

Open Public Services: experiences from the voluntary sector

Age UK
Baca Project
British Red Cross
CAF
CFG
Changemakers
Clinks
LVSC
NCVO
NCVYS
Turning Point
West Mercia Probation Trust
Westminster City Council
YSS

Edited by Charlotte Stuffins

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Foreword

Asheem Singh, Director of Policy and Strategy, Impetus Trust

Between the state and the individual, wrote William Beveridge in 1948, *there is voluntary action*. For the founding father of the welfare state, the formal or informal congress of groups of people, freely, in common accord, was society's defence against tyranny.

And so in Britain, we have a unique tradition of creating partnerships between the State and voluntary sector in pursuit of a better society. British film director Danny Boyle's much-praised ode to the National Health Service at the 2012 London Olympics opening ceremony placed the Great Ormond Street Children's Hospital (GOSH) at its apex. GOSH was a trust hospital, established by volunteers and charitable donations. Recent studies suggest that the most basic tenets of British life actually keep the NHS together; for instance family carers save the NHS £87 billion each year. State and voluntary action intertwine, like the double helix in our national DNA, feeding, replicating and innovating in our common cause.

The Government's Open Public Services agenda was to be an *accelerando*. That public services should be capable of being bid upon by any willing provider was to drive vibrancy, iconoclasm, a new wave of thinking about what matters and what is possible when it comes to catering to the needs of the poor and most vulnerable, as well as the wider common good. The idea that public services should be biddable by any willing provider is simple, yet seductive. Bring more people into the antechamber where public services are created and a better sort of service is to emerge. We see tantalising examples of what is possible in the Department of Education's Free Schools programme, which actively encourages new groups to set up schools. Open public services is a philosophy of vocation and vision. But does the reality match up?

This report suggests that it can. The rallying cry of David Chantler of the West Mercia Probation Trust, that he wanted to increase the breadth of service provision while reducing the size of his own State vehicle, is music to the reformers' ears. Calls to embrace open data will run the gauntlet of privacy campaigners, but present a fascinating opportunity. My own area of expertise, social investment, which involves new ways of allocating risk between the State, the voluntary sector and private investors, is given warm but cautious treatment. The Social Impact Bond of Sir Ronald Cohen and his team at Social Finance, which recently attracted a \$13million dollar investment by Goldman Sachs in the US, presents a fascinating instance of the measurements and mores of the private sector forming a bridge between the account-taking of the public sector and the innovation of the voluntary world. And then there is the difficult to argue yet unarguable case for pioneering early intervention programmes, recently championed by Graham Allen and Iain Duncan Smith, that find their expression in Connected Care, in the first chapter of this report. Early intervention almost inevitably improves the life chances of those on its programmes and almost inevitably makes cost savings down the line; intriguing examples emerge of how we might measure these apparent intangibles.

This is an anthology for today; for the legislator; the commissioner; for those anyone who is interested in good public service. Each story is connected and stands alone; I may not agree with all the analysis or all its recommendations but each piece of wisdom and experience has much to commend it. That is the nature of the voluntary sector, a sea of differing views, exchanging ideas, collaboration *par excellence*; its diversity the very opposite of tyranny. We are back to Beveridge, who knew this, and those who are minded to discharge the golden rules of public service - *do no harm* and *make a difference* - know it too.

Introduction

Charlotte Stuffins, Policy and Research Team at NCVO

The Coalition Government's Open Public Services agenda intends to provide real opportunities to innovate and improve the provision of public services, which could make a real difference to the lives of people and communities across the country.

The Open Public Services agenda commendably recognises that the voluntary sector is well-placed to improve both the design and delivery of many public services. The sector has decades of experience in identifying, addressing and preventing inequalities.

This involvement is also vital for the voluntary sector. In many cases, it is the best way for organisations to achieve their mission, by providing direct support to beneficiaries. At a time of economic uncertainty, it is critical that services are funded in a sustainable way, particularly given the importance of this income to many voluntary organisations.

To enable this involvement, lessons should be learnt from real experiences. This collaborative report shares the experiences and expertise of the voluntary sector. It shares innovative solutions to the challenge of such a massive transformation of our public services. Yet it also highlights important issues and barriers that some voluntary organisations have faced when engaging in service provision and case studies are accompanied by evidence-based recommendations.

The diversity of the voluntary sector is often cited as one of its key strengths. It is a vibrant sector, reacting to need and developing creative solutions to overcome the social hurdles that many face. We feel it important for this report to celebrate this diversity and so it has been formed in partnership by 14 organisations, specialising in areas including health and social care, criminal justice and social investment.

Reading the report cover-to-cover will prove for interesting reading, but it can be also be approached as an anthology of expert comments and direct experiences.

The report sits in two parts. The first shares the experiences of voluntary organisations, and one local authority, involved in the transformation of public services. There are some learning points from the Work Programme and Community Budgets but our main focus is on sharing best practice and innovation. This includes coproduction in commissioning, large and small organisations working in consortia, and the use of open-data to increase accountability.

The final three chapters consider some possible barriers to the voluntary sector's involvement in public services. They focus on managing risks for providers, the potential of social investment and the need for central government to ensure minimum standards are upheld.

We believe in the power of the voluntary sector to transform public services to be more responsive to peoples' needs. A transformation that will result in a better society for us all.

About the Contributors

Age UK

Age UK is the new force combining Age Concern and Help the Aged. It is a national charity and social enterprise working to transform later life in the UK and overseas. Their vision is of a world in which older people flourish. They aim to improve later life for everyone through their information and advice, services, products, training, research and campaigning.

Baca Project

Baca is a charity working with 15-19 year-olds who are either seeking asylum in the UK or have been trafficked into the UK. They provide supported accommodation placements for local authorities who have a statutory duty of care for these young people under the 'Looked-after Children' Act.

British Red Cross

The British Red Cross is a volunteer-led humanitarian organisation helping people in crisis, whoever and wherever they are. It is part of a global network of volunteers, responding to natural disasters, conflicts and individual emergencies. The charity enables vulnerable people at home and overseas to prepare for and respond to emergencies in their own communities.

The Charities Aid Foundation (CAF)

CAF is a registered charity that helps charities and social enterprises make the most of their money. CAF provides financial, investment and fundraising services and works directly with tens of thousands of charitable organisations across the UK and internationally. CAF also has a social investment arm, CAF Venturesome, which is one of the longest-running social investors in the UK. In the ten years since its creation, CAF Venturesome has provided over £26m of capital to 300 charities, social enterprises and community groups. CAF Venturesome manages several funds, including a thematic fund which supports the development of Community Land Trusts and has recently been involved in a number of public service-related social investment deals.

Changemakers

Changemakers was formed in 1994 by a coalition of educationalists and non-governmental organisations. It has helped over 100,000 young people to unlock their leadership potential, as well as influencing many of the key developments in education and youth policy. Changemakers' seeks to create a world in which young people have the confidence to become leaders in employment, public life and society.

Charity Finance Group (CFG)

CFG is *the* charity that champions best practice in finance management in the voluntary sector. Our training and development programmes enable finance managers to give the essential leadership on finance strategy and management that their charities need. With more than 1,800 members, managing over £21bn, we are uniquely placed to challenge regulation which threatens the effective use of charity funds.

Clinks

Clinks supports, represents and campaigns for the voluntary sector working with offenders in England and Wales. Clinks aims to ensure the voluntary sector and all those with whom they work are informed and engaged in order to transform the lives of offenders. They are a membership organisation working nationally and drawing on evidence gathered at regional and local levels. Their work includes [influencing policy and practice](#), ensuring the voluntary sector is informed of changes and their implications, and promoting opportunities for the voluntary sector to develop or expand their work with offenders.

London Voluntary Service Council (LVSC)

LVSC supports London's voluntary and community organisations to learn and share best practice. They create a coordinated voice to influence policy makers on issues affecting Londoners. LVSC's vision is of a vibrant and sustainable city where the lives of Londoners are enhanced through voluntary and community action.

National Council for Voluntary Organisations (NCVO)

NCVO is the largest general membership body for voluntary and community organisations in England. Established in 1919, NCVO represents over 8300 organisations, from large 'household name' charities to small groups involved in all areas of voluntary and community action at a local level. NCVO champions voluntary action and our vision is of a society in which people are inspired to make a positive difference to their communities.

National Council for Voluntary Youth Services (NCVYS)

Established in 1936, the National Council for Voluntary Youth Services is a diverse and growing network of over 280 national organisations, as well as regional and local networks that work with and for young people. NCVYS' mission is to work with its members from voluntary and community organisations to build thriving communities and sustainable networks that help all young people achieve their potential.

Turning Point

Turning Point is a social enterprise focused on improving lives and communities. It is a national health and social care provider that turns lives around by providing personalised care and support for people with complex needs including those affected by mental health issues, substance misuse and learning disability. Turning Point has been working with individuals, families and communities for almost 50 years and continues to support more people to build on their successes, through flexible care and finding more innovative ways to achieve results.

West Mercia Probation Trust (WMPT)

Probation Trusts provide court services, offender management and are responsible for commissioning interventions and other services from the best providers in the public, private or voluntary sectors. WMPT works with people who have committed offences such as burglary, violence, car crime and sex offences. They provide probation supervision, offending behaviour programmes and specialist support services which can stop people from committing further offences.

Westminster City Council

Westminster City Council is the local authority for the City of Westminster, London. The council is comprised of 48 Conservative Party members and 12 Labour Party members. It is part of the Tri-borough collective with Hammersmith & Fulham and Kensington & Chelsea, which runs the only whole-place Community Budget pilot in London.

YSS

YSS is a charity providing community based support services for children, young people, adults and families who are vulnerable, have complex needs and who face difficult life challenges. YSS works with over 2,000 people a year and offers practical support and mentoring to help people gain employment and find suitable accommodation. YSS has a particular specialism in designing and developing both youth and adult criminal justice programmes. They also provide emotional support to help people deal with mental health issues, relationship issues and provide advice to support families, as well as offering new skills development so that people can improve their self-esteem and achieve their full potential.

Disclaimer

Please note that contributing organisations endorse the overarching messages of this report and collective agreement has been sought on the recommendations. However, contributing organisations do not necessarily share the views and policy recommendations of individual authors.

Part I: Experiences from the voluntary sector

Section 1: Commissioning

Charlotte Stuffins, Policy and Research Team at NCVO

What is innovative commissioning with the voluntary sector?

Voluntary organisations are often well-placed to engage communities in their local services. This can enable people to have greater involvement in the design or delivery of the services they use, and even make some services user-led. Yet current commissioning processes have come under scrutiny, with reports of inconsistencies between public bodies in their level of engagement with external stakeholders, including the voluntary sector. This issue needs to be addressed as more and more public services are delivered by non-public bodies.

This section presents five case studies of good practice commissioning that has enabled voluntary organisations to influence the design and delivery of services. In these instances, services in the youth, criminal justice and social care sub-sectors have been improved.

