventures and projects through government and charitable grants, this funding often comes with constraints or is ring–fenced for particular activities and doesn't prepare ventures for very high scale nor to be investable by later–stage investors. Compared to other entrepreneurial domains, the flow of new ventures – sometimes known as the social investment pipeline – seems to have a kink in the tap."

– Nesta[26]

"Funders, both independent and public, need to support charities to build their capacity"

– Lloyds bank Foundation[17]

the local community as well as within the local public sector and infrastructure organisations to ensure the initiatives' success. There are many assets available to commissioners including skills, networks and physical resources that could be directed toward VCSE organisations to support the building of capacity and sustainability.

In short, if used effectively, incubation can be a cost-effective way to ensure commissioner funding better achieves outcomes, and in a more sustainable way. In the long term, it can reduce the reliance of a service or organisation on public sector funding and enhance their ability to attract other types of funding and revenue.

Incubation guidance

When considering what an incubation offer from commissioners might involve, it's worth being aware that VCSE organisational needs will vary depending on a number of factors including what stage of the business life cycle they are at.

Incubation support can be formal or informal, costly or not, intense or light-touch depending on the resources and assets available to the commissioner. It doesn't have to involve formal funding arrangements; helping to make valuable connections, grow partnerships or incentivising the development of more sustainable income models can be just as valuable. It can be applied to new or existing providers and initiatives some of which may be publicly commissioned already, others may not be.

Benefits of incubation

There are clear benefits to providing incubation support, including:

- To improve the health and wellbeing of the local population by supporting VCSE organisations to develop more impactful services
- To increase the sustainability of local organisations through the development of effective business models, capable of attracting income from a range of sources
- To reduce the reliance of VCSE organisations on public sector funding and attract other forms of funding into the local area
- To activate innovation within existing services and around gaps in provision, ensuring communities have access to an appropriate range of effective services
- To ensure the local VCSE sector is providing a holistic and integrated service offer by activating the formation of partnerships, consortiums and alliances (this is particularly important in the development of social prescribing programmes)
- To ensure there is a thriving market of sustainable, high quality, place based services for people to choose from
- To recognise and enhance the wider social value that organisations can bring to the local area such as through employment and volunteering opportunities.

Thing to consider

Before developing your incubation offer, first consider the following points:

- Incubation should not act as life support - keeping afloat initiatives or organisations that are not capable of becoming sustainable or delivering impact in the long term and would benefit more from failing fast
- Some types of organisation or initiative will be successful and sustainable in the long term (albeit at a slower pace) regardless of any incubation support provided. With this in mind, incubation programmes should always be discerning about which organisations they support and measure their performance over time.
- Incubation could give providers a competitive advantage so shouldn't be done in the context of a procurement without a proper selection process[26].

Tip! Though many incubation activities can be conducted within existing resources, incubation is all about supporting the VCSE market to become more sustainable and in many cases to grow. With growth of local organisations comes the creation of local jobs, so the Enterprise / Business Department within the Local Authority may be willing to provide some funding toward an incubation programme.

Research conducted for this guide found that there is much incubation activity already happening within the public sector, across the country. The following sections will bring to light some of these examples and discuss how commissioners can share their knowledge and skills, support the development of partnerships, free-up assets and use funding more effectively to better support their local VCSE sector.

3.3.1 People-powered incubation

Whilst VCSE organisations will usually be experts in their particular area of focus such as mental health care or volunteering; there may be much they can learn from commissioners, other public-sector employees, political leaders or local business people which is outside of their expertise.

This can support them to plan for the future and better adapt to the changing health and care landscape, build an understanding of how more sustainable business models could be developed and enable a more consistent approach to monitoring and evaluation. All of these things will ultimately make the organisation more sustainable in the longer term.

Commissioners can share knowledge about commissioning and procurement processes, latest guidance or policy and provide local and national context to some of their work. This can be done by attending VCSE network meetings, hosting market engagement events or running master classes on specific topics.

