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**From outcomes-based commissioning to social value? Implications for performance managing the third sector**

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## Abstract

Amid increased pressure on TSOs to provide evidence of the effectiveness of their services and interventions (House of Commons Public Administration Select Committee 2008, Inspiring Impact, 2013) the Public Services (Social Value) Act (2012) has been seen as an important opportunity for third sector organisations (TSOs) to demonstrate the value and impact of what it is they do. Drawing on interviews with adult social care commissioners in six local authorities in England, this paper examines how social value – as a key dimension to outcomes-based commissioning – is being assessed and applied in commissioning processes with the third sector, and examines the nature of the evidence required by commissioners from TSOs to demonstrate their effectiveness. The interviews found that difficulties in quantifying and measuring social value posed considerable challenges to its implementation. Meanwhile pressures associated with safeguarding vulnerable service users and financial accountability were found to significantly shape commissioners' requirements for evidence and data from service providers. In light of these findings the paper argues that the challenge of measuring and demonstrating social value is likely to fall to the third sector.

### Keywords

Social value, outcomes-based commissioning, public services delivery, third sector, performance, adult social care

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# Contents

- 1. Introduction ..... 3
- 2. Key developments and findings from existing research..... 4
  - 2.1 Outcomes-based commissioning ..... 4
  - 2.2 Social value ..... 6
  - 2.3 Emerging implications for the third sector..... 8
- 3. Methodology .....10
- 4. The findings .....11
  - 4.1 Progress to date .....11
  - 4.2 Defining and measuring social value.....12
  - 4.3 Developing qualitative indicators and skills.....15
  - 4.4 Capacity .....17
  - 4.5 Safeguarding and quality monitoring .....18
  - 4.6 Financial accountability and risk .....19
- 5. Conclusion and implications for policy and practice .....20
- References.....23

## 1. Introduction

There have been increased expectations in recent years on third sector organisations (TSOs) delivering public services to evidence the effectiveness of what it is they do, and a remarkable number of TSOs are now seeking ways to demonstrate the difference(s) that their services and activities are making to service users and communities (Ogain et al., 2012). Many of these pressures have arisen as a result of the rapid expansion and transformation of the sector's role in public service delivery over the last twenty years (Ellis and Gregory, 2008): as state funding to the sector has increased steadily over this period (Clark et al., 2012), so has the demand for evidence from the sector (House of Commons Public Administration Select Committee, 2008). Alongside this drive for public sector financial accountability, there has been a shift towards outcomes-based commissioning in the public sector, focused on achieving the greatest (and often longer term) benefits for service users and communities (Bovaird et al., 2012). In this environment third sector service providers are expected to demonstrate how their services, activities and interventions are helping public sector commissioners to achieve such benefits for their different client groups (DH, 2007 a,b).

Social value has risen rapidly to prominence as a key dimension to outcomes-based commissioning (Nef, 2009; Nicholls et al., 2009); enshrined in the recent Public Services (Social Value) Act (2012). The Act, for the first time, attempts to introduce the concept of social value into public service contracts by requiring all public sector commissioners to consider the wider social, environmental, and economic impact of commissioned services (Teasdale et al., 2012). In theory this presents an opportunity for the third sector – widely assumed to bring distinctive added value to services (Macmillan, 2012) – to increase its engagement in public services provision. However recent research by the Third Sector Research Centre (TSRC) has suggested that social value is a highly complex concept to operationalise (Arvidson and Kara, 2013; Arvidson et al., 2013), and concerns have been raised about the capacity and ability of public sector commissioners to implement the Act in practice (Teasdale et al., 2012). At the same time there are concerns that in an increasingly “regulated business environment” (DH, 2006: 5) and context of austerity, there is little room for the wider concept of social value, as public sector performance mechanisms emphasising financial accountability take priority (Ellis and Gregory, 2008; Ellis, 2009; Dacombe, 2011).

In this context this paper reports findings in relation to two key questions:

- How is social value being applied in commissioning processes with the third sector?
- What is the nature of the evidence required by public sector commissioners from third sector service providers to assess their effectiveness?

In order to answer these questions, this paper focuses on public sector commissioners and third sector organisations working in the area of adult social care. It draws on findings from interviews with eight local adult social care commissioners and officers in six local authorities in England, carried out between November 2012 and February 2013. The paper begins by reviewing recent relevant policy developments and research findings regarding outcomes-based commissioning and social value, and emerging implications for the third sector. The rest of the paper is then devoted to exploring empirically the nature of evidence required and collected by public sector commissioners from third sector service providers. While the empirical focus of the paper is the area of adult social care, it aims to generate lessons and learning about the application of social value in outcomes-based commissioning across the public sector more widely, and consider key implications for the third sector.

## 2. Key developments and findings from existing research

### 2.1 Outcomes-based commissioning

Commissioning - understood broadly as a cyclical process of assessing public needs, planning, purchasing/investing in and evaluating public services accordingly (see figure 1 below) - has risen rapidly to prominence as a key approach for the reform of public services in an era of austerity (see e.g. DH 2007a; HM Government 2007; Nef, 2009; Cabinet Office 2010; HM Government, 2011). Public sector commissioners operating at different levels of government and across a number of public service areas are charged with attaining the best and most cost-effective outcomes for service users and the wider community through the commissioning cycle (Bovaird et al., 2012; Rees, 2014). Due to the emphasis on needs assessment, service planning and evaluation, outcomes-based commissioning as an approach is said to encompass a broader range of activities than traditional public sector contracting (see Macmillan, 2010: 9). As a model, it offers an approach focused on *ends* rather than *means*: maximising the benefits for service users and for the wider community; making a difference for the collective good; and adopting a whole systems perspective to decision-making (Wimbush, 2011). Rather than measuring the outputs of services delivered (e.g. activities undertaken, staff hours and costs), outcomes-based commissioning promotes the evaluation of longer-term benefits and differences made for service users and communities (ibid; Bovaird et al. 2012). This approach thus underpins the achievement of better outcomes for people using and accessing services, their families and carers (Secretary of State for Health, 2006; Department of Health, 2007a,b; HM Government, 2011; HM Government 2012a).