Highlights include partnerships with the voluntary sector, such as West Mercia Probation Trust creating a strategic partner role that was filled by a charity; where the charity's knowledge of local needs now means that the organisations work together to explore innovative new service ideas. Co-produced commissioning approaches, seen in the work of the social enterprise Turning Point, which has trained over 200 people to become 'Community Researchers'; a scheme that enables people to have a say in how their local services are run.

Experimentation with co-produced services has also been possible in the youth sector, thanks to the charity Changemakers sending young people to work in local authorities. The scheme gives young people a say in how services are both designed and delivered. Again in the youth sector, the Baca Project examines the barriers it has faced when they are bidding for contracts as a specialist service provider for young asylum seekers.

Lastly, the reality of public sector-led innovation in commissioning is explored by Westminster City Council through their experiences of the whole-place Community Budget pilot. Positive results include the speeding-up of child care proceedings and better integration of health and social care. Yet the Council also shows how, through their experiences, local and central government should work together to best achieve the intended results of the pilot.

There are some common themes present throughout this section. In most case studies, partnerships with local authorities have benefitted from clear communication, the availability of timely information and a real focus on the needs of service users.

Case Study: Co-produced commissioning in Health and Social Care¹

Jamie Keddie, Research Manager at Turning Point

Connected Care is Turning Point's innovative model of community-led commissioning. It involves communities in the design and delivery of services. The model is based on the principle that if you spend time and resource researching community need and bring this together with commissioner priorities, the redesigned services will be more integrated, inclusive and cost effective.

We have so far delivered Connected Care in 14 areas of England including Basildon, Bolton, Clacton and Jaywick, Hartlepool, Warrington, East Lancashire, East Sussex, London, Norfolk and Suffolk. The model has also been successfully adapted to focus on specific communities of interest, these include:

- The Gypsy, Roma and Traveller community;
- People with long term conditions;
- Unpaid family carers and parents and families;
- 'Whole communities' and;
- Clinical commissioning groups.

Our work transfers skills to local people so that they are able to have a say in their local services.

We have recruited and trained over 200 'Community Researchers'. These are local people who we train in the skills needed to undertake research of the local community. The scheme also empowers them to be more confident and enable them to go out into their communities and speak to their peers.

To date, the Community Researchers have engaged directly with almost 10,000 individuals across a population of 150,000 people. The local knowledge of our Community Researchers is invaluable and helps us reach the heart of communities and better understand how to engage with seldom-heard groups.

By identifying weaknesses in service-provision that would not otherwise be addressed, Connected Care is able to demonstrate to commissioners the usability of current provision and facilitate discussions on what is required to meet local need.

Cost benefit of the Connected Care model, carried out by the London School of Economics, found that substantial savings are generated by providing early intervention support. This includes support in maintaining a tenancy, and short-term public health interventions that will reduce demand on crisis based services, such as A&E.

¹ Find out more about Turning Point Connected Care at <http://www.turning-point.co.uk/community-commissioning/connected-care.aspx>

The Experts by Experience model, designed as part of Connected Care in Basildon to provide peer support promoting early intervention, can deliver significant net benefit to the public purse, with every £1 invested a return of £4.44 is achieved. When the benefits of improving quality of life are included, a return of £14.07 is gained for every £1 invested².

The impact of our Community Researcher training has long-term benefits to the participants, with over half going on to further employment, training or volunteering. A number have gone on to establish their own social enterprises, prompting social action within their community. They also automatically become members of the Community Leadership Network, a national forum and training programme run by Turning Point and funded by the Department of Health, to help develop community leadership capacity.

Connected Care has found that by building capacity, skills and confidence, local people are supported to be more active participants in society. A legacy that continues long after the final research findings are presented.

"It has increased my confidence and I've learnt lots of things about local services. I've spoken to people who are really struggling and don't know where to go for help, even when there is help available. I now know more about what help is out there for them. I've been able to interact with different people and my knowledge has increased in so many ways"

Community Researcher, Swindon.

"Working with Turning Point... has reinforced for me the value of starting with a patient's lived experience when you are looking to redesign care pathways"

Andy Evans, Chief Executive, HealthEast – Great Yarmouth and Waveney Clinical Commissioning Group (CCG)

² The Turning Point Connected Care Cost Benefit Analysis report can be found at <http://www.turning-point.co.uk/community-commissioning/connected-care/resources.aspx>

Case Study: How to better commission specialist service providers

Sourced by Jarina Choudhury, Development Manager (Networks & Learning) at NCVYS³

Baca's services

Baca is a charity based in Leicestershire that works with 15-19 years olds who are seeking asylum or have been trafficked into the UK. They provide supported accommodation placements for local authorities who have a statutory duty of care for these young people under the 'Looked-after Children' Act.

Working with the local authority, Baca design and deliver workable and durable solutions. Their service model has three elements: safe and secure accommodation; a purpose built independent living training plan and a proactive programme called 'Futures' to develop young people's social, academic and vocational ability, including English Speakers of Other Languages (ESOL) teaching.

They regularly tender for contracts with local authorities in order to be a recognised provider of services for the placements they require. However, because their services are very specialist and tailored to young people who are not from the UK, they are often commissioned to provide unique placements with local authorities outside of a formalised contract.

Results of the services

Baca's services are very successful with the young people that they reach, who develop socially, mentally, emotionally and academically, as well as adjusting to the culture of the UK. The young people often describe Baca as their family.

Issues when commissioning specialist service providers

Baca feels that current commissioning and procurement processes are seeking a blanket approach to the care of young people. This makes it extremely difficult for Baca to compete with large mainstream organisations. Baca believes that grass roots organisations are well-placed to deliver value for money and successful outcomes for young people.

Baca does not see commissioning processes that are completely paper based as being the best way to source quality services. Every local authority that visits Baca loves the ethos, atmosphere and how the young people interact with staff. This is extremely hard to capture in the boxes of a tender document.

Baca welcomes an open dialogue with local authority commissioners and they want to show, from a young person's perspective, the journey of integration and settling into a community and finding stability, in spite of entering the UK under traumatic and difficult circumstances.

³ With contributions from Bex Griffiths, Director of Baca Project, as well as Gilles Mvie and Damilola Omole, who are Enthusiastic National Voice of Youth (ENVOY) members.

Recommendations from Baca's experiences

- 1) Future commissioning of contracts must not discount organisations that provide individualised care for marginalised groups, such as young asylum seekers. These contracts must allow for specialism and expertise to shine through.
- 2) Commissioning processes should include site visits to understand the foundations and characteristics of an organisation. This will ensure the best provision of care for hard-to-reach service users and maximise the chance of a successful service.
- 3) Local authorities should create clear opportunities for service users to influence and support the design of services, and share their input and experiences of the way services are delivered. This will enable local authority commissioners to identify new ways to commission best value and innovation across teams at a time of diminishing budgets. It would also place seldom heard service users, such as young people, in a position where they can be heard at strategic levels beyond the commissioned agency.

Recommendations from a young person's experience

- 1) Commissioners should take the time to communicate with service users, so that they can see that each service user is unique and therefore requires individualised care. For example, using video to record the lives and experiences of individual service users puts their message across, whilst also placing a face along with the name. Articles or blogs by young people are also very effective to document individual experiences.
- 2) Holding meetings or events with service users allow local authorities to not only learn about their individual needs but enables them to meet young people and learn about their experiences on a first hand basis. Events also provide a platform for networking between local authorities and enable better understanding of different approaches to running specialist services.
- 3) Developing a board of service users can provide first-hand contact with local authorities and will also give participants of the board a chance to voice their experiences and ideas.

Case Study: Working in partnership with the voluntary sector⁴

Kate Aldous, Communications and Partnership Manager at Clinks

The National Offender Management Service (NOMS) has expressed an ambition to see quality voluntary sector services at the heart of reducing reoffending. However, current commissioning practice, and in particular procurement practice, often deters or even excludes the voluntary sector. Clinks' paper *Competition, Commissioning and the VCS*⁵ (October 2011) made a series of recommendations to the Ministry of Justice on improving commissioning practice to address the key issues. Several organisations Clinks interviewed commented that good commissioning is rare and dependent on individuals within NOMS understanding and supporting the role of the voluntary sector.

David Chantler, Chief Executive of West Mercia Probation Trust (WMPT), is one such individual. He has a vision of WMPT shrinking, but overall service provision to offenders growing. He does not consider it necessary for WMPT to run any more than core offender management services. The default, he says, should not be for WMPT to provide other services but it should be to explore the need, how it can be met, and who is best placed to do so. In this way, WMPT can fulfil its role as the custodian of public interest, as it will be able to deliver a wide range of services of the best possible quality.

This description sounds like the definition of how commissioning should operate in the era of open public services. So it is noteworthy that Chantler decided he needed to introduce a new way of working to achieve his vision:

WMPT invited bids for the role of a Strategic Partner. The specification required good knowledge of local need and a track record in meeting these needs. As a result, while they received bids from the private sector and large national voluntary organisations, local provider YSS was successful.

The role of Strategic Partner is a preferred partner role. This enables WMPT and YSS to explore and discuss new services, without obligation on WMPT to award YSS the work, or on YSS to deliver it. Rob Smith, Chief Executive of YSS, is full of enthusiasm for this approach:

"It facilitates the identification of need, service design and then delivery in a partnership process with multiple voluntary organisations, which is vital if we are to make maximum use of the significant skills that rest locally with the voluntary sector."

The partnership helps smaller voluntary organisation to bid for work, adding a level of credibility that often swings a funding application in their favour. In addition, YSS plays a capacity building role through training, engagement and developing sustainable funding streams.

As NOMS relaxes national targets, it allows WMPT to decommission general offending behaviour programmes which they have found ineffective, and switch resources into areas which will have a greater impact. For example, WMPT has recently secured the agreement of

⁴ A more detailed case study of this partnership is available at www.clinks.org/services/swop

⁵ *Competition, Commissioning and the VCS*, available at www.clinks.org/policy-campaigning/rr3

NOMS to commission a new service for offenders with substance misuse issues from non-profit organisation, Willowdene Farm. WMPT had worked with Willowdene for some months to pilot a new form of treatment. The contract is between WMPT and Willowdene, but YSS works in partnership to provide support outside Willowdene, thus ensuring co-ordinated and holistic support. Rob Smith, Chief Executive of YSS said:

"We are lucky in West Mercia in that David is very forward thinking. He is a great believer that offender services should be delivered by those who are best placed to deliver them, which in many situations is the voluntary sector. It has allowed YSS and others in the voluntary sector to initiate some really exciting and innovative work."

If we are to realise the potential of open public services, all sectors need to work together to ensure that innovative and effective practice is held up as a model for others to learn from, replicate or adapt. This could develop commissioning practice which supports, rather than hinders, such approaches.

