

# Strategic Partnerships with the VCFSE – instability of sector and application of the agreed NHS GM Commissioning Principles

July 2025

# NHS GM Board

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Required information	Details
<b>Title of report</b>	Strategic Partnerships with the VCFSE – instability of sector and application of the agreed NHS GM Commissioning Principles
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<b>Executive summary</b>	<p>This paper provides an update to Chief Officers of the ongoing challenges faced by the VCFSE and their future sustainability.</p> <p>The paper proposes how those challenges can be mitigated by clear commissioning principles which are proposed for adoption.</p> <p>This report also looks forward towards and beyond the end of the current 5-year Accord agreement and sets out a direction of travel for NHS GM's and the Combined Authority's collaboration with the sector, recognising the crucial community facing and system/strategic influencing role the VCFSE sector plays and the challenges it faces in the current landscape.</p> <p>The final year of the current GM Accord grant agreement will see a closer focus on VCFSE sector resilience: diversifying income streams and addressing contracting issues, ensuring that the VCFSE voice can be heard in strategic conversations, enabling a robust support ecosystem within the sector, and</p>

	<p>gathering and sharing intelligence about its work.</p> <p>The proposed forward strategy for the work of NHS GM and the GMCA's work with the VCFSE sector builds on the strength and maturity of the work of the last five years, delivering an even greater cultural shift towards true collaboration and partnership, and acting as a trailblazer for our partners to adopt and follow.</p>
<b>The benefits that the population of Greater Manchester will experience.</b>	
<b>How health inequalities will be reduced in Greater Manchester's communities.</b>	<p>Earlier prevention / identification</p> <p>Support embedded in the communities, targeting health inequalities</p> <p>Supporting the left shift</p> <p>Supporting our Living Well model and personalised / holistic care</p> <p>Working at an integrated neighbourhood model which is targeted to the needs of the population</p>
<b>The decision to be made and/or input sought</b>	<p>The Board is asked to:</p> <ol style="list-style-type: none"> <li>1. Recognise the risks and the proposal to add to the NHS GM risk register and to quantify the impact</li> <li>2. Support the proposals that are set out in section 2.0</li> <li>3. Note the proposed focus for the final year of the current Accord agreement</li> </ol>
<b>How this supports the delivery of the strategy and mitigates the Board Assurance Framework (BAF) risks.</b>	
<b>Key milestones</b>	<p>Development of VCFSE Commissioning Principles - Executive Committee 11 December 2024</p> <p>Update to Chief Officers including open letter from the VCFSE to NHS GM 'instability warning' and proposed response 12 March 2025</p> <p>NHS GM response to VCFSE open letter by 21 March 2025</p> <p>Update to ICB Board - July 2025</p>
<b>Leadership and governance arrangements</b>	NHS GM ICB Board
<b>Engagement* to date</b>	VCFSE Leadership Group, Influencing Health Group, GM EqUALS

<b>*Engagement: public, clinical. Analysis: equality, sustainability, financial. Comments/ approval by groups/ committees.</b>	group, Alternative Provider Collaborative NHS GM Commissioning Steering Group VCFSE Commissioning & Investment Group NHS GM Executive Committee NHS GM ICB Board
<b>Financial or Legal Implications</b>	N/A

Public engagement	Clinical engagement	Sustainability impact	Financial advice	Legal advice	Conflicts of Interest	Report accessible
N	N	N	N	N	N	Y

*Table 1 - checklist of engagement carried out, advice sought, conflict of interest and accessibility of report*

