



London Voluntary Service Council' and Third Sector Alliance's

response to

the Cabinet Office's 'Modernising
Commissioning' Green Paper

January 2011

Executive Summary

London Voluntary Service Council (LVSC) welcomes the Government's commitment in this Green Paper to support the creation and expansion of civil society organisations to have a much greater involvement in the running of public services. In a city with the high diversity and mobility of London, which also suffers the highest levels of unemployment and child poverty in the country, it is often only civil society organisations that can provide the specialist services required by the most disadvantaged Londoners.

Key positives within the proposals

- The acknowledgment of the importance of consortia bids to enable civil society organisations a greater chance to be involved in public service delivery. In London, where regional governance structures still exist this is particularly important to allow local and specialist civil society providers to form part of regional commissioning.
- The recognition of the important social and environmental impacts that civil society organisations bring to service delivery.
- The support for Joint Strategic Needs Assessments, community and personal budgets and local integrated services contained within the proposals. These use some of the best practice from civil society organisation's own holistic service provision as a way to keep the service user at the heart of delivery and offer better value for money across all government departments.

Key recommendations to ensure civil society engagement

- Commissioners need to involve civil society in the whole commissioning process from needs assessment, priority setting and procurement to the monitoring and evaluation of services to user-centre services. This is particularly important in London where there is a more diverse population than elsewhere in the country. Such involvement is essential to ensure commissioners fulfil their requirements under the new Equality Act 2010.
- The need for commissioners to develop appropriate methods of organisational and network support to ensure that community involvement can still be supported by small specialist advocate and equalities organisations and that accountability is provided by networks of civil society organisations at a local, city-wide and national level.
- The importance of providing support for the development of voluntary and community sector consortia so that local and specialist civil society organisations can be involved in public service delivery that is commissioned at a sub-regional, regional or national level. In London, where there is still a level of regional governance such involvement is especially important to ensure local and specialist services can be provided as part of regional contracts.
- More commissioners should be trained on best practice in developing civil society organisations to deliver public services, and address market failure, and such training should involve civil society organisations in its delivery, development and implementation. It will also need to be backed by strong incentives from Government, to allow commissioners to work with the sector to develop:

- appropriate outcomes and monitoring procedures (including the use of well-evidenced outcome indicators);
- the skills to negotiate proportionate levels of risk; and
- to include social and environmental outcomes in the commissioning process.
- The issue of achieving a fair balance of risk for civil society organisations could be achieved by:
 - ensuring that levels of risk transferred are proportionate to the size of the organisation being commissioned, through a negotiated partnership agreement;
 - recognising the increased risk of working with more disadvantaged users and providing larger payments and payments for the delivery of 'softer' outcomes on the pathway to the final outcomes;
 - recognising social and environmental outcomes across departmental boundaries so that providers can be fairly rewarded for the additional outcomes that they produce;
 - providing a transition period for smaller civil society organisations when they are first commissioned to provide public services , to move from up-front payments to 'payment by results'; and
 - setting up models to provide low cost insurance to small civil society organisations, such as the model developed by LVSC (see section 4.4.5)

1. Response to consultation: General comments

1.1 The Government has made a commitment to 'support the creation and expansion of mutuals, co-operatives, charities and social enterprises and enable these groups to have much greater involvement in the running of public services'. London Voluntary Service Councils (LVSC) welcomes this approach and supports voluntary and community sector (VCS) groups who wish to deliver public services, where this is appropriate.

1.2 However, it is not appropriate for all VCS organisations to deliver public services and, for many this may not fall within the remit of their governing documents. It is important to emphasise that many public service delivery organisations would be less successful, or fail, if they were not supported by VCS services that are currently not considered as part of public service delivery. Social networks, sports clubs, mentoring schemes, social action organisations and equalities groups, for example, are not required to be provided by statute, and so are not usually considered to be public services. However, the work they do in preventing people needing, or by improving the effects of, public services is well evidenced¹.

1.3 Our response to this consultation emphasises the importance of these groups, the need to fund them to save money in the long-term and the clear distinction between their work and that of the groups referred to in this consultation who are at a stage where they wish to be commissioned to deliver public services.

1.4 Commissioning itself is not simply a matter of procuring public services. It also involves an assessment of needs, decisions on the prioritisation of these needs and monitoring and evaluation of the services contracted through the commissioning process. It is important that the community is involved in all these processes to achieve the Government's aim that local people have more say on how the public services which they use are delivered. Many VCS organisations, do not wish to deliver public services, but provide an advocacy or voice role for their users to enable them to engage in the commissioning process. Again these are not services that must be provided by law, but if community engagement is to influence commissioners to provide services that best meet people's needs, they are essential: organisations should be funded to facilitate such engagement. Their involvement also allows commissioners to meet many of their duties under the Equalities Act 2010, by allowing the input of some of the most discriminated against communities into the commissioning process. This is a particular issue in London, which has the most diverse communities in the UK.