Public or private sector employee volunteering schemes can be utilised to share skills and build capability too. One County Council has pooled their staff skills into a database from which VCSE organisations can bid for volunteering time. This compliments the Council's staff volunteering policy where staff can take a number of working days to do volunteering work. It offers staff an opportunity to learn about and connect with local organisations whilst also further developing themselves and increasing staff satisfaction. VCSE organisations get access to specialist knowledge and expertise or to someone who might perform a specific task which they may otherwise have had to pay for.

"If commissioners could play a more nurturing role that would be amazing"

– Sharn Tomlinson, CEO, Mind in Mid Herts

"We want to develop organisations so they can participate effectively in what we are doing"

- Neil Bucktin, Head of Commissioning, Dudley CCG

"Commissioners need to be aware of where they can help and where they can't."

– Constance Agyeman, Nesta

Other examples of incubation have involved employees or Councillors forming mentoring or coaching relationships with providers. This has been offered as in-kind support or as part of a funding plus model (accompanied by a grant).

Trustee opportunities for local VCSE organisations can also be circulated and encouraged, being mindful of any conflicts of interest.

Inspiration from the experts

....

"We organise 'meet the expert' sessions where we bring in NHS people to sit on panels, it gives providers opportunities to hear about what is required in relation to information governance or procurement processes. We give them access to resources and other networking opportunities. "

– Yinke Makinde, Digital Health London

....

"We get a lot of support from commissioners. I had a number of sessions with one of the Directors as a mentor."

– Justine Gibling, Ripplez

....

"In our incubation programme we help organisations to navigate the health system. Each organisation gets an NHS navigator. Their role is to open doors, make connections, try and help them progress those opportunities and give them business advice."

– Yinke Makinde, Digital Health London

3.3.2 Activating partnerships

In order to support the integration of care and a whole-systems approach to delivering outcomes the development of strong inter- and intra-sector partnerships should be actively encouraged. Growing numbers of VCSE organisations have begun working collaboratively with corporates or other organisations, forming consortiums and alliances. This enables particularly smaller organisations to access funding that they would otherwise not have been able to. Developing greater 'social capital' in this way can have huge benefits for the VCSE sector[26] and for commissioners and communities.

Historically, the local VCSE sector might have been supported to develop partnerships by the local CVS. As mentioned on this provision is no longer as stable and consistent as it once was which is causing a void in some areas. At a time when arguably the sector needs to join-up and work together more than ever, commissioners may need to play more of a convening role.

Commissioners could further galvanise providers to develop positive networks and partnerships by:

- Organising networking events for the sector - enabling collaborations and information sharing on specific topics
- Linking VCSE organisations with local businesses or with the Local Enterprise Partnership
- Pairing them with Councillors who are often very well networked and influential
- Connecting them with potential funders and investors
- Encouraging the formation of partnerships within specifications
- Supporting the sustainability of their local CVS

"We have a focus on developing new relationships and particularly those with corporate businesses have enabled us to diversify our work to secure funding from them."

– Zoe Portlock, Director, Bromley-By-Bow Centre

....

"For me, partnerships are about taking a systemic approach to services. It stops duplication and ensures there are no gaps. Commissioners could do more to bring us together, earlier - pre-procurement is too late and it feels a bit competitive."

– Sharn Tomlinson, CEO, Mind in Mid Herts

3.3.3 Physical assets

In order to ensure the stability of valued providers, or increase the likelihood of a fledgling provider generating positive impact, ensuring community assets are accessible is important. Many VCSE organisations own or manage a building already and this is often central to business operations.[27] For those who don't, they could face high rental fees or risk not having a fixed base, both of which could destabilise an otherwise viable business model. The provision of physical space for a reduced or free rental fee can make a critical difference to a provider, particularly at an early stage of operations.

A recent survey suggested that 85% of Local Authorities recognised the potential benefits of transferring physical assets to the VCSE sector with 81% recognising that it could protect services that might otherwise be lost.[27]

Since the Quirk Review in 2007, asset-based approaches have become increasingly popular as a means of improving resilience of VCSE organisations. They enable VCSE organisations to be nurtured in a way that can actually reduce the financial burden of maintenance and other fees for the asset owner. VCSE organisations using publicly-owned buildings can mean a more place based approach, ensuring the provider is rooted in the community and with lower costs making them more likely to be financially sustainable.[27]

However, as public sector cuts have placed new pressures on asset management, there is now a tension between asset management strategies which yield revenues immediately, and those that generate social value over time by strengthening the sustainability and capacity of VCSE organisations.