Figure: 1



Source: IPC, 2008

This shift in national policy discourse towards outcomes-based commissioning and the development of the commissioning model has been of particular interest and relevance for the third sector and those that study it. Since the 1990s there have been widespread concerns within the third sector that the distinctive organisational characteristics of TSOs (in particular voluntarism, autonomy and accountability to service users) have been threatened, or at worse eroded, by the orthodox public sector contracting models of the 1990s based on competition, prioritisation of price (i.e. cost to the public purse), and public sector ideals of professionalism (see e.g. Deakin 1996; Eikenberry and Kluver, 2004). In addition there have been growing concerns about the capacity of TSOs to compete against more experienced for-profit providers for public service contracts (ACEVO, 2003; Blackmore, 2006; Bhutta, 2005). In this context commissioning as an approach has been said to not only underpin the achievement of better outcomes for services users, but also potentially increase the accessibility of public services delivery for TSOs by promoting more flexible models of delivery and funding (Nef, 2009; Cabinet Office 2010). There has, in addition, been a mushrooming of guidance, training programmes and reviews for public sector commissioners to reduce barriers to entry for TSOs and increase public sector understanding of third sector

providers, their capacities and capabilities (e.g. NAO; 2005; Cabinet Office 2006, 2007; Audit Commission 2007; Nef, 2009; Cabinet Office 2010).

How far these programmes and initiatives have been, or will be, successful in reducing barriers and alleviating concerns for TSOs wishing to deliver public services is unclear, and current evidence is mixed (Rees, 2014). However it is not the intention here to debate the virtues of commissioning as an approach for public service reform or facilitating TSO public service delivery; rather, the development of outcomes based- commissioning in the public sector is an important part of the context and environment in which performance management of TSOs delivering public services and the assessment of social value takes place.

## **2.2. Social Value**

As well as developments in outcomes-based commissioning, there has been, since the 2000s, growing attention in national government policy on public sector reform to the social value of services delivered (e.g. Cabinet Office, 2007; Nicholls et al., 2009; Nef, 2009; Cabinet Office, 2010; Public Services (Social Value) Act 2012). Arriving on the back of New Labour's drive for 'best value' in public services contracting (see Stoker, 2003), social value refers to the wider added and collective benefits a service may generate. For example, using volunteers to provide a befriending service to the isolated elderly may prevent hospital admissions thus reducing cost burdens on the NHS, and/or the need for a more intensive care package thus reducing cost pressures on adult social care; but the wider benefits of such a service may be: increased social inclusion for the service user as they get signposted to other services and sources of support by the volunteer; increased community cohesion as members of the community get to know each other; increased employability prospects for the volunteer as they develop transferable skills and experience; reduced anxiety levels for relatives and friends of the service user, and so on. Attention to social value encourages commissioners and those responsible for planning services to thus consider such wider aggregate outcomes and benefits of services, beyond the price (cost to the public purse) value.

Methodologies for establishing and capturing the social value of TSOs in commissioning are slowly emerging (see Arvidson and Kara, 2013, for an overview). The most established and widely known of these formulas is SROI (Social Return on Investment), promoted heavily by the Cabinet Office and HM Treasury under the New Labour governments for use widely across national government departments and by local commissioning bodies (Arvidson et al., 2013; Nicholls et al., 2009). SROI attempts to capture the wider social impacts created by organisations by selecting indicators in consultation with service users, and then aggregating and translating these benefits into a cost ratio. Thus for

every pound spent, an SROI might identify that three pounds worth of investment is attained (Arvidson et al., 2011).

The current coalition government has continued public sector commitment to social value through the Public Services (Social Value) Act (2012). Enforced from January 2013, the Act places a legal obligation on those responsible for commissioning services to consider the wider social, economic and environmental impact of services, and is to be applied to contracts awarded by central government departments and local authorities. A policy procurement note published alongside the Act (HM Government, 2012b) offers advice to commissioners on applying the Act: at the pre-procurement stage commissioners are to "...consider how what is to be procured may improve the social, environmental, and economic well-being of the relevant area, and how they might secure any such improvement and to consider the need to consult" (ibid: point 9). It is important to note that the Act does not express explicitly any formal steps that must be followed in the procurement stage or wider commissioning process, hence it is not prescriptive about how social value is precisely to be interpreted or implemented by commissioners, beyond due regard for social value.

The development of social value as a key aspect of commissioning is of particular significance for the third sector. Arguments have long been made by third sector representatives that TSOs bring distinctive benefits to service provision (e.g. ACEVO, 2003; Bolton, 2003). Such claims have been notoriously difficult to substantiate (see House of Commons Public Administration Select Committee, 2008; Macmillan, 2012), nevertheless this has not dampened assertions that TSOs are more flexible and responsive to local need, have a higher level of public trust, are better able to develop innovative services and better engage service users in the services they receive; and may produce benefits for the local community by, for example, engaging volunteers and using local resources (ACEVO, 2003). Such unique benefits have been attributed to the distinctive organisational characteristics of TSOs (Billis and Glennerster, 1998): role flexibility, voluntarism, and informality, for example, which in turn are said to give TSOs a comparative advantage over the public and commercial sectors in the delivery of public services.