Case Study: How to involve young people in commissioning

Taken from Changemakers Best Practice Guide: “Involving young people in the design, development and evaluation of local services”⁶

Introduction

Changemakers runs a programme to improve the commissioning of youth-services in local authorities. Through the programme, young people work within ‘host organisations’ and have a say in both service design and delivery. From these experiences, Changemakers has identified eight key factors that led to the successful involvement of young people in commissioning, improving services that best meet the needs of local young people.

1) Support

Appropriate support for the young people involved is important. There needs to be buy-in from senior members of the organisation in which the young person is working, as well as day-to-day support from the staff member with whom the young person regularly works.

High level endorsement from senior members of the organisation is critical. This might include supporting young people to agree which staff and meetings will need to be targeted to achieve the right results. The size, scale and culture of local authorities can sometimes make it difficult for young people to penetrate and make a mark. Supporting young people through this needs strong staff support from within the local authority.

It is also important to recognise that in exercising a position of leadership within an organisation, young people are taking on higher expectations and a higher level of trust than they may be used to, as well as navigating the kind of ‘office politics’ that they may have never experienced. Additional support may be necessary to keep their focus on what they are trying to achieve and to help them navigate problems.

2) Clear expectations

Clear expectations should be set for young people’s duties and deadlines, and if necessary, what the conditions of payment are for any work they undertake. The expectations set should give enough flexibility for anticipating that the way an objective may be achieved will change, but that the objective itself should stay the same. Young people also need to be given adequate time to make the most of their involvement with an organisation.

3) High expectations

Several of the local authorities that we have worked with have referred to the commitment and dedication of the young people leading the projects as a key factor in the eventual success of the projects. One local authority officer said:

“Her [the young person’s] commitment and dedication to the project has been invaluable and the reason for its success. The quality of her work has also been extremely impressive, particularly for her age, with a number of health professionals commenting on the quality and depth of her research.”

⁶ <http://www.changemakers.org.uk/images/stories/commissioningguide.pdf>

4) Trust

One of the key benefits of involving young people in decisions is the different perspective that they can bring to existing problems. However, in order to maximise the impact of this fresh perspective, it is important that young people are trusted to take real responsibility and for adult professionals to be open-minded about the capabilities of young people. Young people's ideas should be binding and considered by adults during any decision making processes. Adults should recognise that making mistakes is not something unique to young people.

5) Co-production

Some of the most successful examples of involving young people in local decision making take a 'co-production' approach, by which adults give young people the tools to enable them to make decisions but then expect young people to make the decisions themselves.

The respectful relationship between young people and adults should work both ways. Adults should listen to the views of young people, but also ensuring that young people are aware of the context in which adults have to make decisions.

6) Reward

It is important to consider how young people's input can be valued in a tangible way. This could be through financial payment, but it could be through other forms of recognition, such as time banking. Young people should be on an equal footing with adults: so if adults are being paid for their time to work on a project, then young people should be paid too.

The projects that young people get involved in should be demanding and challenging if they are going to have any credibility. Staff supporting young people should not be reluctant to be challenging and tough at times.

7) Sustainability

Young people's involvement should be maintained once the young person involved in the set-up of a project leaves the organisation. The full impact of a young person's involvement on local services may only become fully apparent once that young person has moved on. Some of the most successful engagement examples are those which have resulted in long lasting changes allowing continuous involvement from young people rather than just a one-off project. Another key factor is the importance of young people bringing their peers on board. Many successful engagement processes see local authorities building links with young people with whom they have not previously engaged in the past.

8) Tangible Impact

Opportunities to involve young people should not just be about their own skills development but also about how their input can benefit the services being provided by the organisation. This can be demonstrated in cases where work would not have taken place without the young person's involvement, often because of other resource constraints experienced by local authorities. One local authority we worked with said:

"Without this programme, I do not feel this work would have been taken forward as the cost of an officer delivering this work would have been significant."

Case Study: Emerging findings from the Tri-borough whole-place Community Budget pilot

Simon Lewis, Senior Policy & Strategy Officer at Westminster City Council

How has the Tri-borough approached the Community Budget pilot?

The Tri-borough Community Budget pilot has 11 projects under the 5 themes of families, justice, health and care, work and skills, and economic opportunities. It is producing credible business cases and a detailed Operational Plan setting out how the area will work in new ways with central government, local businesses, the voluntary sector and residents to reduce dependency and improve the conditions for economic growth. As the only whole-place pilot in London, Tri-borough is making the most of this opportunity to improve public services in the capital and nationally in association with the other three whole-place pilots (Cheshire West and Chester, Greater Manchester and Essex).

Uniquely, the Tri-borough area is also host to 2 of the 10 neighbourhood-level Community Budget pilots that were announced alongside the whole-place initiative. The pilots in White City (Hammersmith and Fulham) and Queen's Park (Westminster) are developing and testing radical new models for bringing together and devolving public services at the local level. Together with the whole-place pilot, they are aiming to create a credible platform for the further devolution of powers and responsibilities from Whitehall to town halls and beyond.

As we move past the mid-way point in the pilots, there are already promising signs of progress. Negotiations with Ministers and civil servants are increasing in the run-up to the development of detailed Operational Plans by the end of October. However, there is still much that needs to be done and for change to occur, all partners need to be convinced of the benefits. As Cllr Philippa Roe, Leader of Westminster City Council, said:

"We need more than goodwill from Ministers and officials to make this happen".

Four project pilots

The Tri-borough pilot illustrates that positive change is possible: savings can be made and services can be improved. Below are four case studies, explaining how the project is speeding up child care proceedings, integrating health and adult social care, tackling troubled families and reducing reoffending.

1) Good decisions for children in court: speeding up child care proceedings

In April 2012, a new streamlined approach to reduce the average length of a child care proceedings case through the courts from 58 to 26 weeks began across the Tri-borough.

Currently, up to 100 sets of child care proceedings are started each year across the Tri-borough, with the average length of care proceedings being 58 weeks. Such a lengthy process creates anxiety and uncertainty for the children concerned, who are left waiting to know where and with whom they will be living in the future. For small children who will be adopted, the delay of months can be crucial in influencing their chances of a successful adoption and promoting early attachment.

The new pilot programme attempts to substantially speed-up the process through a more collaborative approach between Local Authorities, Children and Family Court Advisory and Support Services (CAFCASS), which is responsible for guardians, and the judicial system. It also enables better performance management and tracking of cases through a number of measures. These include:

- Appointing of a dedicated Case Manager;
- Sharing of best practice;
- Reducing the length of time for additional assessments;
- Ensuring continuity of the judiciary, social workers and CAFCASS Guardians;
- A shared commitment to reducing the average length of proceeding to 6 months.

For legal costs alone, it is anticipated that annual savings of £1.2 million could be realised. Initial results are already indicating that cases are progressing more quickly and positive responses have been received from judges.

2) Integrating health and social care

Evidence tells us that integration delivers better outcomes for people and can reduce hospital admissions, A&E attendances and care home placements.

Our local experience of integrated care programmes reflects these outcomes but currently these initiatives only address particular cohorts of people, services, or localities. The whole systems approach proposed through the Community Budget pilot will increase the scale and pace of integration, making it the default position from which all health and social care providers and commissioners in the area are working. A joint health and social care delivery model will also better ensure that people get the right care, in the right place, at the right time.

Tri-borough envisages that the pilot will contribute to reducing unplanned hospital admissions by 25% and care home placements by 15%. This is likely to deliver gross savings of approximately £50 million per year to the NHS and £2.5 million to social care. A third of these savings could be re-invested into out-of-hospital care where jointly commissioned, integrated and locality based health and social care teams could work with those at high risk. This means that providers and commissioners could plan an investment and savings model accordingly for integrated care.

3) Tackling troubled families

'Troubled Families' impose high costs on the public sector (around £9bn per annum nationally)⁷ and can severely damage the quality of life of local communities. The Government's new Troubled Families payment-by-results (PbR) programme is helpful in focusing agencies on outcomes and results, not problems. It is also realigning investment and reward, which successfully avoids the critical funding issue where one agency invests in a family but another agency gains the benefits. However, funding for this programme is likely to last only three years and the Department for Communities and Local Government (DCLG) criteria only provides payments for less than one third of families⁸ that are considered complex and high cost.

⁷ Social Exclusion Task Force estimate

⁸ From our initial data, families are meeting 2 out of 3 or all the DCLG cohort criteria

To tackle this shortfall in the scheme, Tri-borough has agreed an innovative new service design with local partners to 'deliver as one' under existing statutory responsibilities for families, as well as providing a more intensive wrap-around service for troubled and complex families. This will be achieved by creating a single multi-agency team and intelligence desk so that assessments, interventions and monitoring are centrally coordinated. The private and voluntary sectors will also be involved where they can add the most value at the least cost.

Based on previous programmes, Tri-borough anticipates that this strategy could produce savings of £2-3 for every pound spent. Importantly, this offers a sustainable long term solution that can be replicated nationally.

4) Reducing reoffending

The cost of reoffending on the economy is estimated to be between £9.5 and £11 billion⁹ and the Tri-borough area spends £4.5m of discretionary grants on nine separate reoffending programmes. Despite this, reoffending in the area continues to increase.

The current focus of grant spending is on longer sentenced offenders (over 12 months). However, short-sentenced offenders (sentenced to less than 12 months in custody) are disproportionately responsible for the increase in reoffending and account for 65% of re-admissions. In spite of this, they are provided no support on release from custody, even though they are more likely to change their pattern of behaviour. What is more, interventions to support short sentenced offenders are cheaper than those for longer sentenced offenders.

Under the Community Budget pilot, Tri-borough is proposing to switch discretionary funding currently spent on reoffending programmes for longer sentenced offenders to short sentenced offenders. This could reduce reoffending rates by 10% amongst short sentenced offenders and potentially deliver savings of £15m in court costs.

To bring about this change, Tri-borough has agreed a new model for tackling non-statutory offending based upon early intervention, as well as a consistent and coordinated approach signed-off by all local partners. However, the support of central government is needed to refocus funding streams, as well as a commitment to supporting a long term sustainable approach.

⁹ National Audit Office, *Managing Offenders on Short Custodial Sentences*, 2010

Recommendations for Central Government

- 1) The Government should ensure that long-term sustainable funding is available for public services, so as to enable the provision of long-term and consistent services.
- 2) The Government should open up data about service users to ensure that seamless and integrated services can be delivered.
- 3) The Government should ensure investment is aligned with return by building-on the successful aspects of the Troubled Families payment-by-results (PbR) programme.

Recommendations for local authorities

- 1) Public service partners should encourage joint teams to work flexibly and creatively to address the pressing social, economic and environmental problems faced in each locality. Structural change to the public sector is one route towards achieving service reconfiguration but there are also possibilities to engage and better work with other sectors, such as voluntary organisations and the private sector.
- 2) Public service partners should not be inhibited by traditional barriers or silos and workers must not be prevented from working across the spectrum of service delivery. The professions are important in validating and driving-up standards but must not act as a hindrance to new ways of working that put the citizen at the core of what we do.