Whilst formal approaches to asset transfer can be complex and may face challenge, the Healthy Communities project **(page 7)** found that under-utilised community space was still commonplace and was able to be utilised with relative ease. Often plans to sell publicly owned physical assets can take years and in the meantime this presents an opportunity.

Commissioners could also encourage partnerships between VCSE organisations and local businesses or Housing Associations to make their assets available for use. This could involve providing a shared office space or community building for administrative or service delivery activities.

"Rather than finding ways to progress towards networked, self-reliant places, asset management departments are expected to fill holes in revenue spending budgets simply to meet immediate demands"
*– Power to Change*[27]

Case study: Make Kit

Make Kit is a social enterprise run by two local social entrepreneurs that was kick-started by the Healthy Communities project. Make Kit provides healthy and affordable recipe kits in Hackney to improve access to and knowledge of how to cook healthy food, with the aim of reducing health inequalities and combatting the obesity crisis. Central to their operational model is being able to access local space in the community for free.

Through partnership working between the local Public Health department and a Housing Association, a community building with a kitchen has been made available. Not only does this provide a convenient place in the community for local volunteers to assemble the kits, for the kits to be distributed from and for engagement events; but it is also central to the viability of the business at this early stage.

Without the provision of this space, the business would not have been able to be successfully piloted and launched, and the outcomes delivered would not have been realised.

"We believe that publicly owned spaces should be used to support community minded projects to help achieve the social objectives that we all share. We really need the support of public organisations to help us to keep our recipe kits as affordable as possible so that they appeal to those people in tougher socio-economic situations that need our kits the most. Furthermore, as a not-for-profit it is harder for us to find financial support from private investors, so we look to public organisations to help us to grow in this volatile start-up phase."

– Steve Wilson, Co-owner of Make Kit.
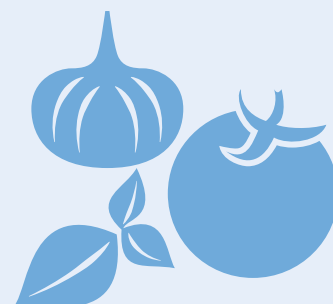
3.3.4 Blended funds

Commissioners need local services which are sustainable and deliver population health outcomes, but are limited in which services they are able to fund. This section of the guide introduces some of the multiple options available to commissioners for providing blended funds for services. This is where the commissioner input may be part financial and part non-financial incubation support (a funding plus model), or where commissioners may pay for part of a service with the provider or another funder sourcing the remaining funds required.

In these ways, commissioners can use their money more efficiently by incentivising and supporting a more impactful approach that drives a focus on the building of longer term sustainability.

This section will explore:
- Matched-funding and crowdfunding
- Funding Plus models

Other forms of funding such as payment by results can also be effective in driving positive outcomes. These need to be carefully considered in relation to smaller, less cash-rich organisations who may require at-least part of the funding up-front in order to manage set-up costs. More information on payment by results can be found via the sign-posting section.

Tip! Regardless of what type of funding is being used, commissioners can benefit from working in partnership with each other, and other local funders to coordinate their spending locally. This has been successful in South Staffordshire where the District Council, Housing Association, Clinical Commissioning Groups and Police and Crime Commissioner have developed a joint commissioning prospectus - described as 'A Partnership Approach to Improving Health and Wellbeing Outcomes'. By working together, areas of duplication were identified and it was found that the partners could have greater impact by pooling and coordinating funds around key outcomes, set collectively.

Matched funding and crowdfunding

In the same way that commissioners may consider match funding with non-health partners like social care or the police, they can extend this to match funding with corporate partners or even the provider themselves if they have a business model which permits this. Commissioners can create and

stimulate these kinds of opportunities to secure services and encourage a more sustainable approach to funding. It can also be an effective way to make commissioner funding go further whilst dispersing the financial risk.