## 1.0 INTRODUCTION

- 1.1 At the current time, many Voluntary, Community, Faith and Social Enterprise (VCFSE) organisations are experiencing significant instability due to a combination of long-standing operational challenges, new financial pressures and changes to the funding landscape. Years of systemic underfunding of VCFSE activities, contract cuts, delayed commissioning decisions and stagnant grants have left them vulnerable to increased operating costs. The recent changes to National Insurance Contributions (NIC) are now pushing VCFSE employers into a critical period of instability, with likely devastating consequences for the communities they serve. This situation is particularly affecting charities, voluntary organisations and social enterprises that provide direct services in our communities. Examples of where this has hit VCFSE organisations include the closure of the youth charity RECLAIM at the end of this month and Greater Manchester Centre for Voluntary Organisations (GMCVO), which went into administration late in 2024. There are many more VCFSEs facing tough decisions on withdrawing services and making redundancies.
- 1.2 The GM VCFSE Leadership Group has published key messages around the current instability in the sector. This estimates that around 900 jobs will be lost in Greater Manchester's VCFSE sector as a direct result of the April changes to National Insurance Contributions, 26% of VCFSEs are using their reserves to keep afloat, 79% have seen their financial position deteriorate over the last 12 months and nearly 50% of medium sized charities and voluntary organisations report having less than 10 months operating reserve capital.
- 1.3 A survey of members of the GM VCFSE Alternative Provider Collaborative (APC) for example, shows that VCFSE sector providers of health services in GM are facing increased costs in the region of £7.5 million from the NIC change, with the range being from £100k to £650k per organization.
- 1.4 Further research involving VCFSE organisations providing mental health services has shown a triple impact of the increase in employers' NIC, pay rises (VCFSE organisations aim to benchmark against National Joint Council (NJC) and Agenda for Change salaries) and the rises to the Real Living Wage. These increased costs sit alongside contracts with no inflationary increases or flatlined grants. VCFSE organisations struggling to meet salary benchmarks or pay the Real Living Wage are using up reserves and face having to make redundancies to stay operational.
- 1.5 As noted in the previous report to the GMCA on the VCFSE Accord in November 2024, there are also operational challenges relating to public sector partnership working with the VCFSE sector which have been highlighted by our local authorities. These include:
  - **Capacity, understanding and culture** within local authorities and their partners for work with the VCFSE sector, and the current 'churn' in the system meaning that new relations are continuously having to be formed and re-formed.
  - **Availability of sufficient, long-term, funding** for the activities of the VCFSE sector in localities and communities.
  - **VCFSE organisations have a key role in neighbourhood working**, supporting local communities. However, these activities could be regarded as 'services' in communities, not

'projects' and therefore some funders such as the National Lottery Communities Fund find it difficult to support these activities, and individual councils don't have the budget to pay for them.

- The **capacity of local VCFSE 'Infrastructure Support' is extremely limited** in some localities, and although some have 'place-based' community anchor organisations, much of the support to the wider VCFSE sector is provided through short-term contracts that can barely support an increasingly diverse and changing sector.
- Several local authorities have described a challenge around being better able to jointly describe the difference that partnerships with the VCFSE sector are making and being able to articulate the added value of work with the VCFSE sector. A **pressure to be constantly evaluating and re-evaluating value for money** is being felt.

## 2.0 PROPOSAL

2.1 The commissioning principles are appended (appendix 1), which set out intended behaviours and commissioning / contracting principles which are broken down into the following underpinning themes of:

- **Sustainability and stability** of the VCFSE Sector
- **Parity and equality** for the sector
- **Transparency** in our decision making at Place and Pan-GM
- **Involvement** of the sector in the commissioning process including the governance to make recommendations and inform decision making

2.2 A series of actions are now underway which will provide a degree of certainty for the sector in the spirit of the proposed commissioning principles. These proposals also set out a pragmatic approach to fulfilling our internal processes and so as not to delay payment to providers.

### 2.3 Letters of intent

Except for those services where it has been confirmed WILL NOT continue and notice has been served, all VCFSE providers were issued with a letter of intent for a period of up to 12 months. This will serve as a letter of comfort and enable them to retain / pay staff in the coming months.

Where service reviews have been undertaken and determined the service should not continue, underpinned by an impact assessment. Providers will be issued with 6 month notice.

### 2.4 Service reviews – future intentions

All VCFSE commissioned services (including grant funding) will be subject to a full service review within the first 6 months of 25/26, have a named lead identified and the recommended outcome presented to the relevant governance (Locality Board / Chief Officers) by mid-September 2025. This will then afford the relevant time to issue letters of intent (future commissioning or decommissioning), providing 6 months' notice as agreed under the commissioning principles.

### 2.5 Future intentions

As part of the service reviews, we will identify those services which are delivering desired outcomes, meeting the needs of the population and are integral to the delivery of our

Sustainability Plan. It is proposed we enter into multi-year contracts as opposed to the annual cycle which creates a risk for providers and delay in clarity/provision but also places significant burden on ICB teams to manage this process. This would need to be considered in line with procurement / PSR regulations.