Section 2: Supply-chain management

Lessons from Work Programme commissioning

Steve Kerr, Policy Officer (Employment and Skills) at LVSC

Why must we learn from the Work Programme?

The contracting of the Work Programme saw a step change in the commissioning of public employment services in the UK, rolling together a number of new policy ideas including payment-by-results (PbR), the prime contractor-subcontractor supply chain model, very large contract areas, and so-called 'black box' commissioning (where providers are given flexibility to operate a service however they see fit, so long as outcomes are delivered). Some of these ideas had been tried before, but in bringing all these elements together and applying them with absolute rigour; the Government began commissioning in a radical new way. Now the Government plans to use PbR in other areas of public service delivery and sees the initiative as setting a higher standard for procurement.

So the experience of voluntary organisations delivering the Work Programme (and of those groups who engaged in the commissioning process, but for a variety of reasons are not involved in delivery) is therefore now very valuable to groups working in other fields, where a similar approach to commissioning is likely to be introduced

LVSC has been involved in supporting voluntary organisations in London throughout the Work Programme commissioning process by bringing together prime contractors, other stakeholders, and voluntary sector providers. We also surveyed voluntary sector providers on their experiences of the programme. This piece identifies six key lessons that voluntary organisations working in health and other sectors have drawn from their experience of Work Programme commissioning.

Before this model of commissioning is adopted in other sectors, LVSC urges the Government to conduct a thorough interim review of the Work Programme. This should include the programme's impact on the availability and quality of specialist employment services and an evaluation of outcomes for the most disadvantaged Work Programme clients.

Case Study: Experiences in the Work Programme

1) Subcontractors bore disproportionate risk in payment-by-results contracts (PbR)

The scale of Work Programme contracts almost completely excluded the voluntary sector from contracting directly with the Department for Work and Pensions (DWP). For the most part, only the private sector had the capacity to provide sufficient cash-flow to implement large-scale operations for the estimated two years it will take for these large, long-term and high risk PbR contracts to break even. Only one charity was successful in winning a contract; every other voluntary organisation involved in the Work Programme is subcontracting in the supply chain of a prime contractor.

The Government sent out strong signals to say that prime contractors should use specialist voluntary groups in their delivery, using their financial muscle to 'soften' the risk exposed to specialist voluntary sector subcontractors. However, LVSC's early survey of these subcontractors (October 2011) found that this 'softening' had not happened.¹⁰ Instead, risk had been 'passed down the supply chain', with terms for subcontractors largely reflecting the high-risk profile of the primes contractor's own contracts, including PbR. For small and medium-sized voluntary organisations, this created enormous challenges around risk, cash-flow and quality of delivery.

It is not yet clear to what extent commissioning in other sectors will follow PbR principles. Personalisation of health and social care services will add another dimension, as service users will have a level of decision-making power which is unavailable to Work Programme clients.

Voluntary organisations acting as subcontractors must be well-prepared to manage cash-flow and risk. The experience of the Work Programme suggests that lead contractors will not always shield their supply chain from the risk of PbR. Trustees and senior managers must think very carefully about whether it is right for their organisation to take on a public service delivery role on PbR terms.

2) Work Programme procurement was extremely resource intensive for voluntary sector groups

Work Programme commissioning in London took place over three stages. Over 50 organisations made initial applications, with 15 shortlisted on to a DWP procurement framework and invited to bid for Work Programme contracts. This resulted in six organisations being awarded contracts across two Contract Package Areas. At each stage, potential subcontractors invested heavily in intelligence gathering, relationship building, preliminary negotiations, refining their 'offer' and submitting written expressions of interest. Inevitably, much of this work came to nothing because voluntary organisations 'backed the wrong horse', negotiations broke down, or they did not get a foot in the door with any prime contractors (who were flooded with inquiries and working to tight timescales).

¹⁰ LVSC, *Fair Chance to Work: initial voluntary and community sector experiences of the Work Programme in London*, October 2011.

Voluntary organisations must be prepared to invest time and staff resource if they wish to be involved in public service delivery. This is so they can:

- Develop a thorough understanding of the contract specification;
- Develop their offer and price accordingly;
- Pitch this offer to multiple potential lead partners and;
- Negotiate an initial agreement.

All of this comes with no guarantee of winning any business.

Commissioning timeframes are very tight, so successful partnership building and consortia development needs to take place in advance of contracting rounds. Lead partners and subcontractors should lobby collectively for the design and use of a standardised 'Expression of Interest' form. Public commissioners must acknowledge that this style of commissioning is disproportionately resource intensive for small and medium-sized voluntary organisations, few of whom have won substantive delivery subcontracts for the Work Programme.

There is a significant risk that future programmes commissioned in this way will effectively exclude specialist and local voluntary sector providers. This in turn will reduce choice and quality of service delivery of those furthest from the labour market.

3) Rhetoric on the voluntary sector's role in the Work Programme was misleading

Senior government figures described the Work Programme as a massive boost to the Big Society. They claimed that charities had a strong negotiating hand and intimated that the Government would intervene in cases of voluntary sector subcontractors being unfairly treated by primes (including through use of the Merlin standard governing prime contractor and subcontractor relationships). The Government now denies that the level of voluntary sector delivery in the Work Programme is disappointing and asserts that any group considering withdrawing from the programme is doing so because of their own underperformance. The reality is far more complex, with some voluntary organisations enjoying good working relationships with prime contractors and others withdrawing without having had a single client referral.

During commissioning, voluntary organisations must put government rhetoric to one side and focus on the task in hand, which either will be writing a winning bid or negotiating a fair subcontract with a larger organisation. Commissioners must also be wary of taking government rhetoric at face value. Some local authorities took the view (when making decisions about cutting their own expenditure) that local voluntary sector providers would somehow be supported through the Work Programme as a matter of course. In fact, the cumulative impact of Work Programme commissioning and wider public spending cuts has led to a significant reduction in local and specialist capacity. Indeed, LVSC knows of a number of London voluntary sector employment and skills providers that have shut down services or wound up entirely.

4) Voluntary organisations were becoming 'bid candy'

Under previous welfare to work programmes, prime contractors often included voluntary organisations in their bids, then failed to refer any clients when the contract went live. This has led to the voluntary organisations involved being referred to as 'bid candy'. This gives the appearance of a diverse supply chain of specialist providers and

thus 'sweetens' the bid. Some voluntary organisations have been included in Work Programme supply chains as ad hoc providers, but after a year have received still no referrals. The DWP's Merlin Standard is meant to ensure fair treatment for subcontractors, however, it does not provide independent arbitration of disputes and it was not fully operational during the first year of programme delivery.

There is often enormous pressure on small organisations to sign up to vague preliminary agreements, for fear that 'it's this or nothing'. Nevertheless, it is important that organisations seek advice and support from networks (such as LVSC's London Employment and Skills Policy Network¹¹) and demand firm and fair offers, so as to help eliminate this practice.

Voluntary organisations must develop or out-source business development and negotiation expertise to have the best chance of getting a fair deal when negotiating with prime contractors. Acting collectively (for example, comparing the terms and prices offered by different prime contractors) could be very beneficial, but is made difficult in practice by the short timescales and complex commissioning processes.

5) PbR Work Programme contracts were even tougher than expected

There is very little money available within the Work Programme for voluntary organisations supporting people furthest from the labour market. LVSC's research suggests that most primes have passed on the contractual and financial risk to their subcontractors, including those working with the most difficult client groups. PbR contracts have discouraged prime contractors from investing upfront in support for vulnerable clients. Success payments are also reduced for subcontractors because prime contractors take a management fee out of their payment from DWP. All these factors have driven down payment for subcontractors.

6) There were significant operational teething problems

As public service delivery is opened up to a wider range of providers, Transfer of Undertakings (Protection of Employment) (TUPE) issues are likely to become more and more complex. The impact of TUPE obligations for Work Programme subcontractors only became clear very late in the day. In some cases voluntary organisations had to take on external staff and make other staff redundant only a week before their contracts went live, which had enormous cost implications. Other operational issues created difficulties, such as adopting management information systems and complying with security requirements. Voluntary sector subcontractors have had to manage client volumes that differed greatly from projections and worked with service users with different needs than they were led to expect.

Voluntary sector providers must seek expert advice on TUPE issues and obligations early on, and understand the liabilities they may be taking on by entering into a service contract. Voluntary organisations should be prepared to retain as much flexibility in delivery terms as possible to cope with varying client volumes. Providers can share experience of what has worked well through voluntary sector networks, to ensure that good practice in commissioning and subcontracting arrangements is spread as widely as possible.

¹¹ <http://www.lvsc.org.uk/networks/london-employment-and-skills-policy-network.aspx>

Recommendations for Commissioners

- 1) Commissioners must support the development of fair delivery partnerships by providing hands-on support to voluntary providers, as well as clear guidance on best practice working for prime contractor-subcontractor relationships.
- 2) Commissioners need to ensure that contracting processes are transparent. This could be enabled by publishing a list of shortlisted bidders at each stage, as seen in the Work Programme, or holding supply chain networking events to bring together prime contractors and subcontractors.
- 3) Commissioners must publish timely performance data during programme delivery for clarity that inequalities, skills and health are not worsening. This could help prevent 'cherry picking' of those who are closest to the labour market, which has occurred with PbR contracts.
- 4) Commissioners should ensure transparency around management fees charged by prime contractors through enforcing guidelines for a maximum management fee.¹²
- 5) Commissioners must ensure bidding timescales are reasonable to facilitate partnership building and combat the problem of 'bid candy'.
- 6) Commissioners need to provide clear and timely guidance on TUPE to allow both frontline and lead contractors to prepare for any expensive or unforeseen costs.
- 7) Commissioners must clearly communicate any changes or uncertainties of client volumes and ensure forecasts of referral volumes are robust.
- 8) Local authorities should not assume that their local voluntary sector will be commissioned through national programmes.

Recommendations for providers

- 1) Voluntary organisations must be prepared to invest significant time and staff resource into public service delivery. This means allowing time to develop consortia in advance of contracting rounds, time to develop a competitive offer and pitch this to as many potential prime contractors as possible.
- 2) Voluntary sector subcontractors must be able to manage risk and cash-flow. Trustees and senior managers must carefully consider whether their organisation will be able to take on PbR contracts.
- 3) Voluntary organisations must develop, or out-source, business development expertise to ensure an even-footing in the negotiating process with prime contractors.
- 4) Voluntary organisations must seek expert advice on TUPE at the earliest opportunity to understand any liabilities that they are taking on.
- 5) Voluntary organisations should try to be flexible on service delivery to cope with any varying client volumes and should share successful approaches through voluntary sector networks.
- 6) Voluntary organisations should not complete a 'Letter of Intent' without seeking firm assurances around pricing and volume of service users from prime contractors.
- 7) Lead partners and subcontractors should lobby collectively for the design and use of a standardised 'Expression of Interest' form, such as the standardised form developed by Employment Related Services Association's (ERSA) Supply Chain Forum¹³.
- 8) Voluntary organisations should seek to influence, improve and better define the practice involved in meeting the Merlin Standard, so that it better reflects their needs.

