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Nick Hurd MP  
Public Services Team, Office for Civil Society  
Cabinet Office  
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4 January 2010

Dear Nick,

Re: MODERNISING COMMISSIONING GREEN PAPER

In response to the recent publication of the *Modernising Commissioning Green Paper*, I welcome the opportunity to offer A4e's insights as a leading supporter of reform in this area. A4e believes that we need to put the individual at the heart of provision – and in so doing we can start to redefine the relationship between state and service user.

A4e very strongly supports the Green Paper's proposals for increasing the role of social enterprises, charities, mutuals, cooperatives and other mixed models in public service delivery. We believe in the importance of plural markets and encouraging innovative ways of working between the voluntary, public and private sectors. We work with tens of thousands of small businesses, charities and community groups, to transform the lives of some of the most social excluded people in the UK, and are playing a leading role in the Cabinet Office's pathfinder mutual programme. It is this position of experience and delivery, over the twenty years, across nine countries, that provides the context for our views.

**Q. In which public service areas could government create new opportunities for civil society organisations to deliver?**

There are a whole range of areas in which there are opportunities for a new type of delivery: in FE, children's services, family support, Forces welfare, probation, housing development and adult learning to give just a few examples. Indeed the drive for a more holistic approach to delivery means there should be few exceptions to the opening up of opportunities; however our experience shows that two themes are consistent across all:

- The greatest innovation comes in areas of new or holistic provision – services which cut across existing departmental jurisdictions. Commissioning policy must be designed to accommodate services in categories which do not yet exist.
- Welcome reforms such as the 'right to challenge' must beware of overly rigid and artificial conceptual divisions between the public, private and third sector as three discrete entities. Increasingly, the most innovative impact is happening at the join up between of all three sectors: government coproducing with communities, private sector companies supporting



improving people's lives

charities, mutuals JV-ing with social purpose companies such as A4e. It is important that the policies being developed now allow for rapid evolution of new hybrid forms of organisations that will become the norm in the next few years, be they voluntary sector, public, private, or a blend of all three.

In modernising commissioning, it is also vital that the Government remains focused on the results to be achieved rather than the mechanism used to deliver services. That means developing consistent evaluation frameworks, agreed at the beginning of the process, in order to spread best practice and set the criteria by which success can be measured. Delivery means much more than just a focus on primary markets, so involving civil society organisations in the oversight, measuring impact and increased customer satisfaction should not be overlooked.

**Q. How could government make existing public service markets more accessible to civil society organisations?**

Use catalyst integrating organisations

Finding ways to involve small players in new commissioning opportunities is essential. But they will find this difficult in sink or swim competition with large providers, even if their frontline delivery is excellent. Twenty years ago, A4e came into being as a social enterprise comprised of three people. We inherently understand the barriers and opportunities facing small organisations in public service markets. Despite the absence of capital backing, A4e initially won a contract for delivering new services, continuing to grow through strategically focusing on new initiatives or services. Even as a small company, the competitive playing field levelled without the commissioning process being made easier. This experience has allowed A4e to pass on expertise to other organisations to help capacity build and grow within existing markets.

Procurement, commercial expertise, financial stability and risk management can hinder or distract some civil society organisations, especially newly set-up, informal, community groups, and new techniques such as PBR will add further complexity. But this does not have to mean that the only choice is between 'small but haphazard' versus 'big and ugly'. The best model is to commission to civil society organisations through the right intermediaries to create an ecosystem of support for social innovators. Organisations such as Circle (in health) or A4e (in rehabilitation and worklessness) network together alliances of hundreds of very small social enterprises, handling the back office, commercial and financial aspects that would otherwise restrict small or new organisations, in an equal and reciprocal relationship, thus enabling them to access major contracts. DWP's experience suggests that in the mid/long term this is more effective than SBRI-style quotas for small organisations, and leads to a more diverse, mature, sustainable provider base.

**Q. How could civil society organisations support greater citizen and community involvement in all stages of commissioning?**

1. Promote choice in services

At A4e, we know that our service users are not ignorant of the choices they have in society. In commissioning, we must learn from innovation in the retail and technology sectors which shows there is a high level of sophistication in consumer behaviour. In the delivery of many public services, individuals have little choice. This therefore holds the key to reform. If the mechanism for introducing choice and measuring satisfaction is correct, the role of

commissioning will become easier, giving the consumer a much closer relationship to the product and service. Government should focus on creating a level playing field of competition (competitive neutrality), matching capital to community enterprise and rapidly redeploying programmes that work nationally.