1.5 The Government should encourage commissioners to carefully consider retaining grant funding schemes, as advocated in the Audit Commission's advice on 'intelligent commissioning'², or support the development of alternative funding methods, perhaps through the Big

¹ Mayor of London (2007) Reducing health inequalities: issues for London and priorities for action. London: Greater London Authority

² Audit Commission (2007) Hearts and Minds: commissioning from the voluntary and community sector. Wetherby: Audit Commission

Society Bank, that are appropriate for what are sometimes very small organisations. This would help to ensure that VCS organisations that increase the effectiveness of public services or encourage community involvement in the commissioning process, while not delivering public services themselves, can continue. Relatively small payments to such organisations could significantly improve public service delivery, so increasing value for money.

1.6 Relevant VCS support structures need to be in place to ensure that communities can be involved in the commissioning process at national, city-wide and local levels. These should both ensure the engagement of a wide range of voices in the needs assessment and priority-setting processes of commissioning and also assist groups to form consortia that can deliver services according to different communities needs. For example, in London, the London Community Partnership³ has recently been established as a legal entity to ensure that appropriate VCS groups across London can come together to bid for large, city-wide contracts, that they could not compete for as a single organisation.

2. The remainder of this response attempts to answer the consultation questions, with respect to VCS organisations that wish to become commissioned to deliver public services.

3. In which public service areas could Government create new opportunities for civil society organisations to deliver?

3.1 What are the implications of payment by results for civil society organisations?

3.1.1 'Payment by results' is a term that is open to different interpretations. The 'results' in question could be simplified top-down targets developed by one government department. If commissioning is to be opened up to more VCS organisations, which often provide services that hit the objectives of several government departments, 'results' will need to span departmental objectives and be decided in partnership with service providers and users. If the latter definition is used then 'payment by results' offers an opportunity for civil society organisations to provide innovative solutions to a wide range of social problems, unhampered by bureaucratic monitoring of service inputs and outputs. It would also be more cost-effective to government as a whole.

3.1.2 Commissioners should work with civil society organisations, service users and community organisations to determine the 'results' against which a service provider is expected to deliver. These should span the responsibilities of all government departments to ensure users receive a holistic service and that providers receive full payment for all the economic, social and environmental benefits that they bring.

3.1.3 However, even using this method of defining 'results', the current lack of access to capital and/or insufficient reserves and the risk-minimising

³ Brought together by LVSC

governance structures of many civil society organisations mean that payment by results could result in cash flow problems and unacceptable levels of risk for them. These are often sufficient barriers in themselves to prevent civil society organisations from tendering for public service contracts.

3.1.4 Commissioners need to put in place mechanisms, which address cash flow problems and take account of the level of risk that organisations can accept. Possible solutions could include a gradual transition from front-loaded payments to results-based payments for commissioned organisations below a certain size, production of government guidance on negotiation of levels of acceptable risk between commissioners and providers, payments related to outcome indicators along the delivery pathway and/or provision of government-supported low cost insurance schemes for civil society service providers.

3.1.5 For the delivery of large public service contracts, the Government should reduce barriers to consortia bids, so that small providers can reduce the risk to themselves and receive front-loaded payments by working with much larger organisations, which are of a sufficient size to cover such risks and fluctuations in cash flow.

3.1.6 Another perverse consequence of payment by results is that longer-term outcomes often require more complicated and expensive monitoring and evaluation procedures to evidence. The up-front payments needed to provide such evidence can act as a barrier to small providers.

3.1.7 Government and commissioners should promote the use of existing, and fund future, research so that rather than having to measure outcomes directly, public service providers can monitor 'proxy' indicators (well established through peer-reviewed research) which are cheaper and less time-consuming to measure.

3.1.8 For example, if research has established that participation in a particular activity for a particular length of time each week reduces blood pressure by an average of 10/5mmHg after a year, service providers should only have to evidence that they have engaged their users in this activity for the required time period each week for a year to be able to claim as a result that they will have reduced blood pressure by 10/5mmHg. This would reduce the need for the expensive expertise needed to measure the blood pressure of each individual service user.

3.1.9 Finally research on the impact of commissioning models in London⁴ cites how the onset of the recession provided a reminder of the challenges of introducing payment by results, when so many of the inputs can be variable. Pre-recession outcomes for a Department of Work and Pensions contract of 55% of those supported finding short-term (13 weeks) employment and 50%

⁴ Griffiths, J. (2010) The impact of commissioning models in London. London: London Skills and Employment Board.

finding sustainable (26 weeks employment) 'suddenly looked less viable and less commercially attractive to the market'.

3.1.10 This suggests that commissioners should be able and willing to negotiate 'result' targets when the external environment changes. It is only through such supportive commissioning practices that groups will be reassured that they will not be victims of circumstances beyond their control.

3.1.11 Please also see our response to the question about balancing risk, which also relates to payment by results (section 4.4).

3.2 Which public service areas could be opened up to more civil society providers? What are the barriers to more civil society organisations being involved?

3.2.1 The last Public Administration Select Committee investigation into third sector delivery of public services suggested that less than 2% of the funding for public services went to third sector organisations⁵, so there is obviously a long way to go to achieve the current Government's ambitions for civil society organisations' involvement in the delivery of public services. Traditionally, at a local level, local authorities have commissioned the sector more than other public sector agencies, for example those in the health service⁶.

3.2.2 In order to encourage commissioning of other public sector services, the Government should promote the learning from successful commissioning of civil society organisations by local authority commissioners to be shared with commissioners from other statutory sector agencies such as those dealing with health, crime and employment and skills.