¹² The [Skills Funding Agency](#) recommends a 15% maximum fee

¹³ http://www.ersa.org.uk/downloads/Industry_wide_Expression_of_Interest_form_-_final_version-YO9NAB.pdf

Section 3: Sharing information

How Open Data can maintain quality standards

David Kane, Research Officer at NCVO

What do we mean by open data?

Open data is an emerging field, and one that has great potential for changing the way that public services operate. So far the agenda has been led by government – with datasets such as departmental spending data, the register of companies, postcode data and many more opened up and made freely available to anyone. Government hopes that opening up public data will encourage innovative economic activity and transparency in its activities, but also will help achieve meaningful social change.

More recently, there has been a growing conversation about voluntary organisations' own use of open data. This falls into a number of areas. The most obvious is using the data that government has already opened up to inform service design and hold the public sector to account. But increasingly voluntary organisations are exploring the benefits of opening up their own data, to combine with other datasets and tell their story. The Nominet Trust has released a 'state of the art' review of open data and charities, which explores these issues and outcomes in more detail¹⁴.

The opportunities of Open data

There are a number of ways in which open data can improve the delivery of public services, including:

1) Identifying need

Open data can be used to identify need and better target services. Many datasets which give information about particular needs are already available, such as the Index of Multiple Deprivation. The open data agenda has made these datasets more accessible, but also has the potential to increase the available data through organisations opening up and sharing their own data. By combining these datasets together, a more rounded picture of need can be developed. This means services can be designed and funded to meet these needs.

Case Study: Barnsley Hospice Barnsley Hospice combined data about their beneficiaries with data on health deprivation for their local area. They found that they could do better at reaching out to the more deprived areas and so introduced new outreach activities in these communities.

2) What does work and what does not

Increasingly voluntary organisations are being asked to demonstrate their impact and open data offers another way of doing this. By opening up data about the performance of programmes and services, organisations will be able to demonstrate the effectiveness of their methods. In some cases this might show that something has not worked, but organisations should not be afraid of this, so long as they can also show that they have

¹⁴ <http://www.nominettrust.org.uk/knowledge-centre/articles/open-data-and-charities>

learnt from their experiences. At the same time, organisations need to be confident that commissioning is flexible enough to respect and welcome these perspectives.

Case Study: Inspiring Impact Inspiring Impact is a new project with a number of partners that aims to make high quality impact reporting the norm for charities and social enterprises. One of their five key areas is making sure that charities and social enterprises have access to the best data, tools and systems to measure their impact.

3) Transparency and accountability

Open data also offers an opportunity for organisations to be held to account by their trustees, staff, donors and beneficiaries. The opportunities for voluntary organisations will be different to public sector organisations that are directly accountable to voters and taxpayers. But by being transparent and accountable organisations, including through publishing open data about themselves, organisations can increase trust in their work.

Case Study: Indianapolis Museum of Art This museum in the USA has a constantly updated dashboard of various indicators on its website, which allows visitors, funders and others to see the museum's activities at a glance. The dashboard includes energy use, financial details, social media followers and attendance.

4) Campaigning for change

Charities can also use open data to campaign for change. This could be charities using existing data from government or other organisations to demonstrate a need (as in section 1), or through organisations opening up their own research and service data to demonstrate a change that needs to happen. Open data can also form the backbone of the campaign itself.

Case Study: Great British Public Toilet Map This map was established after an event that looked at ways to help older people manage continence concerns. The map provides a service that is vital for individuals with continence problems – a way to find the nearest public toilets – but also functions as a campaigning tool by highlighting areas with very few facilities.

Issues and challenges

As with any emerging field, there are challenges and issues that organisations will face when looking at open data:

1) Skills and capacity required

Getting the most out of open data requires both skills and resources that might not be plentiful within organisations. Data analysis skills are often not a key part of voluntary organisations' skill set, but can be vital in getting the most out of open data. And although many of the resources and tools that help with using and creating open data are available for free, time and staff capacity is required to take advantage of them.

2) Personal data

An important caveat when talking about open data is that it does not include personal data. Data which directly identifies beneficiaries, staff, donors and any other individuals should not be made open, with organisations having obligations to protect this data.

Where a dataset is based on individuals, for example data that gives the numbers of service users that have received a particular service, care should also be taken to ensure no individual is indirectly identified in this data.

3) Compelling organisations to open data

As open data increasingly becomes a bigger part of public service provision, organisations may find that they are compelled to release data. The Government has indicated, for example in the Open Public Services White Paper 2011, that it may place obligations of open data on those organisations that supply services to government. This may mean that open data is no longer an optional extra for organisations, but something that has to be included when providing public services. However, voluntary organisations will embrace and produce more meaningful open data if they do it on their own terms, rather than being required to by government contracts

4) Competition

A key worry for voluntary organisations is that by opening up their own data they will leave themselves open to competition from others. This is a particular worry if voluntary organisations are held to different standards of transparency than private sector organisations. For open data to be a success for voluntary organisations, they need to be confident that being more transparent would produce a competitive advantage (or at least not disadvantage them) by increasing trust.

Recommendations

- 1)** Voluntary organisations and their funders should work together and invest in this area to insure that the voluntary sector has the skills and resources needed to make the most of open data.
- 2)** Voluntary organisations and the Government should always be mindful of protecting personal data.
- 3)** Voluntary organisations are encouraged to open up their data and use open data as part of best practice. This will help them become accountable to their beneficiaries, funders, supporters and trustees.
- 4)** Government needs to ensure that all external organisations are held to the same standards on open data, whether they are voluntary or private organisations.

Section 4: Managing scale

How can the voluntary sector achieve the scale needed to deliver public services?

Tom Hamilton-Shaw, Public Policy Advisor at the British Red Cross

Introduction

Policy-makers agree that the voluntary sector has to be in the frontline of public service provision when helping the most vulnerable. The Health and Social Care Act gives the voluntary sector new opportunities and last year's update on Open Public Services outlined the road travelled and promised more for all non-statutory providers.

With ever more restricted local government funding settlements, a lack of growth and a tightened NHS budget, what does success in public service delivery look like for voluntary organisations?

The British Red Cross sees greater collaboration within the voluntary sector as one key ingredient in providing a template for successful reform. Big and small charities often co-exist in the same communities already delivering services. But as the opening-up of public services is one key component of the Big Society agenda and public services are delivered nationally, there is some concern that only the larger players will be able to act as providers. Indeed, even the term 'Big Society' assumes a sense of scale.

As articulated by its supporters in government, the Big Society is about valuing the diversity of the voluntary sector and unlocking the value contained within all voluntary organisations. This vision points to effectively managing the diversity of size within the voluntary sector so it can provide holistic services that meet the individual needs of users.

Although the term 'Big Society' has somewhat lost its purchase, there is good sense in voluntary organisations collaborating to add value to service delivery. If a lack of grants and declining donations continue to trouble smaller players, collaboration offers a way to protect funding streams and cut costs. Forming consortia to deliver services offers one potential model.

This piece explores how consortia can be used by the voluntary sector to efficiently improve the quality of public services, using a case study of voluntary organisations working in a consortium to provide social care for older people.

Critics of the voluntary sector's role in public service delivery have not been in short supply. Debate has been wide-ranging: from a lack of diversity in the public service 'ecosystem', scepticism of 'big charity' and a question mark around the efficiency of smaller organisations.

Successful partnership between big and small voluntary organisations can address these concerns because it offers a way to diversify, innovate, share burdens and improve outcomes, whilst avoiding monolithic service provision. The best models of collaboration clearly acknowledge relative differences in risk, resource and reach. As such, they allow a win-win for both big and small providers. They make efficiency a key part of their *raison d'être* while providing high quality, person-centred services. Successful collaboration also runs counter to

the accusation that large charities are out to take all. It puts the onus on larger players to foster trust and enable successful partnership.

The British Red Cross has already seen the huge added value that working with smaller voluntary organisations brings. The right kind of collaborative framework can bring out the best for beneficiaries, allow smaller players into delivery and play to the strengths of the larger ones.

The new consortium model that we co-piloted in Conwy offers a good case study in achieving diversity, efficiency and effectiveness. It shows the voluntary sector at its best in this new public service world.

Case Study: The CICS Start project pilot

Background to the CICS project

The CICS project was piloted in Conwy, North Wales and involved collaboration between the Conwy Intermediate Care Service, a multi-disciplinary statutory sector team and a consortium of voluntary organisations, co-ordinated by the British Red Cross.

With 28% of population above retirement age, Conwy has the largest proportion of elderly residents in Wales, reflecting its popularity as a retirement hub. The service provided a short term, intermediate care service to clients who, although now physically better, needed further help to regain independence after discharge from acute care.

1) The aim of the CICS project

The CICS team were well acquainted with the difficulties their clients face on returning home. Upon discharge, people may feel vulnerable to a loss of confidence and may become socially inactive, finding it hard to negotiate a way back into everyday life. Although, due to the demographic make-up of the area, there are services on offer from a wide range of voluntary sector organisations, this group often were unaware of them and, when they did know about such services, were apprehensive about accessing them.

The CICS project aimed to help CICS's clients find out about and take up of services on offer from the voluntary sector by linking local voluntary organisations to a CICS client. This was done via a service co-ordinator hosted at the British Red Cross, who provided a main point of contact for the client.

2) How the British Red Cross co-ordinated the CICS project

The co-ordinator visited the client in their own home, carried out an assessment and then produced a service pathway for the client, based on the voluntary sector services available in the area. The coordinator also assigned the most suitable support volunteer to work with the client and provided sign-posting to a number of other services and sources of information. These volunteers were drawn from a variety of voluntary organisations to meet the particular needs of the client. For example, if the client was also responsible for caring for a relative, a volunteer would be provided from the local respite service.

This meant that at no point in the process did a single voluntary organisation 'own' the relationship. Although the co-ordinator role was filled by the British Red Cross, the support volunteer could come from other, smaller voluntary organisations and members of the consortium.

3) How the consortia worked in practice

Each member of the consortium kept their own funding arrangements. In the British Red Cross' case, our UK-wide Care in the Home service, from which volunteers were made available, was co-funded by the local Health Board and Conwy Council.

The relationship between organisations was governed by a joint working agreement which was clear on responsibilities and made all consortium members equal partners. The agreement avoided the need for complex legal agreements, allowing the consortium to expand or shrink relatively easily. Sharing information about clients was straightforward as it was covered by a simple information-sharing protocol.

