



Modernising Commissioning: Increasing the role of charities, social enterprises, mutuals and cooperatives in public service delivery

Submission from SocialPioneers and ChangeForum to the Cabinet Office

About SocialPioneers™

SocialPioneers is a unique Social Development Agency, combining top public service expertise in policymaking, commissioning and providing with substantial experience in the design, development and management of major social enterprises. Our vision is of:

a flourishing cosmopolitan society supported by the passion, commitment and expertise of those engaged in devising and delivering public services.

Our aim is to get the best possible results from the funds available for public services. We specialise in public service innovation and reform, deploying expert interim teams to help commissioners and providers address 'big picture' issues through large scale social enterprise, social finance and replication solutions.

Our multi-disciplinary teams are equipped to integrate public services across silos to better meet social needs, maximise outcomes and drive down costs.

About ChangeForum™ Ltd

ChangeForum are experts in business change management , leadership development and personal change. Skilled in both hard and soft skills change, self motivated and highly energetic we come together as a powerfully synergistic team with a wealth of diverse experiences and expertise, linked by passion and the ability to enable people and organisations make change happen. Our vision:

to catalyse and connect people, thinking, ideas, organisations and networks to meet changing individual, economic and social needs.

We develop innovative, energetic, sustainable organisations flexible enough to meet changing economic, financial and social needs. We also develop, coach and mentor people to achieve congruence ('balance between self, other and context' - Virginia Satir)

At a time when organisations are undergoing transformation faster than ever before, we help to create the conditions in which people can thrive. We integrate and align all organisational change activities, we make visions visible, we build corporate cultures, we share knowledge and mobilise enthusiasm for new ideas and new products. Acting as catalysts we facilitate new patterns, the building of different relationships, networks, different ways of thinking, staying just long enough to enable sustainable change.

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

- There should be no “no-go” areas.
- Civil society organisations should be considered on par with public and private sector organisations – the three to work in an integrated way.
- But this will require a new generation of major, resilient, strategic and well managed civil society organisations to add to the ranks of existing organisations. How Government can help enable such growth and strengthening is covered in this submission.

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

- Payment by results, if suitably applied, will drive civil society organisations to focus more on performance and less on process – a welcome cultural shift. However there are potentially serious complications:
 - The first problem is the adoption of inappropriate results criteria. To be appropriate, results need to be carefully defined so that they are in the “gift” of civil society organisations to deliver, not overly interdependent on external “uncontrollable” influences, independently measurable and verifiable, and neither hard to track nor too long downstream from the service intervention.
 - The second problem is cashflow. If results payments make up a significant proportion of earned income civil society organisations will be forced into borrowing and debt.
 - The third problem is dampening on innovation. The financial risk associated with PbR, whether held by the civil society organisation or social finance investors, will promote reassurance of proven ways of working and discourage radical innovations
 - The fourth problem is the possibility to achieve results at all costs for revenue growth rather than achievement of appropriate deliverables for the benefit of the community

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

- With the exception of aspects of security, defence and policing, civil society organisations could make a substantially greater contribution. It is not just “more organisations” in public service areas, but “more significant” roles as providers. For

example, not just providing niche and “bolt-on services”, but running, as they have in the distant past:

- prisons
- hospitals and treatment centres
- libraries
- waste recycling and disposal
- urban regeneration
- ambulances
- town centres
- To grasp such opportunities, civil society organisations need a new order of capability, commercial acumen and confidence. Government should set new horizons for expectations of the potential role of civil society organisations across public services and support leadership and skills developments that go beyond that associated with much of the sector’s work to date. If approached strategically, public sector staff spin-offs could provide the injection and momentum this requires (see below). New forms of Social Enterprise Private Partnerships could replace the Public Private Partnerships as joint venture arrangements supporting the scale and complexity in these more significant roles.

Should Government explore extending the right to challenge to other local state run services?

- Yes – and not just locally run, but locally delivered.

If so, which areas and what benefits could civil society organisations bring to these public areas?

