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**Telling tales of commissioning: insights from a
qualitative longitudinal study of third sector
organisations**

Angela Ellis Paine and Rob Macmillan

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Abstract

There is much debate and a developing body of research concerned with the implications of third sector organisations engaging with commissioning processes associated with public service delivery. Much commentary and analysis is highly critical of commissioning and its effects, and more generally tends to portray third sector organisations as either fragile and at risk or in need of reform and modernisation. By drawing on contrasting case studies of voluntary action through a qualitative longitudinal study, this working paper explores the nuances involved for third sector organisations in understanding, navigating and negotiating a complex commissioning environment. After describing the commissioning experience of our four case studies, we focus on five cross-cutting themes: rules, resources, refocusing and restructuring, relationships, and re-thinking the problem. We conclude that while commissioning is no doubt challenging for voluntary organisations, particularly smaller ones, they are not passively responding to their environment but developing a range of tactics to navigate the landscape, and to actively challenge and shape it.

Key words

Commissioning, voluntary organisations, rules, resources, relationships, restructuring

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Introduction

For at least 30 years third sector organisations have been debating and assessing the dilemmas of engaging with the state on a more formal contracting basis in the resourcing and delivery of public services. Research on the 'contract culture' and the impact of competitive tendering on third sector organisations grew in the 1990s and continued alongside the UK Labour government's emphasis on commissioning and enhancing the role of the third sector in public service delivery. Attention switched somewhat in the wake of the financial crash, recession and the pursuit of austerity-inspired public spending cuts, alongside the reassertion of market-based financing mechanisms. Researchers sought to document the perspectives of third sector organisations (e.g. Milbourne and Cushman, 2015; Rees et al, 2017; Livingstone and Macmillan, 2015), and latterly public sector commissioners (e.g. Body, 2018), in the newly unsettled and constrained environment.

Existing literature tends to agree on the problematic nature of commissioning for third sector organisations, with three slightly different conclusions being reached:

- **Commissioning should be abandoned:** Here the argument tends to be that commissioning does not and will never work; that it is the wrong way to approach the funding and provision of public services, and that third sector organisations in particular are put at risk by the process due to their relatively fragile condition. Here commissioning is seen as part of a wider project of state withdrawal and privatisation, part of a disciplinary regime which drives competition rather than collaboration. Within the voluntary sector, commissioning has led to loss of independence and distinctiveness for larger organisations and terminal decline for many smaller organisations (Milbourne and Cushman, 2015). Benson, for example, argues: *“the move from grants to contracts is the single most important factor in the progressive co-option of VSGs as servants of the state plans and policy and, increasingly as subservient to the profit-making activities of private companies”* (Benson, 2014: 3). In this view, commissioning is fundamentally flawed and should be abandoned.
- **Commissioning should be reformed:** Here the argument tends to be that current commissioning processes are problematic and need to be reformed (e.g. Lloyds Bank Foundation, 2016). The whole commissioning cycle, it is argued, is rarely used to its full potential, with an emphasis on procurement rather than commissioning. A fragmented approach to commissioning has developed, within which the focus has been on financial rather than social value. Such shortcomings are exacerbated by ongoing resource constraints (e.g. Rees, 2014). Commissioning has become disproportionately complex and this has disadvantaged certain groups, particularly smaller voluntary organisations which lack the resources to effectively engage. Rather than needing to be abandoned, in this perspective, commissioning needs to be reformed.
- **Commissioning practices vary, and can be improved:** A more optimistic reading is that commissioning can work, but practices and outcomes are currently varied, depending on the capacity, capability and social skills of actors – both commissioners (e.g. Rees et al, 2017; Body, 2018) and potential provider organisations. This approach tends to emphasise the

relational nature of commissioning. The conclusion tends to be reached that building capacity and capability amongst both commissioners and provider organisations would enable the voluntary sector to participate more effectively within the increasingly competitive environment.

A key feature of recent debates, common to all positions, has been the argument that the commissioning landscape currently tends to advantage larger and more formally-structured and commercially-oriented third sector organisations, at the expense of smaller and medium-sized organisations (Crees et al, 2016; Lloyds Bank Foundation, 2016). In search of greater efficiency in government procurement, larger contracts with tighter specifications, and including some form of risk-based payment by results component, have become more commonplace (Rees, 2014). Smaller and medium sized third sector organisations often struggle with the cash-flow implications and delivery capacity to run such contracts, whilst larger organisations tend to have greater capacity, expertise and track records in bidding for and delivering contracted work but even larger organisations will have limits on how much cumulative financial risk they can take particularly on payment by results contracts.