However emerging research on both SROI and the Public Services (Social Value) Act (2012) have pointed to a number of challenges in its implementation by public sector commissioners and TSOs. Whilst the Public Services (Social Value) Act (2012) has been heralded as an important development in attempting to level the playing field for TSOs vis á vis commercial organisations, the lack of reference to any particular organisational form in the Act - following concerns by 'liberal' elements' in the coalition government about apparently preferential treatment of sectors - means there are doubts about its potential impact for the third sector, as any organisation that creates social value can potentially benefit (Teasdale et al., 2012). More fundamentally, concerns have been raised about the



limited guidance on how to measure and operationalise social value in practice in commissioning procedures, which poses potential problems for its implementation amongst commissioners (Teasdale et al., 2012; Social Enterprise UK, 2012; Arvidson and Kara, 2013).

In a context of limited methodologies for measuring social value, Arvidson et al. (2013) have meanwhile pointed to the complex administrative undertakings of the SROI formula. They argue it carries considerable cost implications – both for investment in skills and training to employ the SROI methodology, as well as time and administration resources. More fundamentally, there are concerns over whether the nature of data and evidence utilised in SROI can be aggregated meaningfully to produce an accurate cost measure, and whether it is possible to put an accurate monetarised value on all interventions and outcomes (ibid). Early research by the Audit Commission in 2007 (Audit Commission, 2007) indicated that utilisation of the methodology was low amongst local authority commissioners and it is, to date, unclear how consistently SROI as a methodology has been, or will be, adopted and utilised in practice by public sector commissioners and TSOs (Audit Commission, 2007; Millar and Hall, 2012; Social Enterprise UK 2012). Despite its rise to prominence as a key dimension of outcomes-based commissioning and public services reform, such findings suggest that social value remains somewhat elusive and complex to measure.

### **2.3 Emerging implications for TSOs**

Complexities in operationalising social value, as well as the drive for financial accountability in an era of austerity, have raised concerns about the nature of the evidence currently requested from TSOs by public sector commissioners to assess the effectiveness of services. Despite the national policy shift towards outcomes-based commissioning in recent years, as well as legislative efforts to incorporate the notion of social value in public sector commissioning, concerns persist that TSOs continue to be subjected to a language of efficiency, financial performance, and compliance over outcomes and social value in the commissioning process (Ellis and Gregory, 2008; Dacombe, 2011; Wimbush, 2011). In addition in recent years it has been suggested that the demands of public sector contracting and data collection for contract monitoring purposes has reduced and/or interfered with TSOs' capacity to be independent and accountable to service users and their wider social basis (NAO, 2005; Cabinet Office, 2006, 2010). There are also concerns that excessive administrative burdens produced by data collection for contract monitoring purposes are placed on TSOs, creating challenges particularly for smaller TSOs and organisations with limited capacity (Ellis, 2009; Ellis and Gregory, 2008; Cabinet Office, 2010). TSOs meanwhile report feeling under pressure to provide data and evidence of effectiveness in

order to secure future funding (Ellis and Gregory, 2008), and Chapman et al. (2012) suggest this has been heightened by the recent context of public sector austerity. Such pressures to prove effectiveness has, in turn, raised concerns about TSOs' capacity to both produce data (Inspiring Impact, 2013) and their willingness to report negative results in a competitive funding environment (Arvidson and Lyon, 2013).

Several major government reviews under both the New Labour governments and early on under the Coalition government attempted to address the bureaucracy and complexity of contract monitoring processes for TSOs by promoting the principle of "proportionality" (Hampton, 2005; NAO, 2005; HM Treasury 2006; Cabinet Office, 2007, 2010): linking demands for data to the financial value of a service agreement. This was paralleled by efforts to build the capacity of TSOs to undertake monitoring and evaluation, backed by investment initially in the Performance Hub led by the Charities Evaluation Service and National Council for Voluntary Organisations through a Home Office ChangeUp grant, and later with investment through CapacityBuilders (see Ellis and Gregory, 2008). There was also significant investment in training and guidance for public sector commissioners on good practice in commissioning with the third sector, most notably the National Training Programme on Third Sector Commissioning (Nef, 2009), which included designing and selecting the most appropriate funding, service agreements and monitoring arrangements for TSOs.

Evidence about the precise nature of the demands for evidence from public sector commissioners and funders remains limited however, and a recent review by TSRC found there is little empirical evidence to date of what public sector commissioners' requirements look like in practice (Harlock, 2013). It is also difficult to draw conclusions from existing research about precisely how far the pressures to produce evidence of effectiveness originate from public sector funders, and in what ways these are experienced by TSOs. Drivers appear to come from a number of sources: third sector bodies and networks have been influential in promoting "impact measurement" in order to understand the effectiveness of TSOs' services and interventions (see [www.inspiringimpact.org](http://www.inspiringimpact.org); Inspiring Impact, 2013), and there is a rapidly developing industry of consultancy and other organisations offering tools and resources to support "impact measurement" for TSOs (see Metcalf, 2013).