4) How the project developed

The organisations involved developed common processes and back office systems to support their offer. After initial scoping work funded by the Welsh Assembly Government, further budget was obtained through NHS Chronic Conditions Management Transitional Funding. This had clear anticipated outcomes, including reductions in hospital readmissions and reductions in repeat referrals to the CICS team.

Importantly, the consortium also had an 'honest broker' in the form of a member of the local Council for Voluntary Service (CVS). They provided clear, impartial leadership and smoothed out any issues that arose, ensuring that all members contributed their expertise and respected service delivery boundaries.

5) Results of the CICS project

The results of the pilot speak for themselves. A true partnership between statutory health and social care services and the voluntary sector has developed based on openness and transparency. An evaluation carried out by the Third Sector Research Centre¹⁵ found that service users "*were far more independent and had seen improvements on a range of dimensions*". Furthermore, self-reported improvement from service users was significantly large across a range of indicators, averaging 29% improvement on 9 measures of wellbeing.

All (67 respondents of 101 patients) strongly agreed "*CICS was able to identify my needs and meet them*" in evaluation questionnaires. Only 10% of clients were admitted to hospital after receiving the service; a significant drop in anticipated, pre-intervention admission rate.

6) Longer term benefits

In addition to these crucial outcomes for beneficiaries, partners in the consortium also benefited. They felt that the project had added significant value to their work, by creating pathways for clients whose needs might otherwise have gone unmet.

7) Why the project was successful

The success of the scheme was attributed to a wide variety of factors; investment of resource and money from the organisations, good design and implementation and support and good judgement of the honest broker who fostered trust among the partners.

What all indicators pointed to is that successful collaboration on an equal footing amongst very different sized and resourced organisations depended on the right institutional architecture. This involved some resource and budget but necessitated a series of other

¹⁵ *Single Point of Access to Third Sector Services: The Conwy Collaborative Approach*, Dickinson H, Journal of Integrated Care, Volume 19, Issue 2, April 2011 © Pier Professional Ltd.

elements. A progressive CVS and local authority, a larger voluntary organisation using some of its resources, smaller organisations willing to put in time and effort and clear safeguards were all critical factors.

Only when these elements were present could a successful collaboration take place and thus accrue savings to the taxpayer and benefits to the service users.

Recommendations

- 1) Organisations establishing consortia should consider appointing an 'Honest Broker' to provide clear, impartial leadership and smooth-out any issues that arise when working in collaboration in voluntary sector consortia. This role could be filled by a representative from a CVS.
- 2) Organisations establishing consortia should assess the most appropriate governance arrangements. One option for consortia is to work on an equal partnership basis. In the case study, this approach enabled smaller organisations to have a voice and also recognised the strengths of all organisations involved.
- 3) Collaborative models must clearly acknowledge relative differences in risk, resource and reach of participating organisations. Joint working agreements need to be clear on responsibilities and could use simple protocols rather than complex legal agreements.
- 4) Collaboration is only possible if smaller players are supported and have funding continuity. Voluntary organisations must also ensure cost-effective spending. The Best Value Guidance 2011 should be upheld by local authorities, and enforced by central government, so that disproportionate cuts are not passed on to voluntary organisations.
- 5) Public bodies should adopt a flexible approach, recognising the value of frontline professionals commissioning on behalf of their own clients. For example, in this case study, a critical factor to success was providers in the consortia being able to commission other organisations to deliver parts of the service.
- 6) Commissioner training and tender rules should recognise the strengths of the diversity of all players and the benefits of collaboration by providers. However commissioners should remain responsible for monitoring and tracking overall outcomes and ensuring their effectiveness, even when a (prime) contractor has also taken on commissioning responsibilities with subcontractors.

Part II: Expert Analysis

Chapter 4: New Forms of Finance

How social investment can be used in public services

Rhodri Davies, Policy Manager at CAF

Why is social investment needed to fund public service delivery?

Two connected trends are likely to have a huge impact on the way the Government funds public service delivery. The first is the move towards focussing the commissioning process on outcomes (i.e. the actual social value produced); the second is the interest in using payment-by-results (PbR) models. PbR based on outcomes presents a real opportunity for voluntary organisations to win public service delivery contracts. As the focus is shifted away from the exact nature of the service provided towards the outcomes produced, there is more room for innovation and greater freedom for voluntary organisations to demonstrate the effectiveness of their approach. This is perhaps the most positive aspect of the PbR trend.

However PbR also presents a challenge for voluntary organisations. Contract payments are often end-loaded, creating an issue with finding working capital. Social investment has the potential to solve this problem by offering investors (with a higher tolerance for financial risk) the chance to invest in organisations, and so providing working capital to voluntary organisations with PbR service delivery contracts. The central idea is that if agreed social outcomes are delivered, investors will be able to get a financial return based on the payments made by the state for those outcomes.

Approaches to social investment

There are potentially many ways in which social investment can be used to address the working capital issue. Most of these involve a commissioner, a voluntary organisation delivering the service and an intermediary that structures the investment. The key feature of all approaches is finding a way to reduce the risk involved to a level that is acceptable to public sector commissioners. A few possible examples are outlined below. This list is not intended to be definitive. The market is extremely new and developing all the time, so some of these approaches may not have been put into practice and there may be other models that we have not even thought of yet.

1) Public service contract is with a social investment intermediary

Social impact bonds (SIB) are an example of an approach where the key contract is between the commissioner and an intermediary. A SIB is a financial structure underpinned by an agreement with a public sector commissioning body. It enables investors to put money in on the basis that they will receive a financial return based on the saving to the State if certain agreed social outcomes are delivered. Currently there is only one SIB with any sort of track record (focused on reducing short term reoffending amongst prisoners released from HM Prison Peterborough), but more have been announced both in the UK and abroad, including [one in Merseyside](#) focused on helping disadvantaged young people, in which CAF Venturesome has invested.

2) Public service contract is with a voluntary organisation

A more direct approach is for an investor or intermediary to offer a loan to a voluntary organisation that has won a PbR contract in order to cover its working capital needs. Repayment of the loan might itself be outcomes-based i.e. it is only repaid (at an agreed rate

of interest) when the results are delivered and contractual payments are received. Alternatively, the lender might establish a timetable for repayment that requires the delivery agent to start paying at an earlier stage. This then raises a question about the balance of risk and what happens in the event that outcome goals are not met.

3) Underwriting or guarantees

Another approach is to offer financial guarantees or underwriting facilities. This might involve a social investor underwriting or guaranteeing a loan made by a commissioner or vice versa. In these situations there is a clear benefit for the organisation making the loan, as the risks are significantly reduced. The question is: what is the benefit for the organisation providing the guarantee or underwriting? The obvious way to deliver a return is to charge fees or interest for the underwriting or loan facility, although this may have implications for the interest rate paid by the voluntary organisation which could become an issue.

Key issues for social investment in public service delivery

1) Risk

Risk is the key issue in terms of the use of social investment to fund public service delivery. We have already seen that it is possible to reduce the level of risk faced by commissioners through combining PbR approaches with social investment approaches. But there is an issue if the risk is effectively 'outsourced' entirely (either to investors or to voluntary organisations), as is true of the majority of PbR-based contracts that we have seen in the market so far. Whilst it may be necessary for pragmatic reasons to mitigate the risk faced by commissioners, is it appropriate to let them gain reward without taking any risk at all?

In any case, it is not right for the burden of risk to be entirely outsourced to voluntary organisations. CAF believes that PbR contracts should combine up-front payments, to cover some portion of core costs, and at-risk success payments, paid in arrears. This would represent a fairer deal for voluntary organisations and a more appropriate financial risk for commissioners. It is also not appropriate to exploit the social motives of investors by asking them to take on the entire burden of risk. This problem is exacerbated if the commissioner (or intermediary) is also attempting to leverage in commercial finance. In order to make the investment it attractive, it will almost certainly need to be structured so that commercial investors are 'shielded' by social investors. The motivation of social investors allows them to have a greater tolerance for risk as they understand that they will not receive a financial return. CAF does not believe that this is appropriate.

Expanding the investor base to include investors who may prioritise near-commercial returns over the needs of social investors and voluntary organisations is not appropriate whilst PbR remains unproven as a mechanism of delivering social outcomes.

Some of the risks in PbR stem from deficiencies in the way the commissioning process operates. Despite the fact that there is usually sufficient time within the process as a whole, social investors are often not brought in until just before the final deadline, so they only have a very small window in which to do the required due diligence on the investment. This increases the level of investor risk unnecessarily, as the problem could easily be overcome by extending the length of the commissioning cycle or simply involving potential investors at an earlier stage. However there is a further problem: even when social investors are involved, they may not be able to perform the desired amount of due diligence because of the way the commissioner is managing the process. In some cases, commissioners are making it a requirement that voluntary organisations who wish to bid and compete for PbR

contracts are able to show evidence that they can secure external investment. But because this happens well before the contract is actually agreed, investors are being asked to make a judgement without sufficient information. In this case they are either being forced to take undue risks, or their indication of willingness to invest will have to be laced with so many caveats as to be almost worthless.

2) Returns

Since there are risks involved in PbR and the social investment models built upon it, there must also be returns that make those risks worth taking; either financial or social (the latter will be dealt with in the next section). In the same way that there are issues about the way that risk is apportioned between commissioners, voluntary organisations and investors, there are issues about how each group benefits financially from success.

The most obvious group to benefit financially are the investors. This does raise the question of whether it is acceptable for private investors to pay for addressing social needs and to receive a financial reward for doing so. Although there is clearly a difference between social investors who put profits back towards social good and commercial investors who retain profits for themselves. In either case, of course, it is still the commissioner that pays for successful interventions, through the underlying PbR contract. Yet it is true that allowing investors to “share in the reward of success” means that private individuals are removing taxpayer-funded money from the system. In a perfect world, perhaps the State would be sufficiently tolerant of risk to invest in the interventions directly and thus get the direct benefits of savings too, but we are not in a perfect world. As we have already seen, the public sector is extremely risk averse so it is necessary to find ways of reducing the risk of funding to an acceptable level. Hence, pragmatism dictates that it is necessary to look for innovative solutions, which may well involve incentivising external investors by offering them the possibility of a financial return.

Yet what about the voluntary organisations actually delivering the services, do they stand to benefit financially from successful delivery of results? In one sense, the answer should clearly be “yes” because if a voluntary organisation holds a PbR contract, it will get paid by the commissioner if it successfully delivers results. However, because many voluntary organisations struggle to find the resources for effective contract negotiation, they may not even be able to recover their own full costs so they are not even guaranteed to break even. But what if the voluntary organisation actually outperforms in terms of the outcomes it produces – will it be rewarded proportionately? Currently this is not necessarily the case, so the benefit of outperforming targets goes only to the commissioner (through increased savings) or to the investor (through increased returns). CAF believes that it is important that voluntary organisations are able to benefit from the financial upside of PbR contracts, as well as being protected from the downside.