Matched funding where the provider themselves match the commissioner contribution can be an effective method of focussing an organisation on developing their income generating activity and rewarding them when progress is made. If used effectively, it should reduce the risk for providers looking to forge new and more sustainable income streams that may initially require a higher resource commitment to get established than would be generated. This is a way of incentivising providers to develop more sustainable business models. These kinds of agreements need to be developed in partnership with the provider to ensure they are reasonable and achievable. They shouldn't place excessive risk on the provider or make the service less accessible to potential service users.

Where the provider is asked to secure external matched funding, the commissioner may agree to play a role in supporting them to secure this. They can use their unique position of influence within the community to convene resource from other stakeholders through introductions or sign-posting to other funders and pledging support in any formal funding applications.

The public can also be invited to contribute to local initiatives through crowdfunding. Crowdfunding enables residents, businesses and other funders to donate to ideas and initiatives which they're passionate about. Often crowdfunding is used to test an idea or run a specific project rather than deliver a longer term service. It can build public ownership of, and engagement with, the delivery of projects. A number of London Boroughs have run crowdfunding campaigns using a web-based platform called Spacehive and some councils, including Dorset and Plymouth, have committed to match fund contributions from the community.

For more information on crowdfunding, see the signposting section.

Funding Plus models

Grant funding is a vital part of the funding mix as many VCSE organisations do not have the scale and capacity required to successfully compete for or deliver public sector contracts but, with a grant, can make significant contributions to improving health outcomes. Grants generally provide short term funding for a specific purpose and can act to de-risk provider innovation. As the commissioner holds complete financial risk they tend to be of relatively low value.

The Health and Social Care Act (2012) gives Clinical Commissioning Groups (CCGs) the power to use grant funding to support charities and Community Interest Companies at national, regional and local levels. A grant agreement may not impose an obligation to provide services – like a contract would - but it can require the grantee to use the money towards a particular project or service and set out other terms on which the grant is made. Additionally grant funding is not subject to European Union procurement rules, although in making arrangements for large grants CCGs should demonstrate a transparent process equivalent to that required by EU procurement rules for contracts, and non-competition should be justified.

In a Funding Plus model, funding (often grant funding) is provided alongside non-financial incubation support. The incubation support pump primes initiatives, helping to rapidly develop and scale them through an intensive package of support. This doesn't need to be provided directly by the commissioner; instead specialist incubation organisations and social innovation accelerators are often best placed. By pump priming initiatives in this way it can better enable them to attract other forms of revenue in the future, meaning that they are able to deliver impact without a reliance on public sector funding.

"We worked with the local Council for Voluntary Services to develop a grant scheme. They helped us to consider the local assets available, what the evaluation criteria should be and then they managed the money."

– Neil Bucktin, Head of Commissioning, Dudley CCG

Considerations for developing a grant programme

Grants should:

- Be for a specific outcome, often to test a new and innovative approach
- Be co-designed with VCSE organisations and groups
- Consider the sustainability of the project from the start. This may include ensuring an evaluation takes place (and is funded through the grant) and a viable business model is tested as a core part of the agreement.
- Encourage a bottom-up approach to designing the project which involves both local people and local groups
- Provide non-financial incubation alongside the grant either directly from the commissioner or via a specialist organisation
- Focus on outcomes rather than outputs, allowing room for innovation and for the provision to adapt as more is learnt about what works
- Ensure the application process and monitoring and evaluation requirements are proportionate to the financial package.

Should not:

- Provide life support to a failing organisation or service
- Focus on outputs or activity rather than outcomes as this can stunt innovation
- Be prescriptive about the approach to achieving outcomes
- Exclude social enterprises or specific business types unnecessarily

Case study: The Healthier Hackney Fund

The Healthier Hackney Fund is a public health community grants scheme that invites voluntary sector groups and social enterprises to challenge some of the biggest issues that affect residents' health and wellbeing. They do this by bringing radically different perspectives, providing 'arms-length thinking' and prototyping new approaches to delivering interventions.