The pressures to produce evidence of effectiveness are likely to be felt and experienced in different ways and to different degrees across TSOs depending on the nature of their services and activities, their organisational capacity, and their relationship(s) to the public sector and other funders. Nevertheless, research by the Charities Evaluation Service (Ellis and Gregory, 2008), New Philanthropy Capital (Ogain et al., 2012) and Northern Rock Foundation (Chapman et al., 2012) reports that TSOs' investment and efforts to produce data and evaluate their effectiveness have increased sharply over the last five to ten years,

and this is a significant agenda for governance boards and senior management amongst TSOs (Ogain et al., 2012). The rest of this paper is thus dedicated to exploring empirically the nature of the evidence required by public sector commissioners from third sector providers, what this tells us about how social value is being applied and measured, and considers the implications for TSOs involved in public services delivery.

### 3. Methodology

In order to understand the nature of the evidence used by commissioners to assess the effectiveness of third sector services and their experiences in collecting such evidence a qualitative methodology was adopted. Semi-structured interviews typically lasting one hour were conducted face-to-face or by telephone with a total of eight local authority officers, referred to hereafter as commissioners, with responsibility or expertise in third sector commissioning across six different local authorities in England. The interviewees all held senior positions in the local authorities with regards to commissioning with the third sector and thus had strategic insight into commissioning policy and the local authority's relationship with the third sector locally, with the exception of two interviewees whose roles were focused on procurement and performance management respectively. These two interviewees were identified via snowballing and recruited as an additional perspective to the commissioners' perspectives in two different local authorities. The authorities included a mix of urban and rural authorities and two-tier and unitary authorities from different parts of England, and were identified using a snowballing approach via the author's existing research networks and contacts. Interviews took place between November 2012 and February 2013.

The local authorities commissioned TSOs to provide a range of social care and support services to older people and disabled adults in the area including: shopping services, transport, home-help (for example property maintenance, gardening and cleaning), advice, information and advocacy, befriending and peer-support, personal care (both at home and in day residences) and a range of activities under the general term of "day care", such as meals and social activities. These services were funded and managed through a variety of grant and contracting arrangements between the local authorities and TSOs. The interviews were designed to gain an understanding of the practices and measures used by commissioners to assess and evaluate the services provided by TSOs in the commissioning process. The interviews explored commissioners' experiences and perceptions of recent policy, legislation and developments around measuring the effectiveness of TSOs, including the Public Services (Social Value) Act (2012), developments in outcomes-based commissioning, and identifying practices adopted by commissioners associated with those changes. The focus was on common experiences and cross-cutting key issues and challenges across the local

authorities in evidencing the social value of TSOs in local adult social care commissioning processes, however the research was nevertheless mindful of local variations, politics and particular characteristics which may influence individual local authority practice.

Emerging themes were identified from the interviews by repeatedly revisiting data to build up conceptual links. In addition to interviews, documentary information relating to social value and outcomes-based commissioning produced by local authorities was analysed as context to data derived from the interviews, and some service agreements and contracts were referred to during the interviews in order to illustrate key points being discussed. To maintain confidentiality all data are reported anonymously.

## 4. The findings

### 4.1 Progress to date

All the local authorities (LAs) interviewed were in the process of making the shift to an outcomes-based approach to commissioning: understanding what TSOs - as well as other service providers - were achieving both directly for their service users and more widely for their local population. Key changes taking place across the LAs were reported to be:

- a greater degree of engagement and partnership working with service providers, service users and their carers in agreeing outcomes to be achieved via the LA's investment in services;
- allowing more “*flexibility*” (Commissioner, LA 3) for service providers in stipulating how their services would meet agreed outcomes;
- an increase in the collection of qualitative types of data from service providers, including data from service users themselves, in order to evaluate services and outcomes achieved.

There was variation in the precise outcomes specified to be achieved in each local authority area, and some variation in the precise arrangements, processes and practices adopted for agreeing the outcomes. Nevertheless across all the LAs outcomes to be achieved were commonly established at both the strategic and service user level. At the strategic level adult social care departments were working together with local partners in health, the third sector, community, and other local public bodies to agree prospective outcomes and assess the difference that their collective investment in services was making to service users and the local population. There were moves at the time of interview for this to take place via newly established local Health and Well Being Boards (HM Government, 2012a). Agreed outcomes to be achieved were then being formulated in outcomes-based commissioning frameworks in each local authority area.

At the service user level, adult social care commissioners in each area were also collaborating – to varying degrees - with service users, their carers, families, and service providers to establish outcomes to be achieved for specific service user groups and/or individual service users (as set out in HM Government, 2007; Think Local Act Personal, 2010). These outcomes were then stipulated in service specifications and funding agreements with local service providers, which could either take the form of a contract, grant, or a “prospectus” (likened to an outcomes-based service agency agreement) in some local authority areas. Service providers were thus to be commissioned on the basis of the effectiveness of their services and activities at achieving these agreed outcomes at the strategic and service user level, and demonstration of social value was a key dimension of this.

It was explained that evidence and data from TSO service providers was generally collected and received by commissioners in two key windows of the commissioning process<sup>1</sup>: in the initial tendering or grant application stage when making decisions about which services to fund, and - once a service had been commissioned – via ongoing service monitoring arrangements to ensure outcomes were being achieved (refer to Figure 1). All the commissioners interviewed aspired to incorporate evidence relating to social value in the commissioning process, in particular for new service agreements. However, there was considerable variation in the stage of implementation in each local authority area, and interviewees cited a number of issues and challenges in assessing social value which are discussed below.