3.2.3 The Office for Civil Society could also research and develop the business case for commissioning from civil society organisations as a way to make long-term savings. Evidence suggests that an emphasis on preventative services, a specialism of many civil society organisations, saves money in the long-term⁷.

3.2.4 Over and above the barriers mentioned in answer to the previous question, the lesser involvement of civil society organisations in the delivery of public services in the areas of, for example, health, criminal justice and employment and skills seems to be the result of a greater emphasis on inflexible quantitative targets in these areas. For example health service targets are often referred to in terms of clinical measurements, while those in criminal justice and employment are all-or-nothing measurements of

⁵ Public Administration Select Committee (2008) Public Services and the Third Sector: Rhetoric and Reality Eleventh report of Session. London: House of Commons Stationary Office

⁶ Neeten, A., Darton, R., Davey, V., Kendall, J., Knapp, M., Williams, J., Fernandez, J-L. & Forder, J. (2005) Understanding Public Services and Care Markets. London: King's Fund

⁷ Wanless, D. (2004) Securing good health for the whole population: Final report. London: HM Treasury

rehabilitation or employment, which disregard the situation a service user starts from and the subsequent progress they make towards this end. This is a particular problem in London, which, for example, hosts three-quarters of the country's homeless households in temporary accommodation in areas with the highest living costs⁸, reducing significantly the likelihood of members of such households gaining and sustaining employment.

3.2.5 A greater flexibility in targets and acknowledgement of results as being progress made by service users from the most marginalised and excluded communities could make it economically viable for more civil society organisations, specifically those working with the most disadvantaged people, to become involved in public service delivery.

3.3 How can we encourage more civil society organisations to team up with new employee-led mutuals?

3.3.1 Civil society organisations by their nature are usually deeply rooted within the communities for which they work, and were developed to support an unmet need. They often further develop this bond by using members of the community and former service users as volunteers, employees and trustees.

3.3.2 In many cases the founders of some new employee-led mutuals are driven by strong social values and have similarly deep roots within their community. However, they also may be formed by employees who live far removed from the communities with which they work and do not include local community members in their governance structures or seek to engage with them. The Office for Public Management actually warns that a wider membership can weaken effective governance of a mutual organisation⁹. Mutuals formed in this manner are unlikely to deliver the community-led improvements in public service delivery that the Government is seeking.

3.3.3 To counteract this, it should be new employee-led mutuals that are encouraged to team up with local civil society organisations, rather than the other way round. Through their role in involving individual service users, as well as civil society organisations, in needs assessment, priority setting and evaluation of services, commissioners could ensure that these new mutuals develop to complement, work in partnership with, and enhance the sustainability of, well-used existing civil society services. Mutuals that reject this way of working would be unlikely to meet commissioning criteria based on service user-led preferences.

3.3.4 In this way collaborations could be developed where, for example, a new employee-led mutual podiatry service for older people would be based in, and work with, an existing older people's day centre thus linking many services at once. In one visit for a podiatry appointment service users could also socialise with other people from their community, get involved in different

⁸ Greater London Authority (2010) Spending Revenue Submission for Greater London Authority Group funding for Transport, Policing, Fire and Resilience and Housing. London: GLA

⁹ Thompson, H., Goss, S. & Rozansky, D. (2010) Public service mutuals: making the transition. London: Office for Public Management

activities or book appointments for advice on pensions, benefits or housing issues all of which could contribute to further improving their well-being. The older people's day centre could improve its own sustainability through charges for the use of its premises and a cut of payments based on the increased social impacts of the podiatry services' work.

4. How could Government make existing public service markets more accessible to civil society organisations?

4.1 What issues should commissioners take into account in order to increase civil society organisations' involvement in existing public service markets?

4.1.1 In answer to previous questions we have already raised a number of issues that may reduce civil society organisation's willingness to take on public service contracts in the current climate where payment is often dependent upon demonstration of results achieved. These include:

- unacceptable levels of risk;
- cash flow issues;
- lack of capital or reserves to develop services or as a requirement of commissioners;
- standard contract payments on standardised results irrespective of the initial needs of those using the service;
- the impact of external environmental factors on an organisation's ability to achieve results;
- and
- the expense of measuring outcomes.

4.1.2 In addition, consultation by LVSC has highlighted additional concerns around:

- large contracts, which exceed the areas or communities with which the organisation is constituted to work;
- lack of time and resources to develop bids (particularly when several groups wish to come together to develop a consortia bid); and
- an emphasis by commissioners on economic value rather than social and environmental outcomes.

4.1.3 Many commissioners have not worked within, or with, civil society organisations and have no understanding of these barriers. **It is only when commissioners are trained to understand and address such issues that civil society organisations will be able to engage more effectively with public service delivery. For example, if support for the development of consortia, such as the London Community Partnership, or low cost VCS insurance schemes are commissioned, this may significantly increase the diversity of VCS organisations from which they could in future procure services.**

4.2 In the implementation of the above-mentioned measures, what issues should the Government consider in order to ensure that they are fully inclusive of civil society organisations?