3) Results

As the name suggests, results are at the core of PbR approaches. It is highlighted above that the trend is increasingly to talk about these results in terms of outcomes, but in many cases the reality of the commissioning process has not kept pace with this rhetoric. Most commissioners are still defining contracts in terms of features of the service they want to see provided, rather than the outcomes they want to see achieved. Even when commissioners claim to be using outcomes, usually they are in fact talking about outputs. The question then is to what extent these outputs are effective proxies for the desired outcomes. If they are not good proxies, there is a real danger that the design of the service is skewed towards achieving these outputs, to the potential detriment of service users.

As well as the social outcomes produced for service users, there is the potential to deliver important organisational outcomes for the voluntary organisations that receive social investment. For instance, developing investment readiness, so that the VCO can access social investment finance much more easily in the future if required; or building contract management skills so that the voluntary organisation is better placed to bid for and deliver future public service contracts.

The role of social investment intermediaries is absolutely crucial here as they have the potential to be a catalyst, but can also act as a barrier if the wrong approach is taken. If the intermediary takes all the responsibility for dealing with the commissioner and for other aspects such as measurement and contract management, the voluntary organisations it invests in will not get the benefit in terms of organisational outcomes that they might otherwise have had.

The intermediary might well be acting with the best of intentions, believing that by taking on all the additional responsibilities they are “freeing up” the voluntary organisations to concentrate on delivering the interventions, but they could inadvertently be stifling their broader development. Given that lack of investment-ready organisations is often cited as one of the main barriers to the development of the social investment market, it is vital that when intermediaries make PbR-linked investments they look for ways to help skill-up the charities and social enterprises they work with at the same time. This might be something the intermediary does itself, or it may feel that it is more appropriate to bring in external resources. And of course it must be a collaborative enterprise, based on the voluntary organisation’s ambitions and needs, not something that is forced upon them.

Commissioners must also be willing to factor in the costs of this broader development of voluntary organisations into their contracts with intermediaries. Not only will it contribute to the growth of the social investment market, which is an explicit government ambition, but it will also have direct benefits for the commissioner in terms of creating a larger pool of potential service providers.

PbR could represent a huge opportunity for voluntary organisations. If implemented properly, the flexibility and freedom within PbR should allow voluntary organisations to maximise their ability to innovate and deliver better services for users. Social investment can play a key role in overcoming some of the funding challenges that PbR presents, but as highlighted in this article there are a number of issues that need to be addressed if the full potential of PbR for the voluntary sector is to be realised.

Recommendations

- 1) Social investors should ensure that any deals based on PbR public service contracts should be structured so as to enable the organisations delivering the contract to share in the upside, if targets are exceeded.
- 2) Social investors should look to skill-up the voluntary organisations in which they invest, in order to develop the marketplace. Commissioners should ensure that PbR contracts are not entirely end-loaded, but instead combine up-front payments, to cover some portion of the voluntary organisations core costs with at-risk success payments that are paid in arrears.
- 3) Commissioners should factor the additional costs of up-skilling voluntary organisations into their funding for social investment models.
- 4) Commissioners must allow time in contracts for potential investors to perform due diligence on their investments in order to ascertain risks properly. If social investment is to be involved in funding PbR service delivery, the commissioning process must not present unnecessary barriers.

Section 6: Managing Risk

Considering risk in public service delivery

Katherine Smithson, Policy and Public Affairs Officer at CFG

Introduction

Risk is the potential for an action to result in a loss (usually financial or reputational) and is a crucial underlying consideration when outsourcing public services. New policy developments, such as the Localism Act 2011, offer increased powers to local government, but with this comes the potential for new areas of risk to arise as we see a growth in mechanisms for community involvement.

Although the relationship between the public and voluntary sectors is often described as a partnership, when it comes to delivering public services through contractual arrangements – with the local authority as commissioner and the voluntary sector as a potential deliverer – the nature of that relationship changes dramatically. This is often down to fundamentally differing perspectives on risk and value for money.

Contractual arrangements could provide a solid basis for identifying and managing risk between partners. However, in reality power and risk balance is inevitably skewed in favour of the commissioning authority.

Local authority perspectives on risk

One attraction for local authorities when contracting out public services is that they can retain overall control of the service but transfer financial and other business risk to a third party. While there are other drivers such as innovation, productivity improvements, addressing under-performance or offering choice; any opportunity to shift financial risk is likely to be appealing.

Transferring out services completely and contracting for longer periods of time or with less control are higher risk strategies for local authorities. However, even then not all risk can be eliminated; should something go wrong, responsibility falls back on the local authority.

Decisions are often shaped by a historically risk averse culture in local authorities and high levels of accountability to the public and central government.¹⁶ This is compounded by rapidly shrinking budgets, pressure to demonstrate savings and a cautious approach to spending decisions.

¹⁶ The Local Government Information Unit (LGIU) publication *'Risk and Reward: Local Government and risk in the new public realm'* surveyed local authority representatives, 50% described their local authorities as 'risk averse' or 'very risk averse'. This is quite high considering it is an internal reflection of risk and not an external perspective. It also revealed a preference for council-led services to maintain control in particular over high risk areas, such as children's services.

What are the risks for voluntary sector providers?

Managing risk is also an increasing focus for voluntary sector professionals. A greater push from the Charity Commission, professionalisation of the sector and proliferation of new business models and practices has enhanced understanding of risk in the voluntary sector.¹⁷

Charity Commission guidance has highlighted four specific risks that charities should consider when taking on public service contracts. These include:

- Financial, including use of reserves and sustainability;
- Governance, including constitutional and independence;
- Service, including contractual risks and quality of service;
- Reputational, including public perception and relationship with public authorities¹⁸.

As some or much of the risk is transferred to the service provider, the voluntary sector has to make complex risk considerations.

So why do voluntary organisations agree to take on this risk?

For commercial organisations, calculating the balance between risk and reward is often simpler to predict, with reward usually being in the form of financial return. Yet the reward for voluntary organisations is that it provides a further way for organisations to achieve social value or objectives towards solving a social problem. It may also enable them to assist more beneficiaries and may even enable them to innovate and find new ways of meeting need. The voluntary sector has high levels of expertise present a strong position of trust, proximity to communities and beneficiary groups, as well as a record of delivering outcomes. This makes them ideal candidates if local authorities are looking to fund specific services.

Focussing on delivering services commissioned by local authorities can be a successful business model for a voluntary organisation. Services delivered by the voluntary sector are often to some of the most vulnerable people in society. Participating in this market can also enable the voluntary sector to work with other relevant agencies, with benefits for the service user either through joined-up working or influencing improvements in their local community.

The risks however will be taken on and managed by voluntary organisations, and the most difficult type of risks for these organisations to control is external risks. Internal risks such as mission drift (a charity moving into areas that are beyond their aims) can be simpler to manage than external risks which are beyond their direct control. For example, this could be the risk of losing control over the length of the contract, since an organisation can make a decision not to bid if the contract is outside of its focus.

¹⁷ In 2012 CFG and Cass Business School published a briefing paper, *'Managing risk in charities: Lessons from the past decade and a look into the future'*, summarising two pieces of research drawing on the findings of 10 years of the CFG and PKF Risk Survey.

¹⁸ CC37: *Charities and Public Service Delivery: An introduction and overview*, The Charity Commission.

What are the risks of public service delivery?

The risk culture within a local authority will have a significant impact on voluntary organisations. It will determine how risk is allocated in partnership arrangements, as well as voluntary organisations' ability to access the market. There is varied practice across the UK in how risk is managed in these circumstances. Good business relationships between commissioners and the local voluntary sector significantly improve the quality of partnerships and subsequently the performance of the service.

The following areas give rise to components of overall risk in public service delivery:

1) Uncertainty and control

Common issues reported by the voluntary sector include difficulties in:

- Achieving full cost recovery and;
- Managing performance and reporting.

Areas of uncertainty include:

- Cash-flow;
- Length of contract;
- Length of notice period;
- Transfer of Undertakings (Protection of Employment) (TUPE) arrangements and;
- Potential service-user referral rates.

As a result, services can be more difficult to cost accurately at the bidding stage. Voluntary organisations sometimes discover that they have to take on bigger risks than expected, without appropriate capacity building and planning. A 2010 survey of CFG members revealed that 34% of respondents had only discovered some risks after signing a public service contract and 48% had been deterred from bidding for contracts at all¹⁹. A consequence of this is an increase in premature contract termination. The risks arising from this are often compounded by poor levels of communication and inadequate notice.

Mechanisms that local authorities use in order to mitigate their own risk through control can also present additional burdens for voluntary organisations. Activities such as onerous reporting requirements are difficult to cost before the commencement of the contract.

2) Competition and Scale

Larger voluntary organisations are usually in a stronger position to negotiate risks with local authorities. This has an impact on local competition and service markets; forcing smaller organisations to deliver below-cost and take on greater risk.

Contract scale can also push smaller voluntary organisations, or even the voluntary sector altogether, out of the running. This is partly due to the levels of capital required to access

¹⁹ This survey was carried out by CFG in October 2010 and received 118 responses in total, all from charities involved in public service delivery.

the contract. The Federation of Small Businesses has reported a similar impact on small commercial businesses.²⁰

There are also areas where voluntary organisations are specifically disadvantaged, for example where irrecoverable VAT arises. The costs of staff transfers to the voluntary sector can also present a huge barrier, especially when public sector pensions are transferred with TUPE liabilities.

The Government's Work Programme sets a poor example of managing scale through its transference of the bulk of the financial risk onto service providers, which only pay for outcomes achieved. This huge transfer of risk can only be taken on by larger or private organisations. This example also demonstrates that large scale contracts often require the use of consortia and other supply-chain models that hold a great deal of risk. These can be difficult to manage if relationships have not had time to develop.

3) Sub-contracting and spot purchasing

Instances where voluntary organisations are acting as subcontractor to a private prime contractor are increasing. This requires careful risk management within the voluntary sector, as it deals with the nuances of working with new partners in a different sector. Research from New Philanthropy Capital (NPC) has shown that the voluntary sector enjoys better contractual relationships with other voluntary organisations than with the private and public sectors, indicating there is a potential clash of organisational cultures.²¹

Offering bespoke services on an ad hoc basis can help to reduce risk. However, 'personal budgets', 'spot purchasing' and 'framework contracting', offer their own risks as business is not guaranteed despite upfront investment in infrastructure from the voluntary sector. The NPC research showed that the growing use of these payment mechanisms and Payment by Results (PbR) are having a significant impact on risk. This is ultimately felt by beneficiaries.

Why do local authorities need to change their approach to risk?

With new mechanisms for community participation, local authorities need to prepare to work effectively with their communities. A 2011 LGIU survey showed that most local authorities are not yet addressing the associated new risks; there are also concerns that the local voluntary sector will lack capacity.²² The risk areas listed above are likely to grow in significance, which in turn will act as a barrier to achieving effective contributions from voluntary sector involvement.