There is still provision to serve notice on multi-year contracts to mitigate risk to the ICB.

## **2.6 Market development**

Delivery of the GM Sustainability Plan is dependent on a strong, thriving VCFSE sector, at System, Locality and Neighbourhood level. The commissioning principles go some way to support the sector however it is proposed that we take this further with the development of a Market Development Strategy for the sector where the shifts in market share would be expected and intended to occur. This is strongly reinforced in the blueprint for the model ICB with significant emphasis placed on the ICB's responsibilities, in particular to introducing and encouraging new providers where gaps exist in the market.

To connect this action to the Sustainability Plan, Live well/Neighbourhood working, and requirements for the Prevention Demonstrator – we should be identifying those services that we want to continue to commission and seek to secure multi-year contracts.

The reciprocity from the sector would be a clearer assurance on quality, standardisation and the role of APC in this process. The role of Local Infrastructure Organisations, (LIOs) along with other sector fora and networks will also support the sector around quality, innovation, partnership development and bid readiness.

## **2.7 Recognising the risks**

The ICB and system need to understand the fragility of the sector and risks this poses to the delivery of our plans, enabling the 'left shift' and ensuring the traction which is required. It is proposed to add the sustainability of the sector to our NHS GM risk register with clear mitigating actions as outlined in this paper which will be the responsibility of both pan-GM functions and within Localities.

There is a risk that we will not be able to sustain elements of the VCFSE sector / service provision which needs to be quantified in respect of impact.

## **3. Final Year of current VCFSE Accord agreement**

- 3.1 The final year of the 2021–2026 Greater Manchester VCFSE Accord marks a period of both consolidation and transition. The priorities for 2025–26 are intentionally focused on completing delivery under existing workstreams, alongside managing a shift to ensure alignment with system priorities such as Live Well, demand management and the priorities of the Annual Plan and Sustainability Plan, rather than launching entirely new activity. The aim is to ensure a realistic and



streamlined programme that prioritises impact whilst providing space to lay the groundwork for the next Accord beyond March 2026.

3.2 The delivery planning process has been shaped through collaboration between the VCFSE sector, NHS GM and GMCA, learning from interim evaluation findings, and the developing broader policy landscape. It emphasises the strategic positioning of the VCFSE sector; enabling VCFSE participation in, and quality assurance of, key public sector programmes as they develop; and lastly, activity to enable and support the VCFSE sector to thrive. Four of the eight Accord commitments have been highlighted as priorities for specific attention (see below), while others are cross-cutting, or have been de-prioritised due to funding constraints -

- Commitment 2: VCFSE is a key delivery partner of services
- Commitment 3: A financially resilient VCFSE sector
- Commitment 5: Greater Manchester has the best VCFSE ecosystem in England
- Commitment 6: The co-design of local services is the norm

3.3 This final year therefore balances delivery, reflection, and preparation for the sector's future positioning within Greater Manchester's evolving strategic framework..

### **3.0 Recommendations**

The Board is asked to:

1. Recognise the risks and the proposal to add to the NHS GM risk register and to quantify the impact
2. Support the proposals that are set out in section 2.0
3. Note the proposed focus for the final year of the current Accord agreement



## Appendix 1

### NHS GM - VCFSE COMMISSIONING PRINCIPLES

#### CONTEXT AND OUR COMMITMENT TO THE VCFSE SECTOR

In the paper to the ICB Board in November last year, NHS GM reaffirmed its commitment to maintaining and strengthening its strategic partnership with the VCFSE, building on the tripartite Accord agreement with the sector and the GM Combined Authority in September 2021. The Accord includes a commitment that the NHS GM will work with its partners to build a financially resilient VCFSE sector. However, the sustainability and resilience of front-line community groups and organisations has been hit hard in recent years with the economic situation and withdrawal of contracts and funding.

The ICB recognises the critical role of the sector in acting as a major partner in reducing variation in health and outcomes across GM. The role of VCFSE is firmly embedded in our ICP Strategy and Sustainability Plan in respect of a delivery partner, and importantly as a local leader to shape our system with the inclusion of the sector within the ICB governance and as part of the GM Leadership Forum, along with other system partners.