## **4.2 Defining and measuring social value**

Understanding and capturing the wider social value of TSO services was seen by all of the commissioners as a key ingredient to outcomes-based commissioning. Whilst interviewees from only two local authorities referred specifically to their obligation under the Public Services (Social Value) Act (2012) during the interviews, all six LAs were nevertheless gathering information on the wider social benefits and impact of TSO services. Assessments of the social value of services were mainly concentrated in the initial tendering or grant application stage for services. Five interviewees reported that tenders from TSOs for contracts for services were evaluated on three distinct elements: price (cost to the local authority), the quality of the service, and the social value of the service. The three elements were weighted differently however across LAs. Whilst social value did not make up a specific

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<sup>1</sup> Although moves were being made to implement commissioning according to the model set out in Figure 1 in each of the LAs, it was found that a large proportion of services were still operating under preceding arrangements and agreements where these agreements had not yet expired, or due to longevity in the implementation of changes. Therefore commissioning of services did not always follow the linear process set out in Figure 1.

element in the evaluation process in the sixth authority, the interviewee nevertheless explained they welcomed evidence provided by TSOs about the wider social benefit(s) of their services and looked favourably towards organisations that could demonstrate these impacts.

However difficulties in defining and measuring social value were reported by all the interviewees. Confusion over meaning and a lack of a universally accepted definition of social value were key challenges. The interviews and analysis of LA documents revealed that some of the LAs had adopted a language of *social value* whilst others had adopted a language of *social capital* to refer to the wider social benefits and impacts of TSO services. However both languages used by the LAs had some common features such as the generation and enhancement of community cohesion and relationships, and economic benefits. Several LAs were working towards developing their own definitions of social value and/or social capital, and were looking to work together locally with other LAs in their region, local TSO providers and their local community to develop a common understanding. An example of an early definition being developed by one LA is cited below:

...For the purposes of this procurement, social capital is defined as the diverse network of social and practical connections that exist between people and community organisations, and their shared values and interests. This will enable and encourage mutually advantageous social cooperation. For example, building social value through the development of social capital can be based on the degree to which services will be owned or led by those who need and use services. It can also include the use of volunteers and getting people more actively engaged in the life of their community. Investment in building social capital can also be based on making the best use of the connections, knowledge and resources of people, groups and organisations in local communities, perhaps by working in partnership or by developing new services that add value to the council's investment. (Service specification document, LA 5)

Another LA had consulted with their local third sector to develop a common definition of social value; however the interviewee explained they had not been able to achieve a consensus and agree a definition that would capture the diversity and range of impacts of TSOs:

...the sector couldn't come up with something that was owned by the whole sector, so in the end each organisation we let define social capital in their own way.  
(Commissioner, LA 4)

Several interviewees referred to a lack of understanding within their respective LAs about how to measure social value, in particular the types of data required and how it would be operationalised in practice as part of the evaluation process. The two interviewees who discussed the Public Services (Social Value) Act (2012) noted there was a lack of clear national guidance about how to demonstrate and measure social value which was, in their view, a significant drawback to its implementation and effectiveness. There were also concerns about how much it would benefit the third sector if methodologies and

measurements of social value were not more widely understood amongst TSOs themselves, and in particular able to be undertaken by smaller, lower capacity organisations. Fears that larger commercial providers would be better able to demonstrate their social value because they had greater capacity and experience to demonstrate their effectiveness was a common concern expressed by participants. Two of the six LAs interviewed were therefore providing training for LA commissioners about social value and the Public Services (Social Value) Act (2012) and also supporting TSOs to develop their proficiency for social value measurement via workshops.

The (perceived) lack of user-friendly tools and methods for demonstrating social value was a key challenge by interviewees. Participants explained that they asked TSOs to provide their own evidence of their social benefits in their bids for service contracts or grants funding for services rather than stipulating indicators or measures themselves. Interviewees explained that TSOs were “*experts*” and “*best placed to know*” and “*understand*” the wider social benefits of their own services (Commissioners, LA 3 and 4). However asking TSOs to provide this evidence themselves created tensions with TSOs in some cases, who were reported to be unclear about what evidence to provide in their bids and applications. One interviewee explained:

I think they are probably expecting a, some are expecting a clear steer from us, and we probably don't do it to be frank... (Commissioner, LA 4)

Yet it was also reported by interviewees that some TSOs preferred providing their own evidence because it was seen as less “*top-down*” (Commissioner, LA 3) and bureaucratic, and gave them greater flexibility and freedom to emphasize their particular strengths.

Two commissioners meanwhile reported using SROI to assess social value of TSO services, but they did not use it consistently with all TSOs due to what they perceived as disproportionate amounts of paperwork required in relation to the value of funding for a service. Another interviewee explained they had attended external training on SROI as the LA wished to start using it in contracts with TSOs. However the interviewee expressed their disappointment with what they perceived as the complexity of the methodology, and therefore the resources that would be necessary to train both staff and TSO providers in its use:

I've attended meetings about [SROI] and I was a bit disappointed really...it seemed focused on huge services, I don't think they've developed anything for smaller services, smaller authorities really (Commissioner, LA 2)

Indeed a key concern expressed commonly by interviewees in relation to SROI was that it was not appropriate for all TSO providers because of their varying capacity and capability.



