



## INTRODUCTION TO PUBLIC SERVICE DELIVERY



### KEY MESSAGES

#### Why undertake contracts for public service delivery?

Public service delivery is one of the options available to voluntary and community organisations (VCOs) who are looking to diversify their income base. The voluntary and community sector (VCS) has a long history of delivering public services, but in recent years government policy has seen this role expand and its vision is that the voluntary and community sector is at the heart of reforms to improve public services.

#### Benefits of Public service delivery:

- In some instances, it can be a way for the VCS to transform the quality of services offered to its beneficiaries
- The scale of the public sector is huge, allowing many opportunities
- The length of contracts tends to be longer than grant funded income
- Contracts can, and should, be negotiated, allowing VCOs more flexibility
- Contracts are legally binding *for both parties*, putting the purchaser and contractor on the same level
- Prompt payment and transparency are expected.

#### Organisations should ensure:

- That they have sufficient resources available to manage the accountability and reporting requirements of managing the contract
- That terms and conditions are favourable and these should be looked at closely by a legal professional and negotiated
- That the contract helps the organisation to meet its mission, is consistent with their terms and conditions and meets the needs of their beneficiaries
- That they know the purchasing organisation well, including its operating systems and there is a match between each others' mission.

#### What does the operating environment look like?

Although often spoke of as though it is a single entity, the public sector is not one homogenous body. It is a series of sub sectors and includes:

- Central government departments and agencies (e.g. Department for Education and Skills, Home Office, Learning and Skills Council, National Offender Management Scheme)
- The NHS and local Primary Care Trusts
- Local Authorities (including unitary, county, metropolitan, borough, district, city, and town and parish councils)
- The UK Police and Fire Services
- Universities and colleges.

There is no standard approach to public sector procurement. Each public body or agency will have developed its own internal rules and procedures. Because the public sector spends taxpayers' money, it is subject to controls on how it conducts its purchasing. Anything it buys must be of benefit to the public, and it must provide the best possible value for money. Purchasing also has to be done in a fair and open way. There are UK and European laws that define how things must be done and these processes can make it more difficult for smaller VCOs to get involved; but not impossible.

### Types of agreement – Grants, SLA's and Contracts

In reaching agreements to provide services, VCOs encounter grants, service level agreements and contracts.

- Grants are subsidies for the operation of the VCO in meeting its purpose and objectives and are subject to the European State Aid regime and its regulation of competitive law.
- Service level agreements set standards and specify levels of service without any commitment to use the agreement.
- Contracts specify service requirements, and make clear what and how a service is to be delivered, and for what payment.

Public procurement is about establishing contracts between public sector organisations (PSOs) and, in this case, VCOs. The procurement rules and procedures lead the PSO into a contractual agreement for the purchase of services. The contract specifies the services and the basis for delivery and payment. The agreement will determine for the VCO how it will provide services that meet the PSO's specified needs.

### How should organisations approach public service delivery?

Like trading, public service delivery is all about merging what your organisation does (its mission) with the right contract. Because a contract is a legally binding agreement, choosing the wrong one can have serious implications for your organisation. Bidding for a contract can be a lengthy and expensive process, so good research and planning are essential.

Firstly, organisations should know **what they have to sell**. This includes knowing the value of their service, any added value that they can offer and knowing exactly what their beneficiaries want.

Managing the contract process is very different to managing a grant funded programme and organisations must ensure that they have the **right skills and resources**. These include:

- Access to specialist services (e.g. legal and financial)
- An experienced contract manager

- Marketing
- Negotiating skills.

They then need to **find a buyer** for their services. VCOs wishing to generate income by selling their services under contract need some understanding of who the potential purchasers for their services might be, and how those purchasers go about finding and choosing providers.

Useful starting points for searching for information on purchasers include:

- Local partnerships, VCO committees and local strategic forums, especially those involving public sector representatives.
- Approaching a public sector organisation (PSO) directly.
- Internet searches to research and understand unfamiliar ideas and concepts.
- Individual PSO websites for further information on their procurement strategy.
- Contact the procurement department within the relevant agency you are interested in working with and obtain a copy of their written guidelines
- Local and national priority needs and service plans
- Inspection reports, which highlight key issues and failures in both public service and procurement practice. These can be used to inform service design.

Organisations should understand the drivers for public sector organisations and in this way they can add extra value and improve their chances of working with them. Key issues to be aware of include:

- **Value for money**- often means lowest price, as long as the contractor delivers the right quality and performance. But sometimes it can mean adding value by offering the PSO more than was asked for, even if this means the price is a little higher.
- **Affordability and sustainability**- PSOs are under pressure to become more efficient, which means making money go further. Services must also be sustainable, and VCOs must think about how they can give confidence about how they can develop a service over the whole life of the contract.
- **Efficiency**- the search for efficiency also means that many PSOs are joining together to purchase services.
- **Community benefits**- VCOs are well placed to help PSOs achieve their national, regional and local vision of improving quality of life for all. This is a key element of what VCOs may be best able to offer.

Organisations also need to understand the **procurement process** and what is required of them at each stage. A handout of a typical procurement process is included.

There is also a **regulatory framework** that VCOs should be aware of. This includes *Best Value* and *EU procurement rules*. Organisations should also be aware that each individual public sector organisation will have their own procurement rules.

## How can organisations get started?

**Charity Commission** - The first point of call for any registered charity considering contracting should be the Charity Commission website. In particular, the Commission's *Policy Statement on Charities and Public Service Delivery* which can be found under the 'guidance for charities' section of their website. This sets out the key issues trustees need to take into account if their

organisation is to take on a greater role in public service delivery. A copy of the statement is available from [www.charity-commission.gov.uk](http://www.charity-commission.gov.uk)

Another Charity Commission publication CC35, *Charities and Trading*, looks at legal and structural issues associated with trading and is also highly recommended.



## KEY TERMS

**Procurement** is the whole process of buying goods and services, from initial advertising through to appropriate contracting arrangements.

**Public sector procurement** is the purchase of goods and services by a public sector organisation- e.g. a local authority or a PCT

**Value for money** is defined as the optimum combination of whole life costs and quality to meet the users' requirements. Government procurement policy requires all public procurement decisions to be based on this criteria

**Commissioning** is the process of assessing the needs of people in an area, considering how best and by whom those needs can be met, and then planning the provision of services

**Contracting** for voluntary and community organisations involves earning income from payment of goods and services delivered according to the terms set out in a contract between an organisation and a third party known as a purchaser

A **Contract** is a legally recognised, and hence legally enforceable, promise or set of promises made between parties. The essence of a contract is an agreement setting out the arrangements whereby one party provides a service (or goods) to the other in return for payment

A **Tender** is a written bid outlining a supplier's desire, capacity and plan of how to deliver a piece of work, service or supplies. Exact contents will be determined by the requirements outlined in the service specification and must demonstrate how a supplier will meet these requirements

**Tendering** is the process of bidding for, and negotiating a contract

**Best Value** is a formal requirement for local authorities. It aims to ensure that public services are responsive, efficient, of high quality and tailored to local need. It demands a shift from considerations of cheapest price towards an evaluation of 'value for money' based on a balance of price *and* quality. It requires a duty of continuous improvement in services and increasing emphasis on delivering outcomes that will improve community well being, without prescription of how this can be achieved.