GMCVO

Supporting voluntary action in Greater Manchester since 1975

MODERNISING COMMISSIONING: CABINET OFFICE CONSULTATION January 2011

Introduction

Greater Manchester Centre for Voluntary Organisation (GMCVO) is the voluntary sector support organisation covering Greater Manchester. We support local voluntary action by local people, working in partnership with other support organisations and with the public and private sectors.

We aspire to be a conduit for information for and about our sector, and to provide co-ordination and leadership. A large element of our work is in representing the views and needs of people involved in local voluntary action, sharing ideas and brokering relationships.

We are the lead body for the Greater Manchester Voluntary Sector Support Partnership (ChangeUp consortium), the Greater Manchester Learning Partnership and the Greater Manchester Equalities and Human Rights Parliament, and will host the hub of the new Greater Manchester Health and Wellbeing Consortium.

Our practical services include websites, newsletters, policy journal, accredited management and specialist training, consultancy, research, project and partnership development, support for community enterprise and hubs, database development, peer networks, conferences and events. We also manage the St Thomas Centre, a fully equipped conference centre used by the voluntary sector of Greater Manchester and its partners.

We would consider ourselves experts on the needs of the small to medium local civil society organisations that make up to Greater Manchester sector and are fairly typical of those of the big regional cities – including voluntary and community organisations, community enterprises, faith groups and others that are driven and owned by local people. This local voluntary sector in Greater Manchester comprises around 11,000 constituted groups. Of these half are not large enough to have to register as charities (income under £5,000 per annum) and the majority employ no staff or very few.

We have contributed to and support the response to this consultation from Voluntary Sector North West (VSNW); however due to specific expertise and experience in the areas of asset management and consortium development are making the following responses to selected questions

1 New opportunities

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

Civil society organisations will provide a range of services funded by a range of bodies. Trustees of these organisations will be reluctant to risk the sustainability of these services in order to deliver a service funded through payment by results unless they are comfortable the contract is deliverable, the rewards are great enough and that the risks are manageable. Many trustees of smaller organisations may view any risk of this nature as too much of a risk however and much needs to be done to support trustees in understanding risk. Even then without access to resources to invest in service delivery, organisations may be unable to even take risks they consider manageable.

GMCVO believes that these risks can be managed more effectively though by using consortiums or larger organisations working as prime contractors who can act as a fiscal shield, manage the risks and sub-contract delivery to smaller organisations. These prime-contractors will need operating capital and a good reach into the voluntary sector. At present few, if any bodies meet both these criteria and government could play a useful role in bringing together those able to invest with the intermediary agencies and infrastructure organisations that have the trust of local civil society organisations.

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?

This depends on the type of building that is transferred and how flexibly it can be used. Many buildings within the statutory sector will have been designed or adapted to meet their existing purpose and many may not have alternative uses without investment.

It is important to view these assets in the current context where local commercial and office units are relatively cheap and available to groups that might require them. A new asset may struggle to attract use at an early stage and even if there is a long term future for it to house services entirely provided by civil society organisations there may be a period of transition needed where public sector and voluntary sector services co-exist.

Beyond simple economic factors though, we would also wish to highlight the benefits that can be gained when buildings are used as a hub for complementary services. If an asset is to be transferred it is important that it is still seen as a potential location for public sector services where those might add to the effectiveness of the community currently receiving services from it. This is especially the case in disadvantaged areas where connections with potentially isolated groups is a key asset and where there are fewer opportunities for commercial lets. In those situations it is in the interest of local people that public and civil society services are complementary rather than fragmented and separate.

It would make sense where an asset is transferred for a local demand and capacity analysis to take place and for this to examine the range of services that are delivered locally.

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

A transferred asset will only really be of significant value if it delivers capacity that is scarce in that area or can provide a hub that will enable organisations and services to cluster together and support each other – this would include public services, especially those that might make referrals to civil society organisations

It is also important to understand that many assets may not have a commercial viability at all, especially if buildings have restricted covenants or are listed. The cost of running these buildings will have been built into local authority service budgets as a matter of course but if they're to be used by organisations that might need to win tendered contracts or which are paid by results then the running costs associated with the building might make any organisation basing services in it uncompetitive. This is especially the case if a building has not undergone appropriate cyclical maintenance through its lifespan.

This leads to the concern over the condition some buildings may be in. Prime candidates for transfer from a local authority perspective may be underused assets or properties that require levels of maintenance they are unable to meet. Without investment these properties will not be assets but will be liabilities. Asset transfer should not be used as a means of liability disposal and civil society organisations may need support to help them understand just how much of an asset or liability a property is. There may be a role for intermediary bodies such as infrastructure organisations to take on the premises management role in order to consolidate the skills required in a portfolio rather than deflecting civil society organisations from their primary purpose into asset management.

With many buildings designed or adapted for a specific use, then the capacity of an organisation to lever in investment restricts its ability to complete a transfer. If an asset is to be transferred, capital investment will be necessary to ensure its long term sustainability and there needs to be an exploration of options for generating such investment to help fund transfer, including loan finance or investment based on the delivery of social outcomes.