SROI was seen as more suitable for larger and higher capacity organisations, and it was feared that such organisations would disproportionately benefit if SROI were implemented more systematically in commissioning processes, meanwhile TSOs with lower capacity and capability would lose out. One interviewee explained:

... this kind of thing is going to happen more and more with the more savvy, well-funded, intellectually and business-driven organisations, so that's fine for [them]. A small local organisation that's maybe mutually owned...is going to struggle with this. (Commissioner, LA 5)

Alternative methods and measures for evidencing social value were therefore being investigated by LAs, but a common view expressed by the interviewees was that there appeared to be a significant lack of user-friendly tools available that would suit both LAs and TSOs needs. Instead common types of evidence being collected from TSOs included examples of: community links and connections with other organisations and sources of support; involving volunteers in service provision; involving service users in service provision; using locally sourced products or resources that support other local businesses/local economy (e.g. local buildings, local food produce); ability to mobilise other resources/funding to provide services; and using (environmentally) sustainable resources. However capturing the outcomes of these activities was reportedly difficult for commissioners, and this is discussed in more detail below.

#### **4.3 Developing qualitative indicators and skills**

LAs were moving towards the collection and analysis of qualitative data as part of their evaluation of services in both the tender/grant application and contract/grant monitoring windows of the commissioning process (see Figure 1), and looking to develop measures and indicators which could successfully measure outcomes. However a common concern in the interviews was the challenge of capturing qualitative and to some extent intangible outcomes and impacts for service users, for example an increased sense of well-being and confidence amongst service users. Interviewees reported that reporting such outcomes required very different types of data to the quantitative and output-based information traditionally collected by the LAs from TSOs, for example, numbers of service users accessing services, characteristics and demographic information about service users, activities undertaken, use of staff time, staff training undertaken and financial outputs (or costs). This type of information was described by participants as "*easiest to collect*" (Commissioner, LA 3) for the LA, and it could also show clearly where money was being spent. Yet it was recognised by interviewees that such data revealed little about the experiences of service users, and the differences that TSO services were making to their quality of life and wellbeing. Interviewees explained:



... we might collect statistical data, how many people etc. and that's fine, but actually that doesn't tell us anything about the quality of life that those recipients have got...trying to develop a performance monitoring structure that is actually meaningful and adds to that debate around how do we capture outcomes...thinking about data in a very different way...how can we manage and monitor outcomes for people so that we know that actually what you are delivering is making a difference, I have to hold my hand up and say I don't think we are there yet. (Commissioner, LA 6)

we're quite good on the outcomes but it's the specs, outcomes-based monitoring is very difficult to do...we encourage organisations to capture the positive outcomes that they can feed back to us so good examples and things like that...ask them to tell us how many people they've signposted to other organisations, things like when they notice a person could benefit from a handy person visiting them or the fire brigade to fit a smoke detector and things like that... (Commissioner, LA 2)

Common types of qualitative information being collected and received by commissioners from TSOs included questionnaires with service users about their experiences of and satisfaction with services; case studies of outcome stories with individual service users; and quotations from service users about services received. Interviewees explained that increasingly they were requesting and looking for evidence from TSOs that particularly drew on service user and/or their carers' own evaluations. One LA for example employed a service user-led group of individuals with similar needs to those accessing services to evaluate an organisation's services from the point of view of a service user. LA 2 was also requesting and collecting video interviews from TSOs about what they achieved with their services and asking service users to film TSOs at work with people. Other evidence collected included copies of organisations' annual reports, and reports from TSOs at the end of the life of their current funding agreement detailing their achievements in relation to their original funding application. Three interviewees meanwhile reported that they were looking for more "*definitive*" (Commissioner LA 3) and "*rigorous*" types of evidence from TSOs (Head of Procurement LA 6). These respondents provided examples of TSOs who had used the Outcomes Star tool (see Metcalf, 2013), and before and after measures to demonstrate the differences made by services and interventions.

A common key challenge identified by interviewees in the collection of information was the depth of data required to demonstrate and explain outcomes, and the individualised nature of such data. Interviewees reported struggling to find common or standard indicators and measures for outcomes because they would not only be unique for each individual, but also for each service commissioned:

...are the users gaining from being there, and that gaining from being there could mean a lot of different things depending on the organisation and on the individual. (Commissioner, LA 4)

One interviewee explained that local authority data management systems and processes would likely need to be adjusted for the routine collection of such qualitative data, as many

local authorities used standardised and/or independent monitoring systems, particularly for acute care provision. Another interviewee meanwhile iterated that contracting staff had little experience of working with, interpreting and managing qualitative data.

#### 4.4 Capacity

The capacity of commissioners to collect data and review outcomes achieved was also a key issue in the interviews. Interviewees referred to the limits on their capacity to undertake detailed monitoring and reviewing of services due to fewer staff and resources to undertake these activities:

I think there is probably less performance monitoring now than there was because there are fewer people to ask for it and receive it...We used to monitor in more detail but we just don't have the resources at the moment. We used to do very regular monitoring. (Commissioner, LA 2)

Meanwhile the proportionality of requirements for data was a concern for some of the commissioners. Several interviewees remarked on the limited capacity of TSOs to produce data, as well as on the limited capacity of commissioners to receive it:

How often do I need to know as a commissioner? We have some contracts that were written three or four years ago that are ridiculous. I mean I took over the [organisation] contract and poor old [employee] sends me reports every month because it says in her contract that she has to. I don't need monthly reports and she has to sit there and probably take two hours of her time every month to do it. So I've got an informal agreement with her: 'just send it to me quarterly. (Commissioner, LA 5).