4.2.1 The Public Affairs Select Committee report on commissioning from the third sector¹⁰ makes a number of recommendations that the Government should consider to ensure that measures are fully inclusive of civil society organisations. These include:

- the use of “intelligent commissioning” based on knowledge of potential providers and of desired outcomes, based on user needs. They suggest that intelligent commissioners should be able to make judgments such as whether contracts or grants are the right way to fund a service, how important price should be in determining who wins a contract, and whether there is scope for innovative methods of delivery;
- stopping the use of unnecessarily short-term contracts;
- more training for key commissioners and more incentives to encourage talented people to work as commissioners; and
- more effective monitoring of service provision without insisting on overly onerous reporting requirements which waste time and resources that could be dedicated to helping people in need.

These issues should be addressed over and above the measures suggested for implementation in the consultation paper.

4.2.2 LVSC supports NCVO's response to this consultation¹¹ reflecting the concerns around the proposal to set specific proportions of services to be delivered by independent providers. As they state 'it is essential that services are transferred from the public sector for the right reasons and not to fulfill a quota'. In addition the quota refers only to independent providers, and not specifically civil society organisations: **if the barriers already identified for civil society organisations are not addressed, there is no certainty that this quota will result in more public service provision by civil society organisations.**

4.2.3 The above-mentioned measures also do not address the responsibility of commissioners to develop the market in their area. Knowledgeable commissioners should be encouraged to support and develop civil society organisations in their area to address gaps created by market failure.

4.3 What issues should the Civil Society Red Tape Taskforce consider in order to reduce the bureaucratic burden of commissioning?

4.3.1 Disproportionate contracts and monitoring requirements in comparison with the size of the contract awarded are a priority area that should be addressed. For example, small VCS organisations delivering a £25,000 contract often find themselves with longer and more legally complicated contracts and more exacting monitoring requirements than large public sector service departments. This occurs when commissioners misunderstand the risks involved in commissioning services from small civil society organisations.

¹⁰ Public Administration Select Committee (2008) Public Services and the Third Sector: Rhetoric and Reality Eleventh report of Session. London: House of Commons Stationary Office

¹¹ Allen, J. (2010) NCVO Green Paper submission. London: NCVO

4.4 How can commissioners achieve a fair balance of risk which would enable civil society organisations to compete for opportunities?

4.4.1 LVSC's London Employment and Skills Policy Network supports a number of VCS employment and skill providers in London, many of whom provide specialist services to support those furthest from the labour market into employment. They have collated evidence¹² which suggests that outcome based contracting presents many challenges for such groups. Groups working with disadvantaged people requiring intensive support over a long period – a year or more, for example – are having to find new ways to finance the costs of this work in the absence of upfront service fees. These services are inherently 'high risk' in an outcome-based environment. So even if the resources can be found to support this work, there is still the risk that no payment will be received at all – and this risk in itself makes accessing commercial finance even more difficult. The recession, public spending cuts, and high unemployment have meant that the job market is very competitive and it is more difficult than ever for multiply disadvantaged people to find jobs, so increasing this risk further, particularly in a city which has the highest unemployment rates in the country¹³.

4.4.2 However, research commissioned by the London Skills & Employment Board¹⁴ demonstrates the implications for the most disadvantaged people if commissioners cannot reduce some of the risks passed on to providers. It found that the majority of providers who participated believed that the new outcomes-based approach to commissioning would reduce the involvement of smaller and specialist providers because of these high risks. **The potential fall-out from this 'weeding out' of providers could leave clients with specialist needs bereft of support.**

4.4.3 To achieve a fair balance of risk so that civil society organisations can compete for opportunities, and to ensure that the 'most difficult' service users are not left without support, commissioners should:

- **only transfer risk that is proportionate to the size of the organisation being commissioned, through a negotiated partnership agreement with the commissioned organisation;**
- **recognise the increased risk of working with more disadvantaged users and provide larger payments and payments for the delivery of softer outcomes on the pathway to the final outcome; and**
- **recognise social and environmental outcomes across departmental boundaries so that providers can be fairly rewarded for the additional outcomes they produce.**

4.4.4 Ultimately we would recommend more training for commissioners so they have a better understanding of the risks involved in contracting

¹² Kerr, S. (2010) Preparing for the Work Programme: what does recent research tell us about outcome based contracting? London: LVSC

¹³ London Skills and Employment Observatory (2011) Available at: <http://lseo.org.uk/> [5th January 2011]

¹⁴ Griffiths, J. (2010) The impact of commissioning models in London. London: London Skills and Employment Board.

with civil society organisations and take actions to ensure that those passed on remain proportionate to the size of the provider.

4.4.5 LVSC has recently developed a model¹⁵ that aims to reduce the high risks for civil society providers in engaging with outcomes-based contracts. Our proposal builds on the social impact bond model and involves groups becoming members of a new type of non-profit organisation which provides them with three interconnected elements:

- a low risk investment vehicle paying a relatively low regular rate of interest but the promise of bonuses;
- a mutual -based insurance policy to share risk across public sector commissions; and
- a charitable trust to receive and distribute bonuses 'gifted' from non-charitable investors.

4.5 What issues should Government consider in order to ensure that civil society organisations are assessed on their ability to achieve the best outcomes for the most competitive price?