Organisations also need affordable professional advice on a range of issues – from building management and legal advice to a range of HR advice related to any staff that might transfer with the asset. It is also important to recognise that trustee boards may be taking on new responsibilities and risks they have not become familiar with previously and may not just require training and development but may need additional or alternative trustees with skills and experience in this area.

Possibly the most significant barrier though is attitude both from the statutory sector and civil society organisations. Public sector bodies may see the transfer of an asset as a loss rather than as investment in a local community. Arrangements that enable public sector bodies to maintain a positive relationship with the transferred asset and a presence within it through the co-location of services with community organisations may help in this regard.

It is important to recognise though the risk-averse nature of many trustee boards. As much as a transferred asset may provide new opportunities they will inevitably also transfer risks and liabilities. The capacity of boards to understand and manage those risks will be critical if a transfer is to succeed.

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

One solution to this is to encourage employee-led mutuals to engage with local communities at a governance level and introduce some level of accountability to local communities. Showing that such a mutual exists to support the community it serves, not just its employees and locking this in to its governance structure would be an important way of building support and partnerships locally.

If civil society organisations already have good working relationships with the staff in an employee-led mutual then encouragement will be less necessary and the process much easier. If there is serious distrust then it is unlikely that encouragement alone will be enough and more intensive interventions will be needed. These could include brokerage and mediation provided by local voluntary sector infrastructure organisations. Such brokerage may well be useful whatever the circumstances in which a mutual is formed though and should be considered a key means by which commissioning is developed.

2 More accessible

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?

Many civil society organisations will avoid contracts where TUPE applies not because of the cost of maintaining the conditions of transferred staff but due to the impact on the existing workforce. If staff are transferred in on higher levels of salaries for similar jobs to existing staff then the organisation has to either raise salaries for the proportion of the existing workforce affected or face the possibility of a legal challenge related to equal pay legislation.

To resolve this within existing legislation would require, at minimum, expert legal advice to be available to organisations considering such a contract. If the desire is to promote transfer of assets or services at a significant rate though then this will only occur if an assessment of the financial implications over a reasonable period of time to the new host is undertaken and this cost is built into the cost of transfer.

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

GMCVO has recently launched a Health and Wellbeing Consortium and is aware of the benefits of consortium work and the willingness of civil society organisations to work in consortiums but there are significant barriers.

Many civil society organisations have a significant focus on delivery and may lack the strategic capacity and staff resources needed to engage in consortium development. A major factor behind this is the demand from funders that management costs are kept to a minimum and that only operational capacity is funded. This does drive performance and encourages efficiency in the short-term but it often leaves organisations without flexible capacity.

There is also a need to buy in professional advice on governance, partnership agreements and contracts. Again this requires an investment that an organisation may be reluctant to take without guarantee of reward.

Most importantly though there are concerns related to the risks associated with consortiums. Risks to reputation, to existing contracts and even just the unknown may discourage organisations from developing partnerships. The voluntary sector has traditionally sought to reduce risk where possible rather than manage it. Often this is due to the pressure from funders, statutory and otherwise, who themselves are risk averse. The public sector needs to be more accepting of well managed risks if civil society organisations are to be engaged in service delivery to a greater degree. The fact that new consortiums start at a disadvantage when bidding for work due to their lack of a track record is also a function of this safety-at-all-costs attitude.

Access to professional advice and brokerage services which can bring the right partners together and support them would help reduce these barriers, but more importantly the commissioning environment needs to change. Commissioners need to make less arbitrary demands through their bidding arrangements. This is less to do with bureaucracy and more to do with inappropriate standards that may be better suited to the procurement of large capital schemes being applied to small social care contracts.

We have been able to overcome many of these problems and concerns ourselves through both building on our relationships with the civil society organisations we support and in developing relationships with statutory sector partners. As an accountable infrastructure organisation, voluntary sector organisations have trusted us to form a consortium with the knowledge that since we are not a delivery organisation ourselves we will not compete directly against them or use the information they provide us with to develop our own market advantage. Public sector partners have seen our record of delivering capacity building and support to the sector and have seen us as a good body to invest in when seeking to develop the local market. The strong relationships with both commissioners and providers have put us in a strong position when developing a consortium.

What forms of support will best enable statutory partners and civil society organisations to improve their working relationships?

Both statutory partners and civil society organisations need to understand each other better in order to build relationships. There are difficulties in managing direct relationships however. In any local authority district there will be many voluntary organisations and few commissioners. A commissioner will have a limit on the number of relationships they are able to maintain and a reliance on good relationships with a small number of organisations can lead to the exclusion of many good organisations from service delivery.

GMCVO has worked to improve this situation in the field of health and wellbeing through the development of an online directory:

http://www.voluntarysectorhealth.org.uk/

This directory not only lists the groups but maps the interventions they make. This has allowed commissioners to understand how organisations can fit into the care pathways that they develop. This was funded by the service commissioners within the local NHS themselves and this type of investment in market development by the public sector is to be welcomed and we would hope that it is seen as a model of good practice.

This type of development enables commissioners to have a relationship with the sector as a whole and not just the few organisations they have personal contact with. These marketplace structures are necessary if commissioners are to work with a wider range of civil society providers in the future.