Evidence to date has tended to come from cross-sectional studies that provide little opportunity to explore in depth organisations' experiences of commissioning. They provide rather limited insight into how voluntary organisations are both shaped by but also shape the commissioning environment.

The research

In order to understand third sector experiences of commissioning, we draw on evidence from a qualitative longitudinal study of change in voluntary action within which commissioning has emerged as a significant theme.

The overall aim of the study is to follow journeys of voluntary organisations and voluntary action over time. The first phase of the study, *'Real Times'*, involved 15 case study sites and ran from 2010-2014. It focused on broad questions of the changing fortunes of and challenges faced by a range of voluntary organisations. The case studies were selected to reflect diversity in terms of geographical spread, size, scope, and field (Macmillan, 2011; Macmillan et al, 2013). The second (current) phase – *'Change in the Making'* – runs from 2016-2020 and focuses on four of the original cases (encompassing five organisations), selected because they demonstrate different and particularly interesting aspects of change, while also operating at different scales and in different fields. *Change in the Making* focuses on questions of change: on how change is understood, experienced, negotiated and created within voluntary organisations.

The research is grouped into three fieldwork waves – roughly one per year over three years – 2017, 2018 and 2019. Data collection involves interviews, focus groups and observations with a broad range of people – from trustees, staff from across the organisation, to volunteers, service users, partners, commissioners, and other stakeholders. Interviews and focus groups are recorded and transcribed

verbatim. Analysis is thematic and involves both within-case and cross-case comparisons. Due to the sensitive nature of many of the issues and concerns discussed and observed in the research, we use pseudonyms for the case studies, and otherwise anonymise research participants.

The research programme first engaged with the case studies in 2010, in what was effectively the last year of a period of growth for the UK third sector. The research has subsequently followed them through the challenging years of austerity. Hence, we have been able to observe the multiple dilemmas that voluntary and community organisations face in their everyday work and the different strategies that they adopt in navigating their way through shifting environments. The study did not set out to specifically explore issues associated with commissioning; it emerged as one of the key themes within the first wave of qualitative data collection and analysis (2017) and was subsequently pursued within wave two (2018).

In the following section we introduce each of our case study settings and outline the stories of their individual commissioning experiences, drawing predominantly on the interviews with staff within each of the organisations. We then go on to highlight several cross-case themes that emerge from these stories, highlighting points of difference and similarity between the cases, before drawing some conclusions. It is worth highlighting at this point that the reflections from case study respondents exhibit some familiar frustrations with commissioning processes seen in the wider literature. The aim of this paper is to share those stories and experiences from our case studies; our wider analysis is seeking to look beyond the frustration to consider the wider array of structures and decisions involved in commissioning services.

Commissioning stories

Here we tell the stories of the commissioning experiences of each of our four cases. We provide some basic information about each of the organisations in order to contextualise their experiences.

LARCH is a set of community activities organised by residents and others in a relatively deprived ex-mining area in the north of England. The research focuses in particular on two organisations operating in the area: a community association ('Larch A') and a horticultural social enterprise ('Larch B'). Commissioning experiences are limited in both, particularly Larch A.

LARCH A was set up in the late 1990s with the support of a coalfields regeneration programme, at a time when targeted regeneration funding was made available to invest in former mining areas. By the time the research began in 2010, the association was running a heritage centre, a shop with a cafe, a mini-bus, a village hall and various other community activities. After a decade or so of considerable activity, however, the association was beginning to struggle with the effects of regeneration programmes ending, the necessary effort in repeatedly applying for grant funding, and the challenge of recruiting and retaining volunteers. Over the last few years these challenges have intensified, with diminishing community development and voluntary sector infrastructure support, unsuccessful funding

bids, escalating maintenance costs, and an ageing and dwindling volunteer base. Larch A's approach to continuing its activities has tended to involve small-scale fundraising and income generation work, grant applications to specific funding programmes, and otherwise the increasingly difficult mobilisation of volunteer time. It does not seek to engage in commissioning processes organised through local authorities or other statutory bodies.

LARCH B is a social enterprise aiming to support disadvantaged people through engagement with horticultural activities. It was being set up at the point at which the research programme began in 2010. The organisation's work involves therapeutic horticulture: working alongside people living in a range of challenging circumstances, including unemployed people, ex-offenders, and those with substance misuse issues, long term health conditions, learning difficulties and mental health problems. All 'service users' work on site as volunteers; and are all referred to as such. After a relatively slow start, while land was sourced and developed, momentum has grown significantly in recent years: funding from a diverse range of sources has been secured, staff recruited, produce grown and sold, volunteers (service users) supported and a good reputation has developed.