4.5.1 As stated earlier, the importance of involving service users and civil society organisations that provide advocacy and voice for different communities, in the commissioning process is vital to ensure that service specifications are not just based on cost issues but the quality of service, and the additional social and environmental impacts provided. As civil society organisations are based on strong ethics and social values, it is only when such factors are considered as part of the commissioning process that there will be an increase in the number delivering public services. **We strongly support the use of local clauses in contracts to ensure delivery by providers with local knowledge, and of social clauses to ensure service providers also deliver long-term social benefits.**

4.5.2 In the past, commissioners have often judged VCS providers differently from private sector providers, with many expecting the VCS 'to perform the work more cheaply than other potential suppliers'¹⁶. **LVSC welcomes the Government's commitment to judge providers on the basis of price and outcomes, rather than demanding a detailed breakdown of costs, and to allow civil society organisations to keep any surpluses that they generate when delivering a contract, to invest in their services, as is currently the case with private sector suppliers.**

4.6 What issues affecting civil society organisations should be considered in relation to the extension of the Merlin Standard across central government?

4.6.1 LVSC supports the principles developed by the Merlin Standard. However, it is currently unclear whether it has begun to influence the commissioning of sub-contractors by prime contractors. A report by the House

¹⁵ Cooper, M. (2010) Proposal for the Big Society Finance Fund. London: LVSC.

¹⁶ The Conservative Party (2008) Voluntary Action in the 21st Century. London: The Conservative Party

of Commons Work & Pensions Committee¹⁷ was sceptical about the new Standard for the management of relationships between prime and sub-contractors stating:

'We are very concerned that in cases where the prime contractor is in breach of contract with the Department [of Work and Pensions], the Department says it would not get involved. We also note that decisions made by Merlin will have implications for the viability of individual subcontractors and for service delivery, and conclude that it makes sense for the Department to make these decisions itself, allowing it to ensure the market develops in a way which is stable, robust and meets the needs of customers.'

4.6.2 Before the introduction of the Merlin standard civil society organisations had reported a number of issues that reduced their ability to work with prime contractors. As one London organisation stated these included:

'service fee payments (to facilitate infrastructure & staffing costs) are not being cascaded to sub-contractors; enormous top slicing of contract values is common; some providers have even been asked to provide services free of charge as "they are charities after all".'

4.6.3 The Government should conduct an evaluation of how the Merlin Standard has improved relationships between prime and sub-contractors and, if possible, service delivery, and act to improve any deficiencies found, before extending its use across central government. There is a need for an ombudsman with 'teeth' to ensure the standard is properly enforced.

4.7 What barriers prevent civil society organisations from forming and operating in consortia? How could they be removed?

4.7.1 VCS organisations in London have listed the following issues as being barriers to the formation and operation of consortia:

- time and resources to form an appropriate consortia model and legal structure;
- the increased costs of partnership working, where money needs to be spent on managing and administering the partnership itself;
- a lack of shared values or objectives between organisations, or misunderstanding of what these are; and
- an increasing competition for funds contributing to more organisations competing against each other rather than working together.

4.7.2 LVSC has recently developed a model whereby, although not itself a frontline delivery agency, it brings together service providers across London to bid for large regional contracts. By using a support organisation to bring together different organisations that fit the service delivery specifications some of these barriers are reduced. For example, LVSC has already registered London Communities Partnership as a limited liability partnership

¹⁷ House of Commons Work and Pensions Committee (2010) Management and administration of contracted employment programmes. London: House of Commons

reducing the time needed to consider legal structures. As a non-competitor it is better able to act as a neutral arbitrator of any disputes between organisations and as this is not perceived as providing any additional benefit to itself. Most importantly, it allows local or specialist civil society service providers to become engaged in large regional contract delivery. However, with little access to funding to support this form of working, the development of the Partnership has been relatively slow, as there are no additional funds for its management and administration.

4.7.3 LVSC would recommend that the government provide some investment to support the initial set-up of this and similar consortia models to allow civil society organisations to be involved in the delivery of public services that are contracted at a regional or sub-regional level. This will ensure that specialist and local services for the most disadvantaged people can be included within service delivery models.

5. How could commissioners use assessments of full social, environmental and economic value to inform their commissioning decisions?

5.1 What approaches would best support commissioning decisions that consider full social, environmental and economic value?

5.1.1 The involvement of service users and civil society organisations in the needs assessment, prioritisation and monitoring and evaluation stages of commissioning should ensure that decisions are based, not just on issues of cost, but of quality of service, and added social and environmental value. However, in the current climate of public spending cuts, without providing incentives to consider social and environmental impacts, it is likely that financial factors are likely to dominate commissioners' decision-making processes.

5.1.2 The renewed Compact includes a reference to 'ensuring that social, environmental and economic value forms a standard part of designing, developing and delivering policies, programmes and services'. However, there remain many instances where Compact principles are breached in commissioning processes, suggesting that this reference alone will not be a sufficient incentive to change practice.

5.1.3 The Government's commitment to producing national statistics on well-being to accompany those on GDP, could provide another incentive for commissioners of services to begin to consider social and environmental impacts. **However, for this to result in changes to decision-making processes, Government will need to demonstrate that they take the new figures as seriously as those related to economic growth, and will use them as a basis to inform their policies.**

5.1.4 LVSC supports the current Public Services (Social Enterprise and Social Value) Bill as it may also be useful in providing a stronger incentive for commissioners to consider social and environmental impact. It does this through proposing measures, which require contracting authorities to consider all relevant proportions of economic,

social and environmental value. However, the Bill does not require that a particular methodology is used to measure social and environmental value.