"Grant funding for us is about recognising the limits of our abilities to create new solutions to these health problems. We say that where we know what will work and we're the right people to intervene we'll directly provide a service; where we know what will work but we're not the right people we'll commission services; and where we don't know what works we will grant fund. We've just agreed our third year of projects, providing £260k to projects that will improve community resilience, tackle the wider causes of obesity, or promote public health literacy."

"Recipients of the grant are offered non-financial support alongside the money. We know that the council has more to offer than just funding, and so provide grant holders with expertise, so that each project gets up to a week of an officer's time to share skills and build their capacity. Because the groups are working on shared issues, we provide space for them to come together and provide critical friend challenge to one another, and to share research etc. They also get a Councillor Champion - one of our elected members - to enhance their local networks, offer an insight into public life and help generate publicity. This hasn't always been easy, we know just how busy councillors are, but the grantees have really appreciated the opportunity to work alongside them."

To read NHS England's guide to grants see the signposting section.

3.3.5 Social Investment

There are increasing numbers of social enterprises and enterprising charities developing innovative models to tackle social problems through business-like approaches. Like any regular business, they need access to funds to grow, but for a number of reasons this can be more challenging to access than for other types of business. Social investment aims to address this challenge and provide these funds.

Social investment is repayable finance that creates both social and financial returns. It is provided to charities, social enterprises and socially motivated businesses. Investors expect to get their money back (often with interest) and expect the finance to have created identifiable social impact[30]. Social investment isn't just an opportunity to bring in additional capital, but to do so in a way that creates a focus on innovation, outcomes and performance management. It has the potential to positively change the way that services are delivered and to create evidence for new and emerging models.[30]

Social investors may be willing to accept a lower financial return or a higher risk of return than they might usually expect when lending money through a more traditional route. Sometimes social investment can be a blend of capital where different investors have a different balance of risk and reward (financial return). There are blended funds that offer part grant funding and part loan to VCSE organisations. This blend can increase the likelihood that the borrowing organisation will be able to repay the loan and therefore reduces the risk for the investor. This de-risking helps to leverage private sector capital into the health and wellbeing sector. Other forms of social investment include Charity bonds, Community shares, Quasi-equity and Social Impact Bonds.

Social investment does not replace the need to generate income but can help to build the long term sustainability of VCSE organisations in ways that other forms of funding cannot. Social investment can:

- Increase working capital / cash flow to help organisations manage 'payment in arrears' style contracts
- Provide growth finance to help organisations pilot a project for later expansion
- Helps to focus the organisation on income generation in order to repay the loan
- Help to develop the track records necessary for social ventures to take on mainstream investment.[29]

Social Investment can be accessed by VCSE organisations completely independently of commissioners, if their business models are capable of

generating a financial surplus. Commissioners should consider supporting business models at an early stage in the design process in order to place emphasis on the development of outcomes-focused services that could enable social investment to be accessed at a later date. Currently, many VCSE organisations are not set up to benefit from this growing social investment market but the incubation described above can help with this.

Where VCSE organisations operate business models that don't generate financial revenue, but aim to deliver outcomes with savings to public services, Social Impact Bonds (SIBs) can be considered. This is where the commissioner provides the financial return to the investor upon the successful delivery of specified outcomes. SIBs are a new and emerging tool to support the delivery of outcomes. The first health SIB in the UK - "Ways to Wellness" - was launched in Newcastle with the aim to help patients manage their long-term health conditions through Social Prescribing. The SIB is projected to save £11m in secondary health care costs and £14m to the wider public sector. SIBs can help to reform the commissioning process by placing a greater emphasis on outcomes and prevention but can be resource intensive and time consuming to set-up.

Commissioners can encourage the uptake of social investment through directly or indirectly providing advice, support and signposting.

"Social Impact Bonds can channel external investment into public services and enable commissioners to focus on early intervention."