The organisation was established as a Community Interest Company with the explicit aim of becoming self-sustaining through enterprise activities. In practice, this aim has been regarded as somewhat ambitious. Instead they have developed an energetic and creative approach to funding and indeed to organisational development, often based on committed networking and resourceful fund raising, by responding positively to all opportunities which arise. Growth has arisen through a combination of significant grant funding (from the Big Lottery Fund), a series of relatively small grants, contracts (including as sub-contractors within consortiums) and spot purchase arrangements with a range of statutory bodies, Direct Payments through the personal budgets of individual volunteers, and donations. It is not always clear if the funding they receive from various statutory bodies is a grant or contract:

"...some of them are like commissioned services but we have to apply for them in the same way as you do grants. So, I don't know whether to call them commissioned services or contracts or grants. The Police and Crime Commissioner, we have one – we have funding for three years, that's for our training officer, part time training officer. [The] Council we've got the drug and alcohol, that's for the delivery of services, they're all for delivery of services, those two are for delivery of services. So, in some ways they're contracts but I still have to apply them, I'm not tendering for them, I have to apply for them to a pot that they've got." (Larch B)

Through their experiences of commissioning the leadership team are developing clear views: firstly that the system works against small organisations as they can't operate on the scale required within many tender specifications; and secondly that the model of prime- and sub-contractors doesn't work, as all the power rests with the former and neither the money nor the referrals trickle down to the latter as initially suggested. They have used a variety of forums to raise these concerns and challenge decisions made/ being made. They have recently recruited a business development worker (supported through grant funding) to help generate corporate donations and so diversify their funding base. The

increased emphasis on fee-paying ‘volunteers’ (through Direct Payments) has had a similar effect, although concerns have recently been raised that they are now skewed towards the needs of one set of stakeholders (with fee-paying individuals as commissioners) placing the original organisational ethos and mission at risk.

HAWTHORN was established in 2004 as a fairly informal, volunteer-run, family support organisation, running drop-in sessions for teenage mums. It has expanded considerably since then, particularly following the receipt, in 2008, of five-year funding from a grant-making body and the securing of a three-year local authority contract for the provision of family support services. Secure funding enabled the recruitment of paid staff and the expansion, and professionalization, of services. Activities have expanded, including through hosting a group for dads, and developing a sizeable programme of outreach family support services. In 2013 they were successful with their first tender to deliver local authority commissioned family support services. During our period of research, they have gone from being a small charity with limited funds, to a grant-funded organisation, to being a commissioned provider in quite a different environment. The organisation has grown considerably and now looks and feels quite different.

2018 was dominated by the (re)commissioning processes for the family support services. The excitement of success, following months of strategic thinking, partnership building (and dismantling – following a change of approach by the commissioners), tender writing, and general too-ing and fro-ing was quickly replaced by anxiety as the commissioners began altering funding and target agreements before the contract was even signed. Six months into the contract they are questioning whether or not they should withdraw. To stay involved creates considerable financial risks: reserves are being rapidly depleted, not least because the contract has a significant payment by results element and the outcomes are proving hard to meet:

“what they decided to do was stop everything and start it all from 1st April. So, we had a product that had up to 26 weeks support and you weren’t – at the beginning of the contract, you had to demonstrate 12 weeks’ engagement for the first payment of 60% of the unit cost. The problem is, that meant that in quarter one, the referrals [...] [only just] started coming in because nobody could refer in to the service until the start date, so we were trying to build up people’s case management and you weren’t going to get any money in quarter one but you had to staff. So, that’s why I was saying that we would lose £70,000 which is what it costs us to run a quarter in staff.” (Hawthorn)

There is also wider organisational risk: staff morale is at an all-time low, with pressure associated with contract-related targets, accountability, training requirements and complexity of work cited as significant factors. To leave the contract, however, creates considerable reputational risk and would likely result in the redundancy of all but the leadership team.

The organisation is facing something of an existential crisis. Many feel that it has moved away from its charitable roots, to become “a department of the [...] Council”. Many would like to “go back to more like we were”. It is not clear, however, how they could do that. As one member of staff reflected: “It’s

almost like we'd like to stop. Can we just stop a little while and regroup and then, you know, catch up with ourselves and then move on? But we don't get that. But then, I don't know if that's... I think it's the contract that's at the back of it. There's been a lot of change." It is acknowledged, however, that the contract – or commissioning – isn't the only factor to blame here.