Some commissioners expressed being “*overwhelmed*” (Commissioner, LA 5), and “*bombarded*” (Commissioner, LA 6) by data from TSOs, with little capacity to review the data received. In some cases reviewing of services was therefore said to be based on a “*reactive*” (Commissioner, LA 2; Commissioner, LA 4) approach to concerns about the safety of service users and/or quality of services. Some commissioners also reported using more informal arrangements with some TSOs (such as annual review meetings), particularly with long standing providers and/or smaller TSOs with limited capacity.

Commissioners explained they worked with third sector providers where possible to negotiate and develop mutually agreeable processes, arrangements and formats for evidence and evaluations which were proportional and user-friendly for both sectors. However due to commissioner capacity constraints, the volume and diversity of TSO providers, and other pressures on commissioners this did not happen consistently:

It varies...it's impossible to say, we have around 370 providers...that's just not possible. (Commissioner, LA 2)

## 4.5 Safeguarding and quality monitoring

Another key issue was the need to collect information for safeguarding purposes. Interviewees reported the importance of having a strong evidence base around quality to support LAs' safeguarding role, particularly for vulnerable service users. Evidence of quality therefore comprised a key part of evaluation of services both in the initial tendering or grant application stage, and thereafter in monitoring of services. Three interviewees explained that quality assessments were given higher priority in their evaluations of services than social value, whilst in other LAs the assessments were weighted equally and for some it was unclear.

Participants noted that LA resources for service monitoring and evaluation (e.g. dedicated personnel and time) were often concentrated amongst those services that delivered care and support to the most vulnerable service users with complex needs and conditions in residential and nursing settings, or in service users' own homes. Such services were also often subject to some external independent regulation by, for example, the Care Quality Commission. The perceived level of risk to the service user was therefore a key factor in determining levels of data collection and evidence, and the LA resources allocated to this. It also influenced the nature of data required. For example evidence of staff training, qualifications, and health and safety procedures were a high priority:

... it's a high level of risk...the level of risk of somebody not being cared for, for the highest level of need...you could do a lot of damage to that person quite quickly...neighbourhood care, activities, kind of, what's the worst that could go wrong there? You know, we'd make sure people are CRB checked and then monitor that, but it's not the high level of risk you've got in care homes" (Commissioner, LA 4)

there are far more resources targeted into, say a domiciliary care agency, looking at their performance under the contract... monitoring team tends to, because of pressure, tends to have focussed a lot on the heavier end of care, so the care homes and domiciliary care. (Commissioner, LA 6)

There was variation therefore in commissioners' requirements for data and evidence for what were seen as less intensive, preventative services and activities delivered by TSOs, and acute care provision delivered by TSOs. Some interviewees also remarked on differences between the levels of service monitoring and evaluation required between for-profit (commercial) sector providers and TSOs, as for-profit providers had a larger share of the market in residential, nursing and domiciliary care in these authorities. The interviews suggested that pressures associated with safeguarding responsibilities therefore shaped the nature of evidence required and collected from providers, and influenced the degree to which social value featured as part of ongoing service monitoring arrangements.

## 4.6 Financial accountability and risk

A common concern reported by commissioners interviewed was the need to demonstrate financial accountability and cost-effectiveness of services, particularly in a context of reduced budgets. Although social value was a component part of the initial evaluation of services, two interviewees reported that evidence of social value only comprised between 5-20% of the overall evaluation of the service, and that price considerations were greater priority, alongside quality. Meanwhile it was explained that evidence and formulations of social value which could demonstrate a potential or tangible cost saving were particularly valued by interviewees, however apart from SROI, participants reported a shortage of user-friendly measures and tools for this purpose.

Requirements for data collection and service evaluation were also influenced by the value of funding for TSO services. Participants reported that arrangements for service monitoring and evaluation tended to be more frequent and intensive for services that were more expensive (greater cost to the local authority):

...we have contract monitoring meetings with an organisation above a certain monetary value of business with us, then we start to meet more regularly  
(Commissioner, LA 5)

the performance regime is much reduced for smaller grants, it's annual, and they're responding to the basic things that we want to know. (Commissioner, LA 3)

we've put them on all sorts of measures because it's big money.  
(Commissioner, LA 2).

Interviewees also expressed tensions between the flexibility required for providers to specify their social value and demonstrate how they would meet agreed outcomes, and the tendency towards (financial) risk aversion in existing contracting and procurement procedures and culture:

...you pass that over to the provider, those accountabilities, that's a tremendous loss of control, and I think when budgets are shrinking and the pressure is on financially and with targets there's a kind of natural instinct to want to take control of everything and not let go. (Commissioner, LA 5)

from a commercial perspective contracting always encourages you to be as risk averse as you possibly can...because we are spending public money...I think there's a lot of commercial people who say 'Oooh, wouldn't do that, too risky'. (Performance Management Officer, LA 1)

the need to reassure their bosses that they are not letting any risks through, that's the problem, and as the money gets tighter...everything gets scrutinised...everything gets bureaucratised into infinity...it's that level of skill and understanding... our procurement team has officers in it who don't understand the concept [of social value]. (Commissioner, LA 5)

Interviewees thus pointed to the wider changes in culture (languages, skills and institutional processes) that were still necessary not only for the more systematic application and assessment of social value in commissioning, but also for the measurement of outcomes. Indeed at the time of interview commissioners reported that there was still some considerable way to go before outcomes-based commissioning was embedded into local authority practice. As one interviewee explained:

... the thing I'm trying to do still is unbundle service specifications and agreements that have no concept of outcomes, involving the provider or end user in them...sometimes I think is it worth it, but it's thirty years of local government culture so achieving that, it's not going to happen in just three or four years. (Commissioner, LA 5)