*– Nina Zuendorf,
Centre for Social Impact Bonds*

"SIBs are a way to commission innovative services at lower risk. Commissioners will only pay for outcomes if they are achieved, so investors carry the risk of non-delivery of services. Therefore commissioners and service providers can be more innovative in solving complex problems. In health and social care, SIBs can also create new evidence for innovative interventions like Social Prescribing".

*– Nina Zuendorf,
Centre for Social Impact Bonds*

3.4 Activating innovation around un-met or complex needs

Earlier in this guide the need for place-based solutions to complex – or wicked - problems was referred to, as was the need for the local population to have a diverse market of services to choose from. Commissioners can ensure both of these needs are met through the activation of partners around complex or unmet needs, or where there is insufficient competition in the market to offer people sufficient choice.

Activation and innovation can often happen without any commissioner intervention. Social entrepreneurs and VCSE organisations are always looking for better ways to deliver their mission and often have more freedom than the public sector to test new ways of doing things.

There are a number of circumstances under which a commissioner might want to stimulate innovation, if it isn't already happening, and these include:

- Where particular health and care challenges aren't being addressed by the existing provider market
- Where the provider market isn't diverse enough or offering enough choice for service users
- Where commissioners see an opportunity for innovation or efficiencies in a particular area
- Where a need is complex so different solutions need to be tested.

Innovation could be stimulated through market engagement activities or a market position statement, through an innovation challenge or grant programme or by proactively engaging with community leaders and entrepreneurs – or a combination of those things. The option chosen will depend on whether the commissioner is looking for existing providers to innovate or to inspire new providers to enter the market. When looking to innovate around a need, commissioners will also need to consider whether the aim is to gather new ideas about how a need could be met more innovatively or to actually pilot and test these ideas to see if they work.

A new idea, once tested, could be established as a new service within an existing organisation, or a new organisation could be created to deliver it. This method of activating - or 'kick-starting'- new services and organisations was successfully used in the Healthy Communities project **(see page 7)**. It allows the commissioner to proactively influence the provider market to better meet the needs of the local community.

"Trialling something new, even if it doesn't achieve perfect results, can be the best way to find out what works"

– Zurich

"When you're stuck in a system and firefighting day in and day out you can't see the wood through the trees. Other industries have a role to help commissioners see the alternative. They can help to see different possibilities. That's where the NHS can really benefit, helping it to think differently about problems they've had for years."

– Yinke Makinde, Digital Health London

For further information about activating sustainable innovation through the use of a design-led approach and business modelling read the sister guide: 'Tools and approaches to design sustainable and impactful services'.

From the experience of the Healthy Communities programme, below are 7 recommendations for commissioners looking to kick-start new services:

1. Reach out to all parts of the community including those which aren't often involved in public service provision such as business', community leaders, entrepreneurs, existing providers, community groups and service users

2. Once a viable idea has been generated, take a flexible - or Agile - approach to testing it, don't be too prescriptive, allow it space to develop as more is learned and start by testing it in its most basic and low cost form

3. Incorporate business modelling into the design of the new initiative so that long term sustainability is considered from the beginning

4. Have a longer term incubation or Funding Plus package in place to increase the likelihood that the initiative will succeed

5. Don't expect that every idea tested will succeed, and manage expectations about this internally

6. Where funding is provided to develop the idea, consider who owns the Intellectual Property of the innovation. If there is a high potential for income generation, a proportion of this could be returned back to the commissioning body to support the delivery of front-line services but this won't always be viable.

7. Ensure that provision is made for comprehensive monitoring and evaluation as this may help secure more sustainable funding in the longer term. A note of caution:

   - Ensure that evidence standards are not a barrier to testing new approaches
   - Recognise the trade-off between the need for new approaches, and the demand for highly-rigorous evidence standards and be pragmatic
   - Be realistic and proportionate in the evidence expected for new approaches ensuring that an undue burden is not placed on the provider.