NHS GM in conjunction with colleagues from across the VCFSE have co-designed commissioning and contracting principles which are underpinned by the Accord, the [National Compact](#) and aligned to the GMCA Fairer Funding Principles. This not only seeks to ensure future sustainability of the sector but also parity of the sector with other health care providers in respect of commissioning and contracting.

#### PRINCIPLES AND CONDITIONS

The VCFSE Sector are committed to acting as a major partner in reducing variation in health outcomes across Greater Manchester. NHS GM's Commissioning and Contracting Principles demonstrate our commitment to supporting a thriving and energetic VCFSE sector to do just that.

These principles and behaviours can be segmented into four underpinning themes of:

- Sustainability and stability of the VCFSE Sector
- Parity and equality for the sector
- **Transparency** in our decision making at Place and Pan-GM
- **Involvement** of the sector the commissioning process including the governance to make recommendations and inform decision making

**Sustainability and stability** of the VCFSE Sector, NHS GM will:

- Fully utilise the sector's expertise and insight within system leadership roles.

- Aim to address historic under-funding of communities and organisations representing particular communities.
- Recognise and understand the diversity of the VCFSE market (size, scope, scale) in order to undertake appropriate market shaping activity.
- Not pass on any budget cuts disproportionately to the VCFSE sector.
- Influence upwards about the importance of the sector to delivering on our strategic priorities and to address our biggest challenges of ending poverty and inequality in Greater Manchester.
- Support the sector to lever in as much external funding into the system.
- Nurture and encourage new market entrants.
- Collate / provide data on VCFSE applications and successful bids - to identify learning for future commissioning and procurement processes.

Some of the practical steps which we will adopt (where possible) will include:

- Minimum 3-year terms for contracts/agreements, with aspiration for longer terms
- Regular or upfront payment
- Timely communications around contracting and procurement
- Six months' notice is given in writing for changes to contracts and funding agreements, where these are known
- Build inflationary adjustments into longer term agreements
- Reduce the use of rolling short-term contracts and consider cumulative successive contracts within service reviews.

Ensuring **Parity and equality** for the sector, there needs to be:

A recognition of the VCFSE provider expertise and grow recognition and utilisation of this cohort in the wider system

Use provisions within Provider Selection Regime to support local VCFSE commissioning and re-commissioning, on basis that VCFSE are a full partner member of the ICB.

Simplify below-threshold requirements and processes, acknowledging that some prequalifying criteria automatically excludes the VCFSE for services that they are suitable to serve

Provide more pre-procurement engagement with the sector, in accordance with procurement legislation

Place greater emphasis on social value as part of procurement exercises, recognising VCFSE generation of inherent 'social value'

Collaborate operationally with local VCFSE sector through provider collaboratives and at place level – working in operational partnership throughout service provision and review.

Offer an annual uplift in contracts / agreements in line with other commissioned services

Factor full costs into contracts.

Build sufficient time into procurement timescales to enable consortia bids to form.

Proportionate bidding, due diligence and reporting requirements that reflect organisational size and commission size.

Consideration of VCFSE suitability for direct award and most suitable provider provisions are utilised whenever appropriate to do so in PSR decision-making

Ensuring **Transparency** in our decision making at Place and Pan-GM by:

- Publishing commissioning pipelines / intentions well in advance.
- Advertising opportunities using sector communication channels and accessible formats
- GM wide adoption of the strategic commissioning framework to undertake service reviews
  - Clear rationale in place for service reviews to avoid disproportionate review of VCFSE services relative to that of larger providers
  - Recognition of resource implications on providers participating in service reviews, and commitment to streamlining process as much as possible.
- Ensuring that an impact assessment is completed to inform the decision-making process which reflects on both the cumulative impact on specific communities; and the cumulative impact on VCFSE sustainability and stability.
- Decisions will be taken through the appropriate governance (place/GM), and will involve the provider in the process

Involvement of the sector in the commissioning process

- VCFSE leaders are involved in making recommendations for commissioning decisions through membership of the Commissioning Steering Group and Commissioning Oversight Group
- Engage in continual dialogue with VCFSE Leaders as we jointly develop strategy. VCFSE Leaders are a member of the GM Leadership Development Forum.