Meanwhile, the organisation has gone from being a small organisation in a mixed field of local providers, to being the main provider of family support services in the local area. Others in the field have closed. Some suggest this was a result of earlier commissioning processes, which specified that no subcontracting was allowed. As a result organisations had either to compete or merge. Most of those that weren't successful closed.

BIRCH is a large, well-established, advice organisation, operating at local authority level in a large northern city, but connected through a national association to a network of similar organisations across the country. As the research began in 2010 the organisation was recovering from a period of financial turmoil which had involved the recruitment of a new CEO and Chair to turn the organisation around, and, supported by business development expertise from its national association, the securing of various local authority contracts and grants. Together these created an annual surplus which enabled the organisation to invest in service and partnership development in anticipation of bidding for new contracts. By 2011, however, crisis hit again – local authority funding was cut, competition amongst local advice providers intensified, and there was a campaign to save the service. A period of reprieve through government transition funding, restructuring, a new emphasis on volunteer involvement, a(nother) new CEO and Chair, and the building of new alliances seemed to put the organisation back on a more solid footing. But this was not to last for long. Funding was again scarce. A 'channel shift' in service provision has been implemented, moving from face-to-face advice towards online and telephone provision in an attempt to reduce costs and increase service levels, and in part a response to commissioner requirements. Short term contracts have been secured for specialist services, but are running out for core provision. The future is again uncertain.

Perceptions of 'cliff edges' and 'crisis' contributed to an approach in the early 2010s of *"bid[ding] for every bit of funding going, regardless of, you know, its contribution to the organisation"*, as one member of staff put it, without always properly assessing the contracts they were entering into. A new finance manager in the mid-2010s highlighted the extent to which the organisation was subsidising contracts without realising it. Systems have been put in place to more thoroughly assess tenders before applying, and they are now more likely to decide not to bid, or to challenge commissioners when tenders don't appear economically viable and specify what they perceive to be unfair requirements. Some tenders, however, are hard to walk away from and the unavoidable requirements such as targets and salary levels have contributed to a series of tensions and dilemmas in the organisation, not least through their inequitable implications for different teams. The cycles of crisis and calm continue.

FIG is a large, longstanding, family support services organisation, operating at national level with local projects across the country. It works with children, young people and families to tackle disadvantage and social exclusion. The organisation had grown rapidly under New Labour's agenda and investment in early years and family support. By 2010 as the research began, a majority of its income was from statutory sources, mainly local authorities. Anxiety levels were rising following the Coalition government's first comprehensive spending review and anticipated cuts in public spending. The next few years were dominated by uncertainty, cuts, redundancy, and restructuring. The recruitment of a new CEO, and subsequently further restructuring, work on values, and considerable investment in developing business capability and capacity, marketing/communications and other head office functions, however, has contributed to the organisation currently appearing far more confident and secure.

The last few years have seen a focus on developing innovative new models of service and funding, on being agile and responsive, on diversifying the funding base, and on careful risk management. The strategy has been to broaden the range of services and to try and balance a small number of larger contracts with a much larger number of smaller contracts – to avoid too many serious cliff edges in income. At any one time, they will be working on numerous funding proposals (for both grants and contracts), with a clear, sophisticated processes in place for their development, including careful risk assessment and associated criteria for deciding which tenders to go for and which not. It is not unusual for them to decide not to tender for contracts which 'don't wash their face' (even when it is services that they have previously been delivering which are being recommissioned), or to challenge commissioners on their specifications. Most of the work of preparing bids is done by the head office, with input from local staff. As one member of staff described:

“that’s because the application processes that the CCGs and the local authorities create are so complex that they have to be dealt with by people, frankly, whose job it is to do that every day; it’s unbelievably technically complicated and for every bid we submit...”
(Fig)

Funding streams and activities have diversified and expanded considerably. The recent successful tender for a sizeable contract to deliver a nation-wide programme represents a new stage in the organisation's development, to a new position in their field: *“playing with the big boys...”*. At the same time, however, they have also been proactively developing services and seeking funding for - or self-funding - services outside of commissioning processes:

“it’s a bit of a reaction to the commissioning environment where we’re, I think we’ve just become frustrated by the fact that we’re commissioned locally to do local things and are forever at the mercy of commissioners and while we will continue to play that game because we want to deliver local services, we also wanted to do something national that was accessible to all.” (Fig)

The costs of commissioning, in an increasingly competitive environment with challenging contract requirements, are particularly visible at a local level where the turnover of projects and staff is high. In one of the local areas involved in the research, as contracts have come to an end and services closed,

others have opened up with staff coming and going, being TUPE'd¹ into and out of the organisation. It is at this level that the practical and emotional challenges are most keenly felt. These include managing the uncertainty of payment by results or spot purchase contracts, supporting clients with increasingly complex needs, dealing with staff recruitment difficulties, and managing relationships with other organisations in the local area who switch from being collaborators to competitors along with the contracts. While staff loyalty to the organisation is high, there is a call for the emphasis now to shift away from growth and for attention to turn instead to consolidation and quality.