5.1.5 This latter point is one of the main stumbling blocks to encouraging commissioning on the basis of social impacts. There are a number of different methodologies for measuring social impact and even within these standard methodologies, such as social return on investment, differences in comparators used can significantly change the measurement obtained. The diversity and innovation of civil society organisation's services mean it is unlikely that a simple national standard of social impact measurement will fairly reflect the benefits of different services.

5.1.6 Another impediment to measuring social value is the resource-intensiveness of making such a measurement. For many organisations this is disproportionate to their income.

5.1.7 In their report on measuring social value, Wood & Leighton¹⁸ make a number of recommendations that LVSC would support in recognition of the complexity of this issue:

- **social impact measurement needs to embody good outcomes measurement and evaluation practice;**
- **there needs to be investment in the sector in training and practical guidance, as well as encouragement and incentivisation from commissioners and funders to help the entire sector to reach it as a universal benchmark; and**
- **setting this benchmark must be underpinned by three fundamental principles:**
 - **proportionality: so that the burden of evaluation is in line with the scale and nature of the organisation undertaking it**
 - **comparability: so that even with a range of flexible frameworks, organisations can still produce outputs based on comparable principles and terms of reference**
 - **standardisation: so that there are tools and data available to remove the need to evaluate outcomes from scratch and reduce the burden on organisations.**

Only once such a measurement is accepted across the public, private and civil society sectors can progress be made in ensuring social value is fully considered in all commissioning decisions.

5.1.8 While this is a long-term piece of work, commissioner's use of more simple social, environmental and local clauses within contracts (which specify less complex measurements such as number of local people employed by a project, or a commitment by service providers to pay staff a Living Wage) could begin to be adopted as a standard procurement procedure almost immediately. **LVSC recommends that the Government produces guidance, or example clauses, to help commissioners use community and civil society organisation engagement in the needs assessment and prioritisation part of the commissioning process, to develop contracts**

¹⁸ Wood, C. & Leighton, D. (2010) Measuring social value. London: Demos

that include social, environmental and local clauses. If the Public Services (Social Enterprise and Social Value) Bill is enacted, commissioners using this approach would be able to demonstrate their fulfilment of this new duty.

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

6.1 What role and contributions could civil society organisations place, through Local HealthWatch, in informing the local consumer voice about commissioning?

6.1.1 It is vital that in the new NHS, Local Healthwatch works closely with civil society organisations work. In many cases in London, civil society organisations already host the Local Involvement Networks (LINKs) – the predecessors of HealthWatch - and in most areas they also have representatives among LINKs members¹⁹.

6.1.2 The work of civil society organisations with some of the most marginalised and disadvantaged communities ensures that they can advocate for, or bring the voices of, those often discriminated against or not heard, to Local HealthWatch discussions. This not only ensures that those most in need of services are provided with services that reflect these needs, but will also allow HealthWatch to advise local health and social care commissioners and frontline staff on equality issues and support them to fulfil their duties under the Equalities Act 2010.

6.1.3 LVSC recommends that if the government is to ensure the success of this relationship, it considers how civil society organisations which advocate on behalf of or provide a voice to different communities, but do not themselves provide public services, can be sustainably funded in the future so that they can continue to inform Local HealthWatch's work. Without such groups community involvement in health and social care services could be limited to the more educated and assertive few.

6.2 What issues relating to civil society organisations should the Government consider when refreshing the Joint Strategic Needs Assessment Guidance?

6.2.1 Currently evidence gathered by the Department of Health Strategic VCS partners suggests that civil society organisations are not fully engaged in most area's Joint Strategic Needs Assessments. Even in areas where there is fuller engagement, the qualitative evidence provided by civil society organisations on marginalised or new communities, on which there is little quantitative data, is ignored or regarded as second-rate when compared with quantitative clinical data and whole population public health statistics. The Government needs to consider how such engagement could be increased and how community research (training and employing members of community organisations to conduct research on their own community) could be used to

¹⁹ Tanner, S. (2010) The Progress of LINK Host Arrangements in the 33 London Boroughs. London: LVSC

inform the needs assessment process, if it is to develop truly user-responsive health and social care services.

6.2.2 Suggestions for improvements include:

- **providing training and support for civil society representatives to contribute to needs assessment and prioritisation processes;**
- **providing training to commissioners on how to engage with civil society organisations and how best to use qualitative and community research to inform the needs assessment process;**
- **ensuring that those who engage in Joint Strategic Needs Assessments as civil society representatives have clear accountability to both feed in community views and take back questions and decisions; and**
- **ensuring both qualitative and quantitative evidence are considered and evaluated to inform the assessment.**

6.3 How could civil society organisations facilitate, encourage and support community and citizen involvement in decision-making about local priorities and services commissioned?

6.3.1 A recent paper on the Big Society and health policy from the King's Fund²⁰ quotes the work of Harvard professor, Archon Fung, on public engagement. He argues that although clear central command of public services doesn't work, decentralisation to local control can also fail leading to 'group-think, inequality and parochialism'. He argues that citizen involvement in decision-making can only work in the context of clear accountability, both to their own community, but also upwards to government.