- Facilitate collaboration through routine involvement of VCFSE sector in service / process co-design
- Utilise VCFSE intelligence and priorities alongside statutory-generated intelligence, to agree commissioning priorities
- Routinely feedback on what has changed, what can't change and why.
- Support VCFSE leadership in the generation of collaborative solutions.
- Explore opportunities for non-financial support for the VCFSE sector (e.g. software access, training, mentoring, guidance, taking on discrete research projects, or supporting evaluation work).
- Provide resource to the sector to ensure that the voices of lived experience are present in design and review

## THE VCFSE COMMITMENT TO NHS GM

In response, the VCFSE sector commits to:

- Provide system leadership in reducing variation in health outcomes across Greater Manchester.
- Act as thought-leaders within the system
- Manage and grow their ability to provide high quality, reliable services.
- Develop clear VCFSE sector messages to the system about the types of activity that we wish to see commissioned and delivered, and feedback where it is deemed commissions fall short of this.
- Continue to develop models that are innovative, positively manage risk, and can respond flexibly to our communities.
- Act in a collaborative way, forming non-competitive consortia bids and delivery partnerships that make best use of our collective offer.
- Share VCFSE sector intelligence to shape NHS GM commissioning and market shaping activity.
- Provide within-sector peer support and buddying to providers undergoing service review, to ensure optimal engagement.
- Develop an understanding of VCFSE expertise and grow recognition and utilization of this cohort in the wider system.

- Lead the system in refining and adopting best practice when supporting the voice of lived experience to be heard in service design and review.
- Develop within-sector processes for capturing and managing commissioning and contracting risk, challenge and escalations.
- Promote within-sector peer and infrastructure support for organisations from historically underfunded communities.
- Continue to network and support individuals operating as VCFSE representatives within system-wide groups, fora and boards.

## COMMISSIONING FOR INCLUSION

In January 2020, health and care partners (through the then GM Joint Commissioning Board) approved an overarching approach to commissioning for vulnerable and marginalised groups, which we referred to as 'Commissioning for Inclusion'. Recognising that one of the indicators of the effectiveness of our Public Service delivery model is the way in which we identify, assess and subsequently meet the needs of those with the most complex requirements, are most vulnerable or at risk of becoming marginalised. The implementation of the model would depend on us making best use of all elements of our service delivery system, including via the Voluntary, Community, Faith and Social Enterprise, (VCFSE), sector.

The programme of work was incorporated within the Accord Delivery Plan however has stalled somewhat but the overarching concept remains valid. It is proposed to reinvigorate this agenda under these commissioning principles.

Much of the activity in this area will take place in localities, recognising the local neighbourhoods with population of 30 – 50,000 as the “foundational unit for delivery”. Additionally, some work will be done at a GM level, usually in the area of standard setting, development of GM level specialist services or working with communities whose patterns of access do not lend themselves to more traditional delivery models.

## IMPLEMENTATION / NEXT STEPS

We seek to introduce the commissioning and contracting principles at a time of unprecedented financial challenge for Greater Manchester, and so whilst the recommendation is to adopt and implement the principles, this needs to be costed and consideration of how any annual additional costs, i.e., annual uplifts, would be funded. It is recognised however by not doing so does risk destabilising the sector who are critical to us achieving on our commitments of our Sustainability Plan, agreed at the September Board.

Despite this, work has progressed to start to implement the principles where possible and where we already have sustainability issues, such as recommendations for multi-year contracts for Hospices; collaboration with

the sector to develop a new alliance model for Children and Young People Neurodiversity Service; inflationary uplifts for MH contracts as well as signalling our commissioning intentions and the role of the VCFSE. Furthermore, the VCFSE are now included in our commissioning governance and oversight and are part of the GM Leadership Development Forum to shape and influence our system as we move forward.

Further work is planned, working alongside our GMCA colleagues and the sector to implement the commissioning principles, behaviours and processes. Whilst these need to be considered in light of our financial situation, our approach should be aligned to the commissioning and contracting principles, and where these cannot be met/implemented, there is a clear rationale for not doing so.