Cross-cutting themes

Several cross-cutting themes emerge from the analysis, highlighting the different tensions, dilemmas and consequences that organisations experience when engaging in commissioning processes. Although these themes emerged from across the cases, their different positions within the commissioning landscape mean that their experiences vary.

Rules

Each of the cases highlighted a set of 'rules' which they identified as effectively guiding the commissioning process and which either open up or close down opportunities for them to engage. These 'rules' included:

- *The scale of a contracting opportunity* - whether financial, geographical, or in terms of service design (e.g. level of intervention; breadth of service) – affected whether or not each of the organisations were or felt able to respond. The perception was that the scale of contracts was increasing, ruling many but the largest voluntary sector organisations out. We did, however, hear of some commissioners who set rules to work in the other way, to ensure that small organisations were not precluded from bidding.
- *The terms of the contract* – whether payment by results, one provider per area, partnership working or spot purchase – affected perceptions of the viability and risk and so the likelihood of organisations tendering.
- *The complexity of the commissioning process and the contract*: The general view was that both commissioning processes and contracts themselves were (overly, and increasingly) complex: “it’s applying the contractual process you’d use to build a submarine” (Larch). Organisations were differentially capable of understanding, engaging, delivering and reporting on contracts.

Resources

The resource implications of commissioning were considerable. This included:

- *The resources to bid*: Engaging in commissioning processes is in itself resource-intensive, requiring considerable time, technical and social skill. Potential providers may be required to

¹ TUPE – Transfer of Undertakings (Protection of Employment) – the legal protection of employees' terms and conditions when the ownership of organisations / services is transferred.

attend pre-procurement meetings, invest considerable amounts of time in building consortia, and write complex proposals. It was not just 'organisational resources' which were committed, but also personal resources: we heard several stories of people missing holidays or returning early in order to prepare tenders, and of the considerable emotional turmoil associated with commissioning. As one person told us:

"...one that we did recently, it was massive [...] people were coming back from Christmas; people were coming back from New Year. Somebody was available; somebody wasn't. And it was one of those not only was there a lot of work, people got a bit snappy about it - you know when people are under pressure. So we went through so many things to get to crafting this lovely bid in the end. And then everybody breathed a sigh of relief and it was all fine. And then really at the 11th hour they just said we're withdrawing the bid" (Fig)

- *The resources to deliver:* It was suggested that there is an increasing expectation that commissioned organisations would, in one way or another, subsidise the delivery of a contract. This may be explicitly built into the tendering process when providers are required to 'add value' through voluntary resources, or implicitly through contracts being under funded or through payments by results outcomes being unachievable. Assessing the financial viability of contracts was seen as increasingly complex and requiring considerable financial sophistication in order to calculate total financial risk across a portfolio of services, and difficult for smaller organisations to do effectively. Smaller organisations, with lower reserves and less ability to cross-subsidise between contracts, also tended to find it harder to manage such demands on resources.
- *The resources to sustain:* Recommissioning or decommissioning services also took considerable resources. In general, it was suggested, it was becoming increasingly difficult to sustain services – to find funding to keep them going. Again, losing services took its toll on both organisations and individuals.

Refocusing and restructuring

Commissioning, it was suggested, had contributed to organisations both refocusing and restructuring. Again, this took a number of different forms:

- *Shrinking and expanding* in response to winning and losing contracts, enacted through a combination of recruitment, redundancy and TUPE; this could be in a more or less planned way.
- *Becoming more business-like:* All our cases had developed their business capabilities, through a combination of generally becoming more innovative and entrepreneurial and more specifically through investing in a business development function. There was frequent talk of being a 'social business' or being 'business-like'. As one respondent from case study Fig put it: *"because entrepreneurialism is one of the sort of skills you need in your skill set at the moment to be able to navigate the external uncertainty"*. Some, it was suggested, no longer felt like charities.