6.3.2 Civil society organisations are one way to ensure this accountability: a representative is accountable to all members of their organisation. In cases where, for example, local infrastructure organisations, bring together networks of civil society organisations across an area the representative is accountable to all their members.

6.3.3 LVSC recommends that such networks of civil society organisations will be essential to ensuring the accountability of community involvement in decision-making processes. Government should support such accountability mechanisms, at local city-wide and national levels, to ensure effective citizen and community involvement.

6.4 What issues should the government consider in the development of the future programme of training public service commissioners?

6.4.1 LVSC welcomes the government's proposal to continue to invest in a programme of training for public service commissioners to work with civil society organisations.

6.4.2 Criticism of the previous training programme from London VCS organisations included:

²⁰ Ashton, B. (2010) Big society: Political philosophy and implications for health policy. London: King's Fund

- training was not led by civil society organisations;
- commissioners only met a small number of individuals from such organisations for a very brief part of the training programme; and
- the proportion of commissioners engaged in this training was insufficient to make any significant change in commissioning practice across the country.

6.4.3 LVSC recommends that a future training programme is provided by a civil society organisation or organisations, engages commissioners with members of civil society organisations throughout the programme and attempts to engage as many commissioners as possible. This could be through a 'train the trainer' model, to produce trainers in civil society organisations across the country, who can then provide the courses for the commissioners they work with. In London by allowing commissioners from different boroughs across the capital to train together they would be encouraged to share good practice and learn from each other in developing commissioning practices which involve civil society organisations.

6.5 What can civil society organisations contribute to the rollout of community budgets? What barriers exist to realising their contribution? How can these barriers be removed?

6.5.1 Community budgets provide a chance to develop services across departments in a more holistic way that is centred on the needs of the service users. As such they provide an ideal opportunity for civil society organisations that already use this holistic approach to service delivery. By cutting across department boundaries, community budgets show the full value of such services. They also help to reduce duplication across departments, so offering savings at a time of public spending cuts.

6.5.2 The Office for the Third Sector identified the key roles that civil society can play in the delivery of community budgets²¹:

- facilitating community engagement and the empowerment of citizens to be involved in the design of services;
- using the sector's own aggregated expertise to identify the needs of individuals and communities, and corresponding solutions; and
- as service providers in their own right, voluntary sector organisations can make a practical contribution by redesigning and delivering services to be more efficient as well as more effective, and responsive to user needs.

6.5.3 The Treasury²² also recognised the vital role that civil society organisations play in developing preventative services and releasing the full benefits of early intervention.

²¹ Available at http://webarchive.nationalarchives.gov.uk/20100416132449/http://cabinetoffice.gov.uk/third_sector/news/news_stories/100325_total_place.aspx [23rd December 2010]

²² HM Treasury and Communities & Local Government (2010) Total Place: a whole area approach to public services. Surrey: Office of Public Sector Information.

6.5.4 However, in the community budget pilots there, was considerable criticism of the lack of VCS involvement in many pilot areas²³. This was even the case in areas where there had been good long-term VCS engagement in strategic partnership working. The pilots²⁴ also found that civil society organisations were too rarely involved in policy development, and, even when they were, it was often at too late a stage in the process.

6.5.5 Government guidance should provide a strong push for civil society involvement in the future roll out of community budgets, including policy discussions about any changes to be implemented before roll out. It is civil society organisations that have pioneered the holistic service provision advocated in the community budget approach. Their expertise should be used to ensure the policy is implemented effectively on the ground and community organisations should be involved from the outset.

6.6 What can civil society organisations contribute to the roll out of Local Integrated Services? What barriers exist to realising this contribution? How can these barriers be removed?

6.6.1 As referred to in an earlier answer (section 6.3), the successful roll out of Local Integrated Services will require community members to have clear pathways of accountability to the community and to government to ensure equality, strategic decision-making and innovative practice in service delivery. Civil society organisations and networks can provide such accountability mechanisms and will therefore be essential for the roll out of Local Integrated Services.

6.7 What contributions could civil society organisations make to the extension of personal budgets across a range of service areas? What changes do both commissioners and civil society organisations need to make to adapt to an environment where citizens are commissioning their own services?

6.7.1 Personal budgets allow service users a much greater choice about the services they use and even allow whole care packages to be customised to suit an individual. As such, if implemented effectively they offer a huge opportunity to put the service user at the heart of service delivery, which is to be welcomed.

6.7.2 Civil society organisations can play three roles in extending personal budgets across service areas:

- as service providers;
- as advocates for service users; and
- as brokers to help match individuals up with the services they choose.

6.7.3 In the role of service providers, however, this represents huge changes in the way services are commissioned. Instead of receiving contract funding,

²³ Available at <http://www.navca.org.uk/localvs/infobank/ilpunews/totalplace3rdsector.htm> [23rd December 2010]

²⁴ HM Treasury and Communities & Local Government (2010) Total Place: a whole area approach to public services. Surrey: Office of Public Sector Information.

civil society organisations will have to adapt to a system where demand for their services is unpredictable, payment is on an individual basis and each service user should be able to tailor the service they are offered to their own needs. To adapt to these changes, civil society organisations will need to begin looking at the way they market and price their services; run their financial systems; develop reserves to allow for cash flow fluctuations and, in some cases, even reassess the way they deliver services.