- It would be better to set principles that guide on what should NOT be included in the right to challenge, principles that recognise when the benefits civil society organisations bring do not outweigh the case for maintaining public sector direct provision. The benefits new generation civil society organisations should offer are:
 - The creativity and innovation of employees through the power of mutual operations:
 - Fulfilling a specific social purpose and delivering a clear set of outcomes
 - Integrating end-to-end services, providing seamless provision
 - An ethos of accountability to users and communities for what services are provided to deliver what outcomes - and how they perform:
 - Ensuring outcomes are commissioned efficiently and effectively to fulfil social needs
 - Sharing ownership and incentives to achieve best results
 - Fully customer focused and responsive
 - Operating streamlined delivery organisations dedicated to public value
 - Assets locked and profits fully reinvested
 - Paid by results with sustainable, diverse trading income streams

Are there types of assets whose viability, when transferred to civil society management or ownership, would be particularly dependent on a continuing income stream from service contracts or public sector tenancies?

- Where the building design or planning regulations confine the options for use of particular assets, such as prisons, hospitals and types of training workshops, termination of the associated service contract is likely to result in closure
- Where maintenance/ redevelopment costs are prohibitive without some form of transition support funding

What are the main barriers that prevent civil society organisations taking over asset-based services?

- Asset liabilities and risks may not be proportionate to the trading returns offered.
- Long term asset commitments accompanied by short term service contracts may produce, on balance, too high exposure to potential liabilities
- Poor condition of assets may require significant up-front investment
- Due-diligence surveys and inspections of assets before deciding on undertakings may be considered an undesirable expense, and therefore a “show stopper”

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

- Employee-led mutuals should be established as strategic social enterprises that will lead to service integration not fragmentation. The mutual business case and business plan should be formed in consultation with existing relevant civil society organisations, forming consortiums, partnerships, joint ventures, and collaborations as appropriate to the social purpose and outcomes underpinning the mutual. It is essential that this is built in from inception, and so employee spin-offs become drivers for a more coherent and effective presence and operation by local civil society organisations.

What other methods could the Government consider in order to create more opportunities for civil society organisations to deliver public services?

- Public sector agencies should be encouraged to promote employee-led mutuals that forge joined up service provision from current service silo operations. For example SocialPioneers is working with Probation Trusts, police services and prisons towards three way spin offs that pool staff and resources for functions that are better fulfilled under one mutual operation than in the separate agencies. Opportunities exist for bringing together staff and budgets currently located in Local Authorities for social care and in the NHS for community health for joined up provision for the frail elderly, for example. Such strategic Integrated Delivery Social Enterprises would produce better outcomes, more productivity and innovation, and less service cost. There is however, no Government support or mechanism for cross-agency creation of strategic social enterprises of this kind.

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

- Where existing markets have commissioners holding direct SLAs with civil society organisations there is need for less prescription, smarter monitoring, and less short-

termism – a more equitable relationship between commissioner and provider with reciprocal treatment and respect

- Where existing markets compete contracts for either the private sector or civil society organisations, specifications should not favour organisational type, nor unreasonably sacrifice effective best value for economies of scale – a level playing field between potential providers of equivalent capability ie enabling direct use of SMEs rather than through existing large ‘consultancy’ service providers
- Where existing markets engage civil society organisations as providers in the prime contractor’s supply chain the Merlin Standards should apply (see below)

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

- The excluding nature of many framework agreements
- The limited tendering capacity most civil society organisations have to draw upon, and therefore timescales and demands in the tendering process
- The social value of locally rooted and responsive organisations
- Civil society organisations’ leverage value in mobilising volunteers, additionality of complementary services supported from other funding sources, community goodwill, potential local legacies
- The burden and cost of unnecessary monitoring and contract management interventions
- Duplication of audit, assurance and monitoring demands from different public service commissioners
- Limits on risk burden, cash flow flexibilities, and borrowing opportunities faced by most civil society organisations

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

- OGC frameworks need to become civil society organisation and SME friendly, which they are not
- Evidence that a few suppliers dominate particular markets by repackaging their services

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

- Reform of the existing time consuming and restrictive tendering / commissioning process
- Multiple forms of incompatible or duplicating monitoring and assurance regimes operated across the public sector
- Development of a system that allows and encourages creativity and innovation

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

- Calculate and allocate risk proportionate to the scale and length of the contract

What are the key issues civil society organisations face when dealing with TUPE regulations and what could Government do, within existing legislation, to resolve these problems?

