

VONNE submission in response to the Green Paper - Modernising Commissioning

January 2011

The Consultation

VONNE supports and promotes a thriving, effective sector of charities, voluntary and community groups and social enterprises in the North East of England. VONNE sought the views of over 600 members in order to inform this submission. VONNE's membership includes every Local Development Agency and specialist themed network in the North East of England. We work closely with our colleagues in other regions through Regional Voices, including as a national strategic partner to the Department of Health.

Whilst we welcome the Government's desire to make improvements quickly, we also value the Compact, and a twelve week consultation period would have allowed for a fuller examination of the issues.

The context of the sector in the North East

The sector in the North East is characterised by a greater number of smaller organisations, more *below the radar groups*, and a fewer number of large national charities. Recent research by Northern Rock Foundation based on 2007/08 figures reveals that in communities that experience greater deprivation there are fewer registered charities compared to informal community groups. There are 4,760 general charities and over 10,000 community groups. Almost half of charity income in the North East comes from statutory sources compared to 38% for the UK nationally. Average sector incomes of organisations in the North East are £153,400 compared to £207,500 nationally.

In November 2010, VONNE interviewed 141 of our members:

- 69% reported an increased demand for their services
- 62% had already seen a decrease in their funding
- 37% have had to lose staff already, and a further 36% expect to make staff redundant in the next 12 months
- 25% will close a services
- 26% face closing the organisation altogether in the next 12 months

The situation is critical, and without support many effective organisations that are providing a valuable service to the most deprived and vulnerable will be lost before the new opportunities, described in the Green Paper materialise.

New Opportunities

VONNE welcomes the Government's commitment to increase the role of charities, social enterprises, mutuals and cooperatives in shaping and delivering public sector services. Such organisations understand the needs of local people and are often best placed to

deliver high quality services that are value for money.

We welcome the Government's aspiration to award 25% of government contracts to SMEs, and would like to see measures introduced to ensure that this aspiration is a measurable success. This must be viewed as a minimum standard and not a ceiling.

We congratulate the Government on its commitment to ensure that commissioners take account of social, environmental and economic value.

Overcoming the barriers

TUPE

TUPE regulations provide valuable safeguards to employees and must be secured. However, VONNE members repeatedly cite employee's pension liability as the most significant barrier to taking over public service delivery. The Government must create a mechanism that protects the pensions of public sector workers without passing that existing liability to independent providers. Procurement opportunities must be transparent around TUPE so that independent providers can plan their business effectively. Contracts must be achievable.

Fewer, bigger, contracts

Few, if any voluntary sector organisations in the North East of England are of a sufficient size to be considered a prime contractor. The Department of Work and Pensions Prime Contractor model, and the recent commissioning of ESF contracts are examples of how aggregating contracts puts them out of reach of voluntary sector organisations. The minimum contract level of £500,000 adopted by the Skills Funding Agency is a further example of this. At a local level, whilst collaborative procurement by Local Authorities may yield efficiency savings, this will also mitigate against local voluntary organisations having any chance of successfully competing to deliver. VONNE have led on 2 initiatives that seek to overcome these barriers.

Meet the Primes

Thanks to funding from the ESF Technical Assistance programme, VONNE organised 2 events. The first was an opportunity to hear from the commissioners, so that VCS organisations could understand what the ESF contracts would be for. The second event was an opportunity to meet the prime contractors in advance of contracting opportunities. This meant that local voluntary sector organisations had the chance to develop relationships with potential prime providers, they started to get a feel for what the prime providers needed from them and on what terms. Local voluntary organisations had the chance to consider what role in a contract they might have. This was backed by procurement training and legal advice on what to consider before entering a sub contracting arrangement.

The Big Society Market Place

As contracts become larger, individual locally based specialist organisations find it difficult to deliver contracts that are large in terms of geography, beneficiary types or economic scale. VONNE have developed an online market place that enables organisations to find other organisations that they can partner up with in order to jointly deliver on a contract. Contract opportunities are fed into the market place, and potential deliverers are alerted to both the opportunity and to potential partners.

This new resource is currently being piloted but has been welcomed by the sector.

Personalisation

1 in 5 charities in the North East work in the social care field. According to a study by Mental Health North East “*Personalisation – Empowerment or chaos*”, organisations faced 3 key issues around personalisation. Organisations need support in marketing their services to vulnerable individuals, they need support in how to organise their cash flow / business model when moving from secure block contracts to spot purchasing, and they need HR advice when demand for services is likely to fluctuate.

Payment by results

Whilst organisations are confident that they can deliver quality services with real outputs and outcomes, the perceived risks involved in payment by results will be too great for many voluntary organisations. The reluctance to take on loans and the impact on working capital will prove to be too great a barrier for a large number of voluntary organisations in the North East. However, there are a number of organisations in the North East that are ambitious and have growth potential. VONNE are exploring Social Impact Bonds and access to finance with some of those organisations, with philanthropists, and with Business and Enterprise North East.

It is not a given that *greater innovation and flexibility in delivery models* are achieved as a result of payment by results. On the contrary, with the risk of not being paid, providers may be driven to use established methods with those that are easiest to help, rather than trying something different and working with those that are hardest to reach. Targets around those that are hardest to reach must be specifically included within specifications and providers must be adequately resourced to engage with these individuals if we are not to see greater polarisation.

Intelligent Commissioning and Grant funding

Commissioning improves when well informed commissioners understand their locality / delivery area, are accessible and provide a fair lead in time in advance of the formal procurement process.

Grants are vitally important to voluntary sector organisations, and we urge the Government to continue to recognise and advocate for the value and legitimacy of grants. Support organisations also need resourcing. They act as a valuable conduit to commissioners and the private sector. They assist organisations to understand what opportunities are available, successfully compete to deliver services and collaborate on larger contracts.

Jo Curry – Chief Executive, VONNE