## 5. Conclusion and implications for policy and practice

It is difficult to generalise from the small scale nature of this study about the potential impact of the Public Services (Social Value) Act (2012) across the public sector and its implications for performance managing the third sector. The data was collected at a very early stage of the legislation enactment, thus the findings reported here could reflect the early stage of implementation. Yet the interviews revealed that social value was not necessarily a new concept for the local authorities interviewed. Assessments of social value were already being incorporated in commissioning processes and efforts had already been made to develop and apply considerations of social value with third sector organisations, even amongst those local authorities who had not yet apparently felt the impact of the legislation. In light of this, the findings suggest that it is the inherently ambiguous nature of the concept of social value, as well as the dearth of user-friendly tools with which to measure it, that poses a considerable challenge to embedding social value further in commissioning processes across the public sector. The findings reported here suggest that in order for the Public Services (Social Value) Act (2012) to achieve its intended aims there is a need to further develop understanding of social value, and associated definition(s) and measure(s) which are relevant, user-friendly and applicable for both public sector commissioners and third sector providers in different public service areas.

There are likely to be a number of practical challenges to achieving this however. The findings in sections 2.2, 2.3 and 2.4 suggest that the diversity of the third sector in terms of its goals, activities and capacity means that developing shared and/or generic measures of social value is likely to be difficult; meanwhile the ambitions and capacity of TSOs and public sector commissioners for demonstrating social value may not necessarily be commensurate. There is also a danger of 'bureaucratising' and/or being disproportionately prescriptive about

measures of social value and creating additional pressures for both public sector commissioners and TSOs.

Nevertheless the interviews here suggest that some local authorities are attempting to develop shared definitions of social value both with other local authorities and with their local third sector providers. Collaborating in this way may go some way to improving mutual understanding and implementation of social value and its assessment, and this could be a key undertaking for local third sector infrastructure organisations in the future. Meanwhile developing a range of indicators which can demonstrate social, economic, and environmental impacts, and which are linked to the outcomes-based commissioning frameworks emerging in local authority areas, may be one possible approach for TSOs and local authorities to allow for sector diversity. It would be vital for such indicators, and the associated outcomes, to be developed in genuine collaboration with TSOs however, as well as service users and the wider community. The perspectives of TSOs are lacking from this study, therefore future research which focused on the views and experiences of TSOs in assessing social value would shed important light on the key issues and challenges faced by third sector providers in relation to this agenda.

This study has also revealed that safeguarding and financial accountability are key responsibilities for adult social care commissioners within local authorities and that the pressures associated with these responsibilities appear to be shaping and influencing the nature of the evidence and data required from TSOs. The findings in sections 4.5 and 4.6 suggest that concerns about financial and service-user risk as well as orthodox procurement practices are, in particular, experienced as barriers or inhibitors to commissioning on the basis of social value. Meanwhile the interviews indicate that local authorities are still in the process of implementing key changes associated with outcomes-based commissioning. Commissioners thus appear to be juggling multiple policy agendas and political pressures. There is a danger that such pressures may end up being reflected in or, at worst, transferred to the third sector via emerging arrangements for the evaluation and performance management of services, which includes financial, quality and social value measures, as well as the need to demonstrate the achievement of locally agreed strategic and service user outcomes.

This study has revealed that commissioners' requirements for evidence and data from the third sector are often characterised by ambiguity. A number of factors appear to influence the arrangements and nature of data collection from third sector providers including the value of funding, the type of service provided, perceived risks to and vulnerability of service users, and commissioner and TSO capacity for service evaluation. It is also ambiguous how evidence collected is then utilised by commissioners in decision making about future funding, and re-commissioning or decommissioning of services. In light of this,

TSOs must strike a balance between their capacity for evaluation and evidence gathering, commissioner expectations for evidence, and evidence and evaluation for TSOs' own organisational learning.

Although there is a clear recognition and application of the importance of social value in commissioning amongst the LAs interviewed and, from January 2013, an obligation to pursue social value in outcomes-based commissioning, the ongoing challenges of its measurement and alternative pressures on public sector commissioners means that the challenge of demonstrating social value, and holding the public sector to account in its implementation, is likely - for the time being at least - to fall to the third sector.



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## About the Centre

The third sector provides support and services to millions of people. Whether providing front-line services, making policy or campaigning for change, good quality research is vital for organisations to achieve the best possible impact. The Third Sector Research Centre exists to develop the evidence base on, for and with the third sector in the UK. Working closely with practitioners, policy-makers and other academics, TSRC is undertaking and reviewing research, and making this research widely available. The Centre works in collaboration with the third sector, ensuring its research reflects the realities of those working within it, and helping to build the sector's capacity to use and conduct research.

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## Service Delivery

From housing, to health, social care or criminal justice, third sector organisations provide an increasing number of public services. Working with policy makers and practitioners to identify key priorities, this work will cut across a number of research streams and cover a series of key issues.

Critical understanding service delivery by the third sector is important to policy making as the third sector now provides a major - and very different - option for public services, which may be more responsive to the needs of citizens and service users. At the same time, there are dangers inherent in the third sector becoming over-dependent on funding from service contracts – particularly in terms of a potential loss of its independence. The centre's research will help to inform the debate on the way in which service delivery is developing, the potential role of the third sector in commissioning as well as contracting, and the implications of different approaches to service delivery on the overall impact of the third sector.

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