2. Ensure equality of choice

Alongside this, we also need new mechanisms to ensure equal access to the new wave of public services. The emerging world of multiple providers, localisation, and individual choice is one we have championed for a long time, but a drawback is its potential to be confusing from a user perspective, especially individuals who have a physical disability, mental health problems or are socially excluded. If reform is not to have a major unintended impact on the most deprived in society, it is essential to build in enhanced mechanisms for navigation and simplification and ensure appropriate methods of delivery to user groups. It is crucial to build consumer capability to help the most vulnerable individuals to navigate systems, for example through mechanisms such as Mayor Bloomberg's 311 system in New York.

3. Promote Iterative Commissioning for social outcomes

Our current commissioning system for civil society projects has a tendency to stifle new ideas, with the standard model of commissioning requiring government to decree both the problem and the answer. At the outset, the commissioning body asks bidders to submit fully worked-up plans; then awards a contract to a single winner. This makes it difficult for individuals and new, small, or informally constituted groups to bid for contracts. In addition the service that is being commissioned today may not necessarily address the issues of tomorrow.

In developing a modern commissioning system, it is essential to enable a more collaborative working style between commissioners and providers, to allow solutions to be developed in partnership. In order to find new ways of tackling long standing problems, the expertise to design new solutions will not be easy or immediately obvious to providers or commissioners. The commissioning process should encourage bold experimentation in the spirit of problem solving rather than risk transfer at the outset, with a period of prototype testing that accepts the possibility that models will need to change before specifications are hardened into normal forms of contracting/commissioning.

In addition, the net could be cast wide and users could be funded to generate their own projects. Rather than specifying the exact format of a social project, challenge prizes would encourage an open approach. The commissioning body sets the challenge, then stands back, trusting the ingenuity of communities to provide solutions that work for them. Policy objectives could be better met by switching to this type of iterative funding model, in the manner of NESTA's successful 'Big Green Challenge'. For example, local authorities could set a prize for young people to design their own youth services. To keep barriers to participation as low as possible, the initial application should be very simple. As concepts progress through the competition rounds, more money, and support are added to develop the idea from the drawing board into a fully worked up proposal. The aim is to build community spirit and ownership as much as to get to a single 'right' final answer.

Iterative commissioning could help include citizen innovation in newly developed public policy as a way to support the civil society organisations through this challenging economic time. It has already shown results, with NESTA's Big Green Challenge proving a very successful way of getting new ideas to cut carbon in rural areas.

**Example: NESTA's Big Green Challenge**

The Big Green Challenge prize was a £1 million prize for community led ways to cutting carbon emissions. It was the first prize of its kind for the not-for-profit sector. It proved very popular. The Challenge received over 350 ideas from community-led groups across the UK. For example:

- The Three Green Valleys engineering hobby group restored old hydropower micro-generators to full operational capacity with the aim of moving a whole region into to electricity self-sufficiency. They sell surplus power to the grid. Regional volunteer enthusiasts initiated the group.
- Meadows Ozone Green Loans is a zero interest loan arrangement conceived and run by Nottingham Energy Partnership with a local credit union.

'Green loans' are offered to local people who take measures to save money and emissions. The most common loan will be for new boilers, heating systems and insulation.

The prize inspired innovation: over half of applicants said that they had had their idea for a long time, but had never had an opportunity to develop it until now. Moreover, the publicity of the challenge prize itself raised the profile of the groups that took part, helping them leverage further interest and support even if they did not win. Of those who reached the second stage of the prize, 30% attracted more funding. 47% said the Challenge has increased their credibility.

I hope that these key points answer some of the questions posed by the Modernising Commissioning Green Paper and prove helpful to the development of policy in this area. I would be happy to meet to discuss further and represent A4e at future policy forums on the modernisation of commissioning. To schedule a meeting, please do not hesitate to contact A4e's Public Affairs Manager, Samantha Windett, at further information.

Yours sincerely,



**Mark Lovell**  
Executive Chairman, A4e Ltd