Challenge prizes

Challenge prizes offer a reward to whoever can first or most effectively meet a defined challenge. They can be particularly useful where there is a 'wicked' problem and no best practice guidance on how to solve it. Challenge prizes can play a role in accelerating progress towards ambitious goals. They do this by shining a light on an issue or opportunity and providing an incentive for lots of different innovators and providers to make meeting the challenge a higher priority. Challenge prizes can be used to:

- Shine a light on a neglected issue or problem
- Encourage other people to invest in solving a problem or making advances
- Bring new products and services to market
- Prompt new collaborations and partnerships
- Gather new information and data on an issue
- Identify great ideas and practice
- Build the capacity of new innovators and support their entry into the market

See the signposting section for Nesta's guide to Challenge Prizes for more information.

3.4.1 Spin-outs

Another way to kick-start innovation is through public sector spin-outs - or 'mutuals'. A mutual is an organisation that has left the public sector but continues to deliver public services, often through a social enterprise or cooperative structure. Delivering services in this way can enable:

- greater innovation and flexibility
- a more place-based and integrated approach
- income to be generated from other, non-public, sectors
- profits to be generated and reinvested (either back into the mutual, or back into the commissioning body)

Spin-outs are an important consideration as part of this guide because they are a form of VCSE organisation which can offer public services more flexibility to innovate, access funding from other sectors and generate revenue to support front-line services. They often offer a more blended and integrated model of care and partnerships with the public, private and voluntary sectors.

Since 2008, there have been more than 70 spin-outs in health and social care and as a group they've been very successful.[32] Survey data suggests that the majority of spin-outs were borne as a response to public sector cuts, but reports from these show an average increase in their full time staffing levels of 44%, and an average increase in turnover of £5.8m since becoming independent (on average five years previously)[33]. Once outside the public sector, employees report greater professional freedom and flexibility to provide user-focused services that are responsive to local needs.[34]

They often rely on securing, a fixed term contract, which provides the turnover to cover expenses in the early years. During this period they aim to build other sources of revenue in order to transition into a sustainable business model.[35]

"For the most part, spin-outs are surviving, creating value and, in some cases, thriving"
– Mutual ventures[33]

. . . .

"Because we're a social enterprise we can be flexible about what we do. We don't have clunky governance and we can make changes quickly depending on their [commissioners'] priorities."

– Sarah Edwards, Ripplez (a spin-out)

Case study:
Hertfordshire Independent Living Service

Before 2007, Meals on Wheels in Hertfordshire was provided by a wide range of organisations, via the ten district and borough councils. Provision was inconsistent across the county with price and quality highly variable. As a result, the County Council led a feasibility study that looked into the most effective, efficient, and sustainable method of providing a county-wide Meals on Wheels service. The outcome was a recommendation for a social enterprise model.

In 2007, Hertfordshire Community Meals Limited (now Hertfordshire Independent Living Service or HILS) was established as a social enterprise with start-up funding from Hertfordshire County Council and a number of district councils. Almost 200 local people are employed by HILS and supported volunteering, internships, and apprenticeships are offered to enable people back into routine and work.

HILS currently generates around 70% of its income through direct trading with customers, and the remaining 30% comes from contract payments from Hertfordshire County Council. It conducted a social return on investment study in 2012 that demonstrated that for every £1 invested in the core Meals on Wheels service, £5.28 of social value is generated.

Every year a client survey is conducted with the latest one showing 76% said they visited their GP fewer times; 84% felt less lonely; and almost all customers thought the service helped them remain in their own home.

As a social enterprise, HILS is able to access different income streams: from public contracts, to grant-funding, through to trading; and clients who meet certain criteria are able to access the service at a subsidised rate. Each service provided has been independently assessed based on its contribution to the financial health of the business, its contribution to HILS' charitable aspirations, its social return, and its capacity to enhance long-term sustainability. Using this robust model, HILS has reduced its need for public funding - ensuring its growth is genuinely sustainable.

"They were excellent at letting us know if our dad wasn't eating or causing them concern it has enabled my dad to continue to live at home – as he wanted." Daughter of HILS client.

As there are numerous guides on public sector spin-outs, Commissioners seeking further information should use our signposting section to find out more.