6.7.4 There are currently many cases illustrating how civil society organisations have already adapted to these changes and are successfully delivering personalised services according to these new models. However, in London we have found that many small VCS organisations are not aware of these changes and have had no chance to review the way they work. Such small organisations may be forced to close because they cannot reach the threshold of users needed to keep the service economically viable. This choice of service provision would then be lost to the small number of users who found it best met their needs. **The Government should commit to providing small specialist civil society organisations with support to make the changes required by a switch to personal budgets, otherwise their beneficiaries may lose the specialist care and extra choice such services offer.**

6.7.5 LVSC supports the recommendation of the ACEVO Commission on Personalisation²⁵, that to ensure that small specialist providers can continue to provide services, service users should be able to pool their personal budgets and so reduce some of the uncertainty provided by individual payments.

6.7.6 Civil society organisations also have a huge role to play in providing information, advocacy and advice to service users so that they can meaningfully use the choices personal budgets offer. **This role will be particularly important if those who do not understand or know about the health and social care system are to be able to gain a personal budget that is appropriate to cover their care needs and so be able to use their choices effectively.**

6.7.7 The third important role for civil society organisations could be in providing brokerage services that link the needs and wants of service users with the appropriate service provider. Brokerage organisations will need to be completely independent of service provision if they are to ensure that the needs of the service user are to truly be at the heart of this system. Civil society organisations are ideal providers of advice, advocacy and brokerage services as their independence from the state involvement of users and social ethos mean they are often much more trusted than public or private sector providers.

²⁵ Commission on Personalisation (2010) A People Power Revolution: Making it Real. London: ACEVO

6.7.8 Advice, advocacy and brokerage services have not been viewed as public services in the past, and as such face an uncertain future in the present funding climate. However, they will be essential for the effectiveness of public service delivery as personal budgets are rolled out. The Government will need to carefully consider how it will ensure the sustainability of civil society organisations providing such services or risk the development of two-class public services, with the informed and educated gaining personalised services of their choice at the expense of meeting the needs and choices of less advantaged service users.

7. Methodology

7.1.1 with the publication of this paper on 9th December 2010 and deadline for responses of 5th January 2010, it was difficult for LVSC to consult as widely with voluntary and community sector groups in London as it would normally in responding to such consultations. However, we had already done a significant amount of work on commissioning in London and had provided a response to a consultation on the London Development Agency (LDA)'s draft commissioning strategy and in relation to Department of Work and Pensions contracts.

7.1.2 This consultation response is, therefore based on:

- a roundtable discussion on commissioning from the VCS which LVSC held with the LDA in December 2009 which was attended by 20 VCS London Chief Executives;
- input from members of the London Employment & Skills Policy Network in April 2010 who contributed to a discussion and research on the effects of commissioning models on London's VCS; and
- a 2007 event which LVSC held on commissioning attended by 105 people.

7.1.3 The paper was also discussed at a 3SA Steering Group meeting on 15th December 2010 (attended by 8 people). A draft response was circulated to members of 3SA on 23rd December 2010 and this final response drafted in response to the comments received from members.

8. London Voluntary Service Council (LVSC)

8.1 London Voluntary Service Council (LVSC) brings London voluntary and community sector (VCS) organisations together to learn and share best practice and to create a co-ordinated voice to influence policy makers. We provide policy briefings, up-to-date information on management and funding, advice and support for voluntary and community groups, topical e-bulletins and learning opportunities for those working in the sector.

(www.lvsc.org.uk)

8.2 LVSC's policy work is currently supported by Trust for London, Capacitybuilders and London Councils.

9. Third Sector Alliance (3SA)

9.1 The Third Sector Alliance (3SA) is the regional 'network of networks' set up to channel the views of voluntary and community groups from the

grassroots to policy and decision makers in London. It aims to promote and support the effective engagement, contribution and influence of the VCS as partners in regional policy. It is hosted and supported by London Voluntary Service Council.

9.2 The network draws its membership from groups and networks that have a pan London remit and want to influence regional agendas. Currently, there are 236 'second-tier' (those that provide support to other organisations) members.

9.3 The work of 3SA is made possible by funding from the Office for Civil Society, administered and managed by Capacitybuilders

10. London's voluntary and community sector

10.1 The VCS makes a huge contribution to the lives of Londoners, providing a range of services and support to the capital's diverse communities. There are over 60,000 voluntary and community groups in London²⁶ and in 2008-9 26,983 were registered as charities, 14,922 as companies limited by guarantee and 358 as community interest companies²⁷.

10.2 In economic terms:

- the 26,983 registered charities in London generated £16.3billion in 2008-9²⁸;
- these charities employed over 243,177 people²⁹ and the third sector employs 7% of the workforce in London³⁰;
- there are an additional 3,400 social enterprises in London³¹; and
- in Newham, Hackney and Tower Hamlets alone, 3000 voluntary and community organisations have leveraged £585 million per year into disadvantaged communities³².

²⁶ London Development Agency, 2007

²⁷ Data commissioned by LVSC from Guidestar Data Services, February 2010

²⁸ *ibid*

²⁹ *ibid*

³⁰ GLA Economics (2008) Working paper 31: Employment in London by Firm size

³¹ Department of Trade and Industry, 2005

³² East London Voluntary Sector Alliance, 2004