- Pension liabilities and commitment for comparable rights for other staff when these are substantially in excess of normal civil society organisation rates. Government should:
 - Retain responsibility for liabilities present at the time of the transfer, such as under-resourced pensions, within the public sector organisation
 - Provide initial free expert independent legal advice on TUPE implications to civil society organisations considering receiving transfers, including on the limitations and opportunities for employer and employee agreed variations to terms and conditions of employment

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?

- Use of early results with proven relationship to achieving longer term outcomes e.g. reduced truancy, job retention and reduced homelessness contributing to the outcome of reduced re-offending
- Price and value for money, not cost

What issues should Government consider in the development of the Big Society Bank, in order to enable civil society organisations to take advantage of public service market opportunities?

- Borrowing without security, and the need for guarantors
- Inability to dispose of locked assets at market rates
- Need for working capital, including for conducting tenders and contract negotiations
- Enabling funding for new ideas and piloting

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

- Timeliness of payments
- Commercial confidentiality regarding civil society organisation intellectual property (inability of such organisations to afford redress through the courts)

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

- Time to establish consortia fit for specific tendering opportunities v tender process timeline. Government should provide as much notice as possible on expected public service tenders
- Insistence that a member of the consortia is “lead provider” responsible for the contract, performance, risk, financial flows etc. Government should recognise the joint venture status of a properly constituted consortia and allow it to propose its own arrangements for function leads amongst its members

- Existing thinking – the process and thinking needs to change so that civil society consortia are allowed / encouraged to propose new/ radical solutions and for the solutions to be trialled.

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

- Value needs to include assessment of:
 - Effectiveness of engagement with users and community stakeholders
 - Commitment to cost-effectiveness
 - Meeting the principles of public service – universal access; delivery according to need; services free at the point of use; and services delivered for the public good rather than for profit
 - Use of collaboration and integration in delivery strategies and implementation plans
 - Engagement of staff
 - Feedback mechanisms from users and staff
 - Appreciation of diversity amongst users, community and staff
 - Impact assessment – social, environmental and economic
 - Sustainability plans – social, environmental and economic

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

- A scoring system aligned to a maturity matrix (informed through community consultations) would provide consistency and transparency to what may otherwise be too open to the personal interpretations of individual commissioners

What issues should Government consider in taking forward the Public Services (Social Enterprise and Social Value) Bill?

- Methods for community consultation need to recognise the new order of demand to make such consultations. Government should promote collaborations that make consultations efficient and effective. One such possibility is the use of Post Offices, where many vulnerable people and prime users of public services visit, for customer “opinion” terminals.
- Public experience – support needed for all parties to learn ‘how to’ deliver outcomes in this new way

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

- Poorly construed public involvement and consultation can be costly, biased to people who are already active members of organisations, and misleading because of weighted questions. The work of the Community Alliance on Community Anchors as resource centres and Community Matters on the VISIBLE standard for community organisations could show the way forward for creating community-led consultation methodologies

and local hubs. One dynamic locally responsive infrastructure of this kind is far preferable to multiple networks and forums, one each for every public service area. This proposals answers a number of the questions in this section

What can civil society organisations contribute to the roll out of community budgets? What barriers exist to realising this contribution? How can these barriers be removed?

- Integrated Delivery Social Enterprises, as mutuals strategically focused on relevant key outcomes, can be formed from staff-spin-offs to run pooled community budgets and contribute to the roll out of Locally Integrated Services. They would directly deliver some of the intensive services and sub-contract special needs to appropriate local civil society organisations

What barriers exist to realising this contribution? How can these barriers be removed?

- There is a lack of strategic thinking, planning and execution to form Special Purpose Vehicles of this kind. Instead, staff spin-offs threaten progress towards integration and the current generation of civil society organisations pose challenges in harnessing their different contributions. Government should ask commissioners to establish a set of new generation civil society organisation pathfinders charged with integrating services with staff spin-offs to provide fully joined up provision for joined up budgets.

What contributions could civil society organisations make to the extension of personal budgets across a range of service areas?

- Sign posting options
- Advising on criteria to form decisions
- Providing options
- Helping in the navigation of care, treatment, education and other life journeys

What changes do both commissioners and civil society organisations need to make to adapt to an environment where citizens are commissioning their own services?

- Openness to new ways of working
- Separation of providers from commissioners from citizen advisors
- Intelligent feedback
- Flexibility in scale of provision to meet variations in demand

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