4. Summary and conclusion

This guide has acknowledged the hugely challenged health and care environment faced by commissioners and providers alike. It has demonstrated the potential for further joint working with the VCSE sector in particular, but also providers in general, to improve shared health outcomes. Working together to overcome current challenges and plan better for the future health and care landscape is not only good for the population served but can ensure that VCSE organisations are more resilient and that the sector is not destabilised by future funding cuts.

Commissioners have a critical role to play in shaping their local health and care system, ensuring that place based services meet evolving local needs. Central to this is commissioning processes that ensure the best possible providers and recognition of wider social value. Incubation to build capability, capacity and sustainable business models is becoming increasingly important to ensure a stable and effective market, and case studies demonstrate that this can be done within existing resources. Where there are unmet or complex needs commissioners are able to kick-start and activate local innovation, co-developing sustainable models of service delivery which are no longer solely reliant on public sector funding.

It is envisaged that commissioners use this guide to start the conversation in their localities about place based models of care and the sustainability of the local VCSE sector. Identifying opportunities to ensure the best possible health outcomes are delivered in the most sustainable way.

Download the **sister guide** which briefly describes and provides tools for using human centred design to develop place-based services, and business modelling to support the sustainability of services.

HLP would like to hear any feedback on this guide as well as the challenges, successes and learnings from embedding these approaches that might help others. Click here *to leave your feedback.*

5. Signposting page

A guide to crowdfunding for Local Authorities

Challenge prizes design guide

Guidance on Social Impact Bonds

A guide to creating effective VCSE partnerships

NHS England's guide to grants

Guidance for commissioners on starting a public service mutual

Guidance on the new Light Touch Regime

Nesta's Directory of UK Incubation and Accelerator programmes

An introductory guide to Payment by Results

6. Glossary

Term	Definition (in the context of this guide)
VCSE	Voluntary, community and social enterprise
Social enterprise	Social enterprises trade to tackle social problems, improve communities, people's life chances, or the environment. They make their money from selling goods and services in the open market, but they reinvest their profits back into the business or the local community. And so when they profit, society profits. [Socialenterprise.org]
Human Centred Design	Human-centered design is a creative approach to problem solving. It's a process that starts with the people you're designing for and ends with new solutions that are tailor made to suit their needs. [Designkit.org]
Agile	A method of managing projects that is characterised by the division of tasks into short phases of work and frequent reassessment and adaptation of plans.
Incubation	A process designed to accelerate the growth and success of an organisation through array of supportive resources that could include physical space, capital, coaching and networking connections. [entrepreneur.com]
Kick-start	Providing the impetus to start or re-start an organisation, service or initiative
Spin-outs	Spin outs occur when an organisation, such as a Local Authority, breaks off parts or divisions of itself to form a new independent organisation, which could be a Mutual
Mutual	A form of spin-out where the new organisation has left a public sector body but continues to deliver public services
Outcomes	An outcome is the meaningful and valued change or effect that occurs because of a particular activity or set of activities
Outputs	Outputs are a quantitative summary of an activity
Ethnographic research	The process of spending time with and observing people and understanding their needs, experiences and behaviours
Wicked problem	A complex social or cultural problem that is often difficult or impossible to solve and requires action from across the health and care system e.g. childhood obesity
Prime contractor	A prime contractor undertakes a complete contract, and may employ (and manage) one or more subcontractors to carry out specific parts of the contract.
Community business	A subset of social enterprises that are rooted in, and directly accountable to, the people living in a specific local place. As with other social enterprises, they have a business model built around trading and re-invest any surpluses back into the community. [www.powertochange.org.uk]

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Healthy London Partnership (HLP)

Healthy London Partnership formed in April 2015. It has been working across health and social care, and with the Greater London Authority, Public Health England, NHS England, London's councils, clinical commissioning groups, and Health Education England. HLP have united to amplify the efforts of a growing community of people and organisations that believe it is possible to achieve a healthier global city by 2020.

14 programmes have been established, including children and young people, social prescribing, mental health, homelessness and prevention. The prevention programme has thus far focussed on healthy communities, childhood obesity, health promoting places, workplace health, commissioning, and supporting delivery of local Sustainability and Transformation Partnerships.

Visit our website at: www.healthylondon.org