A solution: looking at risk in a different light in local authorities

In order to successfully diversify public service provision and maximise opportunities for innovation and improved service delivery, local authorities should move away from some risk avoidance practices. In order to make partnerships more successful, the voluntary sector and local authorities should make risk profiling and risk management processes more compatible.

Currently the voluntary sector is being pushed further and further out of the market. This is because the capacity issue in the voluntary sector is not being addressed, and many are continuing to be risk averse and focusing on short-term cost savings.

²⁰ *Local Procurement: Making the most of small businesses*, Federation of Small Businesses, 2012

²¹ *When the going gets tough: Charities' experiences of public services commissioning*, NPC, 2012

²² *Risk and Reward: Local Government and Risk in the new public realm*, Local Government Information Unit, 2011.

Recommendations for central government

- 1) Central government should address the disadvantages faced by the voluntary sector when delivering public services, such as TUPE liabilities, VAT and onerous monitoring and evaluation requirements. Government should encourage local authorities to work better with the risk profile of the voluntary sector.

Recommendations for local authorities

- 1) Local authorities, central government and the voluntary sector should always adhere to Compact principles. Local authorities must ensure contract negotiations are fair and cover real costs, as well as ensuring that monitoring and evaluation requirements are proportionate.
- 2) Local authorities should use the opportunities set out in The Public Services (Social Value) Act 2012 to improve procurement and commissioning practice and outcomes. They should consider how social value may look, and its effect on risk management.
- 3) Local authorities should adhere to the Merlin Standard to ensure that there is a constructive two way dialogue about risk sharing at the point of tender on an on-going basis. This also should be considered essential in procurement practice and supply chain management.²³ This reduces long-term risk of contract failure which inevitably impacts on the local authority, the provider and the beneficiaries.
- 4) Local authorities should look to fully assess the negative effects of being too risk averse and enable innovation in commissioning. For example, many local authorities offer only short-term contracts to smaller providers in order to mitigate risk, but this ultimately harms the quality of service and impedes the contractor's ability to achieve outcomes.

Recommendations for the voluntary sector

- 1) The voluntary sector should prepare to respond to new emerging demands and engage in discourse with commissioners to better understand risks faced by local authorities.
- 2) Voluntary and infrastructure organisations should consider the diversity of their local voluntary sector and ensure organisations are partnering appropriately in their area.
- 3) Voluntary sector funding could be used to invest in capacity building for risk management and used to undertake a more comprehensive review of risk appetite and tolerance of all partners.²⁴ This ties-in with local authorities' role in market development and to support of a full range of providers, so as to consider the risk appetite and tolerance of different players in the market.
- 4) Voluntary organisations need to fully understand their own impact and develop common outcome frameworks to enable a greater understanding of social impact.
- 5) Voluntary organisations need to set an example of good practice when dealing with other voluntary organisations.

²³ This follows recommendations made in *Perfect partners: Strengthening relationships within employment services supply chains*, NCVO, ACEVO, ERSA, 2012

²⁴ This follows recommendations made in *Risk and Reward: Local Government and Risk in the new public realm*, Local Government Information Unit, 2011

Section 7: Ensuring Quality

The on-going role for Central Government to ensure minimum standards

Greg Lewis, Programme Manager at Age UK

Why do we need minimum standards in public services?

Accountability to service users and taxpayers is one of the key principles underpinning the Open Public Services agenda. In this new policy environment the challenge is to determine who holds public services to account and how this is done. Central government still has a part to play to give people the confidence to know that whatever choice they make, all services will meet essential standards.

A diverse market of open public services needs to be able to protect and enhance accountability rather than disperse it. There are a number of layers of accountability that need to be in place to achieve this. Service users, taxpayers, local and national government all have their part to play in influencing the priorities and outcomes of public services. Arguably, the secret to success is to not go too far one way or the other, from top-down control to a complete free for all.

It would be easy to characterise the development of open public services as the democratic institutions of State withdrawing and being replaced by alternative providers with a resulting loss of accountability. Indeed, some of the resulting arrangements and lines of accountability may be more complex compared to elected representatives and institutions. However, this should not mean government should abdicate its responsibilities to ensure minimum standards.

How to ensure continued national oversight

In a future where independent agencies will be carrying out statutory functions and services, it needs to be made clear that ultimate responsibility lies with the relevant statutory body. So, some level of national oversight will be needed to ensure local agencies meet public duties set at the national and international level. There is also a need for a clear route for redress.

It should also be borne in mind that in some service areas, such as health, national outcomes are being set to provide a framework for standards. Without similar standards for other services or audit processes to maintain quality, this could provide a skewed set of priorities. At the same time it should be recognised that local people need to be able to hold public services to account. If we are to become a nation of 'armchair auditors', then people need the mechanisms to effectively participate; there needs to be a process for individuals to assess the suitability and quality of services.

Case Study: Digital Inclusion While transparency is important; it needs to go beyond providing access to data. In fact we have seen a significant release of public information by this Government, but much of it is in a form that requires manipulative tools and statistical knowledge to interpret and apply it. Much of this data is only accessible online and it remains the case that only half of those aged 65 – 74 have the internet at home and only a quarter of those aged 75 or over.²⁵

²⁵ *Online government services and the offline older generation*, Fujitsu and Age UK, 2011

Local and national government should still hold responsibility for assessing the needs of the whole community and ensuring that these are met. Yet as service provision becomes more diverse it will be necessary for government to be aware of limits or minimum standards that should not be breached. In particular, the rights of vulnerable groups who may find it difficult to engage in the political and planning process and the services they rely upon need to be protected.

Case Study: Community Right to Challenge The Community right to challenge (introduced by the Localism Act) allows community bodies to 'challenge' local authority services that they believe they can deliver better. Local Age UKs will be able to use the Right to Challenge and a localised approach could help people in later life directly shape the services they rely on. However, it will be essential that the pros and cons of using the Right to Challenge compared to existing commissioning procedures are fully considered. It is also important that fairness and equality in the process is maintained and there is a role for government here to ensure minimum standards are put in place and followed.

Recommendations

- 1) Information on services must be provided in accessible formats. This is because vulnerable service users will need better access to information, advice and advocacy in order to ensure fair access and make the most of new opportunities reform may offer.
- 2) Central government needs to set standards so as to ensure that individual services produce comparable information because variations in data collection and methodology can make it difficult to compare like with like. This would also ensure that providers are not dealing with different requirements from different commissioning bodies.
- 3) Robust regulation from central government should be the cornerstone of open public services. Everyone must have confidence, that whatever choices they make, all services will meet essential standards.
- 4) Central government needs to ensure clear rights of redress are in place so that if services fail, there are offer appropriate choices available. This will also ensure that proper standards are met.
- 5) Any measures to devolve statutory functions to independent bodies should be resisted if the effect makes it difficult or impossible for people to secure their statutory rights. It should always be clear that when independent agencies carry out statutory functions, ultimate responsibility lies with the statutory body responsible.

Recommendations

For Central Government

- 1) Grant funding should be offered (and where appropriate, encouraged) to enable flexible and responsive service delivery, as well as the piloting of innovative ideas. Grants enable new entrants into the public service market and capacity building in communities, as well as a crucial form of core funding for many voluntary organisations.
- 2) Evidence on service user needs, motivations, choices and wishes, and clarity on where resources are spent should be made widely available by public bodies. This enables providers to respond to current and future challenges, and to develop cost-effective, innovative services that best meet the needs of the service users.
- 3) Support should be given to local authorities so that they can fully use the Social Value Act 2012 in procurement and commissioning practice, which is a legally binding Act of Parliament. This is a real opportunity for commissioners to design services that have a demonstrable positive impact on the communities that they serve.

For Local Authorities

- 1) Commissioners should ensure services are designed according to the original principles of personalisation, recognising the social capital in user demographics. Both user-led services and co-production are effective means of realising this social capital, and broadening the pool of innovation in localities.
- 2) Commissioners should test Pre-Qualification Questionnaires (PQQs) with organisations that are potential new market entrants to ensure that the questions are proportionate, rather than dis-incentivising. Current frameworks and practices often disadvantage (or even exclude) certain providers, particularly small or more innovative organisations, who may have a less visible track-record of service provision.
- 3) Service information for users must be readily available, and in accessible formats, to ensure quality and minimum standards are upheld. This will help the public service market place develop.
- 4) Commissioners should commission for outcomes and engage with prospective providers, including social investors, at an early stage, whilst also being supportive of both short and long-term policy and procurement trends.
- 5) Commissioners should be proactive in developing partnerships and subcontracting relationships amongst providers to enable new collaborations and innovation. It is important for potential providers, including social investors, to have adequate time to prepare for contract bids. Contracts need to be a manageable length so as to enable potential voluntary sector providers to deliver them, particularly if they are on a Payment-by-Results (PbR) basis.

The Compact

- 1) Government departments and local authorities should always adhere to the commitments made in the Compact because it is a key mechanism for managing the relationship between the voluntary and public sectors.

For the Voluntary Sector

- 1) The voluntary sector should proactively communicate with commissioners early on so that they are aware of the responsibility of local authorities to manage market risk. This early dialogue could avoid risk-averse and cautious procurement practice, which hampers innovation.
- 2) Voluntary organisations should be prepared, and well equipped, to invest time and staff resource if they wish to be involved in public service delivery. In particular, organisations' governance must have the operational and strategic skills to manage contracts and deliver services.
- 3) Voluntary sector providers should work together and share experiences of innovation and good practice, such as successful subcontracting arrangements, through established sector networks.

For Social Investors

- 1) Social investors should look to skill-up the voluntary organisations that they invest in, for example by improving back office skills. They should also communicate their willingness to support innovation. Both of these actions will help to develop an innovative marketplace for public service delivery.
- 2) Social investors should be upfront about the costs of this new form of finance to both commissioners and potential voluntary sector partners. This is particularly important in order to create a sustainable marketplace and full commitment from both sides.

Acknowledgements & Further Information

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Further Information

Age UK – <http://www.ageuk.org.uk/>

Baca Project – <http://www.bacaproject.org.uk/>

British Red Cross – <http://www.redcross.org.uk/>

CAF – <https://www.cafonline.org/>

CFG – <http://www.cfg.org.uk/>

Changemakers – <http://www.changemakers.org.uk/>

Clinks – <http://www.clinks.org/>

LVSC – <http://www.lvsc.org.uk/>

NCVO – <http://www.ncvo-vol.org.uk/>

NCVYS – <http://www.ncvys.org.uk/>

Turning Point – <http://www.turning-point.co.uk/>

West Mercia Probation Trust – <http://www.westmerciaprobation.org.uk/>

Westminster Council – <http://www.westminster.gov.uk/>

YSS – <http://www.yss.org.uk/>