- *Introducing targets* for whole teams and/or individual staff to ensure that contract requirements were met. This was generally a new way of working and took some getting used to. As one respondent from case study Birch described:

“that is going to be a bit of a cultural shift for some teams, because it’s not what they’ve been used to doing. And, it is a different management style, but, you know, it is difficult, you know, for all the things I’ve said before about not wanting to be command control, we still have to deliver to contract, so, you know, we’ve committed to doing stuff.” (Birch)

- *Changing models of service provision* both in terms of the modes of service delivery in response to explicit tender requirements or what the financial envelope allowed (e.g. the 'channel shift' described in Birch) and for whom services are delivered, with the general suggestion being that the services that are commissioned are to support those with increasingly complex needs associated with higher level interventions – moving charities away from providing lower tier, universal services.

Relationships

There was much talk of relationships associated with and affected by commissioning – the centrality of relationships to commissioning outcomes and the effect of commissioning on relationships. Different sets of relationships were implicated:

- *Relationships with commissioners* were highly variable: across different sets of commissioners; across different local authorities; within local authorities – e.g. between different commissioning teams or between commissioners and procurement officers; and over time. In general, it was suggested that the commissioning teams were increasingly becoming the main points of contact between voluntary organisations and local authorities and relationships with them were becoming increasingly significant yet highly variable. While relationships with some commissioners were described as ‘always difficult’, others were ‘fantastic’. While contextual issues were acknowledged, such differences were often put down to differences in personality and approach:

“I think its personalities because the lady that we deal with at the CCG, she’s so pragmatic. You know, she’s not jobsworth and she doesn’t try and score points and she doesn’t try and be smart. She’s just human and it just makes everything so, it’s a pleasure to see her, I actually look forward to seeing her. She’s just lovely, and lovely to work with, whereas some of the others are trickier.” (Fig)

Further, it was suggested that within some local authorities the distance between commissioning and procurement was increasing, with separate teams operating in the two disciplines, both with different approaches. While positive relationships may be built between voluntary organisations and the commissioning teams, these did not always transfer across to the procurement team and processes. Procurement had in some cases come to dominate, with commissioners ceding control. This had contributed to a focus on a compliance with tendering

processes rather than on achieving the best outcomes through working with the best organisations, and an undermining of relationships between voluntary organisations and commissioners.

- *Relationships with other organisations in the field*: The commissioning environment, it was suggested, had changed the nature of relationships amongst voluntary organisations (and indeed between voluntary organisations and private sector or public sector providers) within the same field, as they constantly shifted position from competitors to collaborators and back again. While on the one hand a move towards larger scale contracts had contributed to consortium building and partnership working, on the other hand commissioning processes had more generally led to intense competition between organisations. One respondent, for example, suggested:

“I think the voluntary sector in [this locality] is probably as dysfunctional now as it ever was because we don’t really have many opportunities to meet and it’s everyone for themselves really, it’s quite competitive again.” (Hawthorn)

Relationships could be particularly challenging when organisations, which had previously shifted between ‘ally and competitor’ were now contractually bound to each other as either prime- and sub-contractor or as co-providers within more complex contractual chains. Organisations had to navigate complexities such as needing to share services models while also protecting competitive advantage. As one respondent described it:

“...very much it’s about protecting your own as well. I know that sounds a bit silly but it’s not to be suspicious. But I am cautious that some of the systems and structures that we have sometimes, because obviously when tenders do crop up, they’re your competitors and it’s dog eat dog, so actually, ‘Even though I am happy to work with you and recognise where I can refer in to you and likewise, I’m going to potentially be up against you for contracts’, so sometimes I am a little bit guarded as well about what I do lend myself to share sometimes as well...” (Fig)

Our cases had developed complex tactics to position themselves closer to some organisations within their field and further away from others. Division lines were discursively drawn between voluntary organisations and private sector organisations: *“most of these private companies [...] they don’t give a sod about the clients”* (Larch); local and national organisations: *“...everything is being up-scaled. I think the big boys come around and they’ll scoop up and they’ll centralise and they’ll skim off and make a profit and then they’ll disappear as soon as it is gone, so it is pretty horrific in terms of that”* (Birch); and between small and big organisations: *“it’s just benefiting [the prime contractor] and a few big, big players. So, it really, the whole model stinks”* (Larch). Within such discussions the significance of trust, personal and organisational connections and histories, and unwritten rules and understandings about who does what, where and when was evident.

Staffing issues also arose between organisations. Some organisations, it was suggested, were in a position to pay higher salaries for staff than other organisations, or require lower delivery

targets (e.g. 3 client visits a day as opposed to 5) for the same services, even when commissioned through the same programme, creating an unequal employment market place.

