

Dear Office for Civil Society

We welcome the chance to input into your consultation on modernising commissioning.

The first part is my response and then below additional thoughts from our Director of Services, Andy Cross. I hope these will all be of interest.

To be honest it's our main concern in the potential de-railment of creating Big Society. Historically procurement and the commissioning system has been the single biggest blockage to innovation and the development of transformative services. There has been too much focus on a way of doing it around here, and input costs. There has also been the key trap that the focus is on what's cheap rather than what's the best way of spending taxpayers money – i.e. what is value for money rather than what's lowest cost and simply ticks boxes without creating any additional corresponding value to society.

Our greatest frustration at St Giles Trust has been this exact conundrum.

We have been evaluated to show that our service delivery model has exponential benefits to society; in our case bring down recidivism rates amongst the hardest and most complex clients, by an additional 40%. It has then been evidenced to show that these innovative services for every one pound of investment shows a directly attributable saving to the state over the year of ten pounds. These are remarkable figures, and I attach the Frontier Economics report, peer reviewed across Whitehall, as evidence. But we have not been scaled up or commissioned at any scale.

As we go down the Payment by Results (PBR) route I am concerned that again the procurement system could stifle what is a fantastic idea. We are very much in favour of PBR, and have been publically very supportive. But I fear that the central dynamic of what the new administration wants so clearly to achieve, better partnership between all the sectors, 1st, 2nd and 3rd, may lead to unintended consequences. There needs to be a real understanding of the tensions and dynamics of the state commissioning very large private sector companies and how they then subcontract down to smaller but very effective VCS organisation. There is a concern that much of the risk gets passed down, with very little of the corresponding reward.

It is the unique ability of the VCS and its, 'emotional Intelligence', in dealing with those most hard to reach/change that must be paramount in the payment schedule. There must be a system where reverse cherry picking is rewarded.

As you may be aware we are very proudly one of the lead providers of services to Social Finance's **Social Impact Bond** being delivered out of Peterborough. We wholeheartedly support this initiative on many fronts.

Firstly it's a world first, and we feel the start of a real funding revolution. It draws in potentially a huge range of new funders into pump priming preventative services. It has wide-ranging applications and is ideally suited to the current economic climate.

It is a real **win win win scenario**. The clients win because they are receiving a service that gives them, for the first time, a fighting chance through some very intensive services delivered by St Giles Trust and others, in being supported and guided out of the debilitating cycle of offending. St Giles Trust benefits because we are commissioned to deliver these services in an appropriate fashion. Society benefits because there will be thousands of less needless future victims of crime. The taxpayer benefits because the research on our services shows that for every one pound invested the savings across the statutory silos is £10. The state benefits because it takes on no real risk. If the pilot is a huge success they only pay out a tiny fraction of the savings. If it doesn't work out then there is no payment. The risk therefore is taken squarely by the original investors in the bond. However thinking positively – it's a win too for the investors – they get their money back (which can be reinvested in a new or re-loaded SIB) and a small interest rate which can be also re-invested. Ultimately this opens up a whole new asset class of investments. ISA's with a social benefit.

This is a genuine innovative bit of funding. Massively scalable. I would encourage the Cabinet Office to think about encouraging all **Local Authorities to underwrite Social Impact Bonds** in a wide range of services. Obviously re-

offending, but also gang related crime, prolific offenders, as well as offenders being released back into their areas. But it could be widened out further to work with the Children and Families of offenders.

Two final thoughts. The Big Society Bank idea is excellent and much needed. I do feel it will need a fair amount of capitalization as the demand for its services if PBR really does kick in, will need to be harnessed.

And the other is the **Compact**. As it stands it is pretty toothless. There needs to be real sanctions when the spirit of the Compact is jettisoned or steamrollered over – which sadly is all too often the reality on the ground.

My last thought is that we both want the same thing. We want radical new ways of solving age old problems that are extremely expensive to society – but where there radical efficiencies could be made by doing things differently. Einstein phrase is very apt here. 'Insanity is doing the same thing again and again and expecting different results'.

This is the current insanity, the system is resistant to change, there has never been a greater moment in history to seize the day and make change for the better happen. We know that radical, well thought through ideas lead to exponentially better and more effective ways of solving these destructive issues facing you as a government and us as society. Not small incremental changes or tinkering. Be brave and grasp the nettle that is the state not always best placed to deliver certain services. In fact sometimes it is the VCS that can do a far better, more effective service but only when working in partnership with the statutory sector. My fear is that the statutory sector and Local Authorities will be very fearful of this, and it's the turkeys voting for Christmas scenario, rather in-house as much of these 'innovative services' rather than do the right thing for society and for the tax payer in embracing Big Society and paying those actually best placed with a proven track record to deliver them.

As ever, very best wishes

Rob Owen

Response to Cabinet Office Green Paper on Modernising Commissioning

- 1) On page 7 there is reference to a Government commitment that 25% of all Government contracts will be awarded to SME's. How will this commitment be carried out and monitored. In what context will such contracts be awarded. Given that part of the drive to bigger contracts managed by larger and larger prime contractors has been motivated to reduce the cost of contract management to government departments how will this commitment impact on this tendency.
- 2) **Payment by results** – there has to be an acceptance that if we are to be paid by results then commissioners have to accept the value of our services rather than auditing and monitoring what we spend our money on. This will allow us to focus resources on service delivery rather than constantly having to justify what we do, how we do it and how we resource it!
- 3) **Payment by results** – has to address the cash flow issue. For many civil society organisations this is a genuine problem. Under mainstream contracting the civil society organisations are increasingly dependent on the big primes to subsidise our activity through up front payments. Whilst safeguards such as the Merlin standards are to be welcome it places the voluntary sector even more at the mercy of the market despite the fact that their purpose tends to be rooted in local communities and specific excluded groups in society.
- 4) On page 13 the commitment to “cut away unnecessary **bureaucracy** by streamlining the procurement process” definitely to be welcomed. However I would argue that this commitment should also be extended to how such contracts are ultimately managed (I am back on the audit rant here!)
- 5) **Community Budgets** – we are already seeing one of the consequences of local authorities trying to reduce their costs by throwing as many posts as possible into the **TUPE** pot even where they are looking for radically different services. There is a real tension here between the aspiration to want to do something different and the need to reduce budgets. The loser in this instance will be civil society organisations who cannot afford to take on the burden of either assimilating ill-suited local authority staff into their organisation or the financial risk in making them redundant.
- 6) Question on barriers preventing civil society orgs becoming **consortia** – simply we cannot see the benefits from getting together. Work Programme – no 3rd sector consortia including 3SC were successful in getting on the framework. The environment encourages competition rather than collaboration. PBR may change this if outcomes are more generalised. Until 3rd sector consortia are able to provide value through merging of back office functions such as HR, procurement etc our services will be seen as expensive. We see more value in a positive relationship with primes who can absorb financial risk and support us through capacity building whilst having greater credibility in competitive tendering.