- *Relationships within organisations, amongst staff and volunteers:* Various aspects of the commissioning process were often associated in people's more general accounts of changes to relationships within organisations, amongst employees and employers, and between paid staff and volunteers. The adoption of 'business-practices', performance management, an emphasis on meeting targets, increased accountability, complexity and intensity of work, and demanding paperwork were all associated with commissioning and were contributing to 'culture change' within organisations, that staff sometimes struggled to cope with. The processes of bidding, winning and losing contracts (which can be hard not to take personally), of cycles of recruitment and redundancy, of TUPE-ing in and out of organisations (a group of staff in Fig had been TUPE'd to another organisation when they lost one contract and then TUPE'd back six months later when they won another contract), were often physically and emotionally exhausting. Both staff recruitment and retention were identified as issues associated with commissioning in some of our cases:

"The issue has been through the whole contract, it's been, you know, I interview, I lose, I interview, I lose, I interview... and it's constant. Absolutely constant. So, you're no further into getting new members of staff inducted, trained, and they're performing and then they're gone." (Fig)

"I think we've imploded a little bit and I almost predicted this from a change management point of view because the new contract with the county has suddenly gone from a very Tier 2, very universal basic standard. Our work now is more Tier 3, so we're now actually replacing the [local statutory teams] with what they used to do in Tier 3. What comes with that is an increase in accountability, the paperwork and the nature of the work is more professional and it's more – well, it's more like what traditionally was the Local Authority's area. [...] The problem is the contract, because it was commissioned, it was very tight and with the changes in the Local Authority adding on all the time, the staff are – the morale is – I've never worked in a place where morale is as low now and we've lost staff and staff are extremely unhappy". (Hawthorn)

Issues of equity between teams within single organisations have also arisen, due to the varying requirements and conditions of the contracts different teams were delivering. In one organisation, for example, differential targets were contributing to tensions between teams; in another the requirements to pay workers associated with one contract a certain salary which was higher than similarly skilled workers elsewhere within the organisation was also problematic; elsewhere all frontline workers were on the same salary band, but while some continued to provide universal services others were being asked to undertake higher-tier child protection roles associated with newly contracted services contributing to feelings of resentment.

Relationships between paid staff and volunteers were also changing. Across most of the cases there was a drive to involve more volunteers, in part attributed to tender specifications which either directly required the involvement of volunteers or indirectly led to volunteer involvement as a way of evidencing added value, or as a more general response to reduced budgets and rising demands. However, as the services which organisations were commissioned to deliver became increasingly high end/ complex, it was suggested that volunteer involvement became increasingly difficult.

- *Relationships with service users*: Changes were identified in who services users were and what their (increasingly complex) needs were and how organisations related to them. Some suggested that they were “*losing the ability to respond to the needs of the clients, rather than a specification in a contract*”, that the service had become “*more structured, a bit more cold*” (Hawthorn). Others suggested that they had had to set tighter boundaries around who they supported – as contracts were geographically specific, for example, so they had to be increasingly prescriptive with where their clients came from, turning away those who did not fit the funding criteria:

“we could only work with parents within the county so that was a bit [...] kind of tricky to, you know, on an ethical level as well where it’s to do with the funding so, you know, some parents were wanting the service but were the wrong postcode...” (Fig)

Re-thinking the problem

From the analysis presented so far, it would be easy to reach the conclusion that commissioning is universally problematic, forcing significant changes upon voluntary organisations and disrupting relationships, and that we should instead ‘return’ to a pre-commissioning age of grant funding. Indeed, a number of our respondents presented this argument. However, the longitudinal and in-depth nature of our research with organisations leads us to challenge the strength of some of these conclusions. The final cross-cutting theme from the data is a more fundamental questioning amongst our respondents of whether commissioning is really **the** problem. The suggestion is that there is a need to look beyond commissioning, to consider what the underlying issues are.

Firstly, some respondents suggested that rather than commissioning per se being the problem, the issue (or at least part of the issue) lay with the separation and imbalance between commissioning and procurement. The power relationships within local authorities in particular, it was suggested, were such that procurement had come to dominate commissioning in an unbalanced way: the power which procurement wielded was felt to be disproportionate and was serving to undermine the potential of a much wider approach to commissioning making a more positive contribution to enhanced public service delivery and outcomes. The whole commissioning cycle was rarely referred to.

Secondly, some respondents questioned the distinction between grants and contracts: “*I don’t think they are fundamentally different. I think there are subtle differences*” (Fig). In some cases it was rather opaque whether or why services were grant funded or contracted. We found instances where certain

contracts were working better for organisations than certain grants were; some grant funders were seen as too distant while the close relationship with some commissioners was valued. Indeed, one respondent suggested that contracts can have positive consequences:

“...and scrutiny attached to the commissioned services isn't always a bad thing: The other challenge is that, much as we complain about local authority procurement structures, when you win a contract these days, you'll then have lots of contract meetings on it and your performance will be analysed very strongly. If you have a contract which is paid for through fund-raised income, we might need to send written reports in but there isn't that same level of scrutiny and sometimes you need that, just to keep everything running really well.” [...] “and it's not only a bad thing, but also, if you are being scrutinised by a commissioner in a local authority and the service isn't working for whatever reason, then maybe then there are people within their organisation that can help. If something isn't working and it's fundraised then is there buy-in from the organisation or the local partners to actually be able to change it?” (Fig)

Although contracts were seen to be particularly restrictive in terms of what services they funded, how they should be delivered and what outputs and outcomes should be achieved; grants were also seen to be increasingly prescriptive through a growing emphasis on generating certain outcomes and/or focusing in certain geographical areas or on certain demographic groups. Grants were often also seen to be increasingly competitive and demanding in terms of their application processes. The difference was one of degrees rather than a complete contrast.

Thirdly, some suggested that rather than commissioning (a prioritising and funding process) being the problem, the underlying issue is a fundamental lack of resource. Many of our respondents highlighted the *“huge sums of money taken out of services”* (Birch), along with the stripping back of personnel within local authorities. This included commissioning teams, which was seen to be exacerbating the challenges associated with commissioning. In one case we were told that a commissioning team had been reduced from 2 FTE staff to 0.2 FTE. This was compounded by the dismantling of local voluntary and community sector infrastructure, including a loss of Council for Voluntary Service (CVS) capacity, and of networks and forums which had previously brought stakeholders together from across organisational and sectoral boundaries and facilitated partnership working and service delivery. There simply aren't the resources within the system, it was suggested, to provide the levels of services required, regardless of the processes and mechanisms used to allocate funding.

Conclusions

The current commissioning environment is no doubt challenging for voluntary organisations, particularly for smaller organisations which lack the resources to be able first to fully assess and understand the context, and then to make the most of the opportunities it provides. Voluntary organisations are occupying different positions within the commissioning landscape and these positions are not static – while some organisations may be favoured in some circumstances, others are favoured in others. As the stories of our case studies attest, however, voluntary organisations are not passively responding to an external commissioning environment but are acting strategically, by

adopting a range of different tactics and strategies, to both navigate and shape it. We will develop our analysis of the interplay of the 'context' of and 'conduct' in commissioning in future publications. Further, however, our case studies suggest that while commissioning can clearly be problematic, to focus so intently on it may distract us from a more fundamental issue of resource constraint. The difference between grants and contracts may not be as great as often presumed; and if resources (of different kinds) were more plentiful, commissioning might work better. In a resource-constrained and increasingly intense competitive funding environment, many of these issues may arise even in a primarily grant-funded context. Perhaps what we're seeing generically is the operation and consequences of different forms of 'resource allocation and acquisition' processes, working with different degrees of formalised structure. More fundamentally by focusing on the funding processes there is a risk of being distracted from the devastation being caused by swingeing cuts to funding in the first place.

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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 (TSRC) aims to enhance our knowledge of the sector through independent and critical research, giving us a better understanding of the value of the sector and how this can be maximised. We work closely with practitioners, policy makers, and other academics to gain input into our research and explore its findings.

Third Sector Research Centre
Muirhead Tower
University of Birmingham
Egbaston
Birmingham, B15 2RT

Tel: 0121-414-45724

Email: tsrc@bham.ac.uk

<https://www.birmingham.ac.uk/research/tsrc/about-us/index.aspx>

Change in the Making: A qualitative longitudinal study of change within voluntary organisations

Change in the Making is a longitudinal study of change in the third sector, funded by the Economic and Social Research Council (Grant Reference ES/ N01582/1) and the Barrow Cadbury Trust. It provides an opportunity to study continuity and change in the nature and activities of third sector organisations. The programme works closely with a small number of diverse cases of voluntary action across England over several years. Typically, case study research in the third sector provides only snapshots of issues or findings, rather than taking a longer view, or what we call a 'longitudinal' approach. This longer view allows us to examine how change happens, is contested, and experienced within and around voluntary organisations.

Contact the authors

Angela Ellis Paine

Third Sector Research Centre

a.ellis@bham.ac.uk

Rob Macmillan

Sheffield Hallam University

rob.macmillan@shu.ac.uk



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