

# Open Public Services – experiences from the voluntary sector

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## Summary

- The National Council for Voluntary Organisations (NCVO) and fourteen partner organisations have published a report setting out their experiences of the Government’s Open Public Services agenda ([“Open Public Services: experiences from the voluntary sector”](#)).
- It highlights the important issues and barriers that some voluntary organisations have faced when engaging in service provision and provides several examples of innovative practice where the voluntary sector has worked in new ways with the statutory authorities.
- This briefing will be of interest to executive members, cabinet portfolio members and senior officers with responsibilities for commissioning and procurement and relationship with the voluntary sector.

## Briefing in Full

The report is in two parts. The first shares the experiences of voluntary organisations primarily through a series of case studies, but also learning points, for example, from the Work Programme. The second part of the report considers some possible barriers to the voluntary sector’s involvement in public services.

## Key recommendations

The key recommendations made by the report were:

- Grant funding should be offered to enable flexible and responsive service delivery, the piloting of innovative ideas, encouraging new market entrants, to capacity build as well as a form of core funding;

- Evidence on service user needs and clarity on where resources are spent should be made widely available by public bodies to enable providers to respond to current and future challenges;
- Support should be given to local authorities so that they can fully use the [Social Value Act 2012](#) in procurement and commissioning practices;
- Commissioners should ensure services are designed according to the original principles of personalisation, recognising the social capital in user demographic;
- Commissioners should test Pre-Qualification Questionnaires with organisations that are potential new market entrants to ensure they are proportionate;
- Service information for users must be readily available, and in accessible formats, to ensure quality and minimum standards are upheld and help to develop the public services market;
- Commissioners should commission for outcomes and engage with prospective providers and investors at an early stage;
- Commissioners should be proactive in developing partnerships and subcontracting relationships amongst providers to enable new collaborations and innovation;
- The voluntary sector should proactively communicate early with commissioners to help avoid risk-averse and cautious procurement practice, which hampers innovation;
- Voluntary organisations should be prepared, and well equipped, to invest time and staff resource if they wish to be involved in public service delivery;
- Voluntary sector providers should work together and share experiences of innovation and good practice through established sector networks;
- Social investors should look to skill-up the voluntary organisations that they invest in and communicate their willingness to support innovation; and,
- Social investors should be upfront about the costs of new forms of finance to both commissioners and potential voluntary sector partners in order to create a sustainable marketplace and full commitment from both sides.

## Experiences from the Voluntary Sector

### Commissioning

The NCVO argues that voluntary organisations are often well-placed to enable people to have greater involvement in the design and delivery of the services they use and even make some services user-led.

Turning Point's ['Connected Care'](#) model of community-led commissioning has trained over 200 people to become 'Community Researchers' to enable co-produced commissioning approaches across 14 areas of England. It has been adapted to address both communities of interest and place. The scheme, like other co-production models, is based on the principle that if you spend time and resources researching community needs and bring this together with commissioning priorities, the redesigned services will be more integrated, inclusive and cost effective.

'Connected Care' achieves this by using the Community Researchers' local knowledge to identify weaknesses in service provision that would not otherwise be addressed by conventional commissioning practice. It can also give a voice to seldom heard groups such as the Gypsy and Traveller communities.

[Changemakers](#) are sending young people to work in local authorities giving them a say in how services are both designed and delivered. Critical conditions include setting clear expectations for young people's duties, deadlines and condition of payment. Strong support and high level endorsement is also required as the size, scale and culture of local authorities can sometimes make it difficult for young people to penetrate and make a mark.

In order to maximise the impact of this fresh perspective young people need to be trusted to take real responsibility, requiring open minds about their capabilities and recognition that making mistakes is not unique to young people. Some of the most successful examples take a 'co-production' approach by which young people are given the tools to enable them to make decisions themselves and allows continuous involvement rather than being restricted to a 'one-off' project.

Both these examples not only have produced significant benefits for commissioning organisations but have also benefited participants going on to further employment, training or volunteering.

[The Baca Project](#) delivers services targeted at the needs of 15-19 year olds who are seeking asylum or have been trafficked into the UK. Baca does not see commissioning processes that are completely paper based as being the best way to source quality services. They believe that if commissioning included site visits, commissioners would be better placed to understand how an organisation delivers its services and see first-hand the impact they are having on users.

In the same vein [Clinks](#), a national charity supporting voluntary organisations in the criminal justice sector, has found that good commissioning is dependent on individuals within the commissioning organisation who understand and support the role of the voluntary sector.

## Supply-chain management

The [London Voluntary Service Council](#) (LSVC) has been following closely developments on the Work Programme which it says has implications beyond employment support services, given Government plans to use the payment by results model in other areas of public service delivery.

The procurement process was found to be “extremely” resource intensive and inevitably came to nothing on occasions because voluntary organisations might have ‘backed the wrong horse’, negotiations broke down, or they did not get a ‘foot in the door’ with any prime contractors. Commissioning timeframes are very tight so successful partnership building and consortia development need to take place in advance of contracting rounds.

While the Government sent out strong signals that prime contractors should use their financial muscle to soften the risk exposure to their voluntary sector sub-contractors, in reality risk has been passed down the supply chain with subcontractors’ terms largely reflecting the high risk profile of the prime contractor’s own contracts including payment by results.

Consequently there is very little money available for those organisations supporting people furthest from the labour market. Indeed, there was a feeling that voluntary organisations were becoming ‘bid candy’ to give the appearance of a diverse supply chain. LSVC believe that there is a “significant risk” that future programmes commissioned in this way will effectively exclude specialist and local voluntary sector providers which in turn will reduce choice and quality of service delivery.

From this LVSC identified a number of key lessons for the voluntary organisations:

- They must be prepared to invest significant time and resource, allowing time to develop consortia in advance of contracting rounds, time to develop a competitive offer and pitch this to as many potential prime contractors as possible;
- Be able to manage risk and cash-flow and carefully consider whether their organisation will be able to take on payment by results contracts;

- Develop, or out-source, business development expertise to ensure an even-footing in the negotiating process with prime contractors;
- Seek expert advice on TUPE at the earliest opportunity to understand any liabilities that they are taking on;
- They should try to be flexible to cope with varying client volumes and should share successful approaches through voluntary sector networks; and,
- Seek firm assurances around pricing and volume of service users from prime contractors.

## Sharing Information

The NCVO explains that ‘open data’ is an emerging field in the Open Public Services agenda and a “growing conversation” about voluntary organisations’ own use of open data. The most obvious is using the data that Government has already published to inform service design and hold the public sector to account. But increasingly the sector should and will open up its own data (combined with other datasets) to “tell their own story”.

There are a number of way in which open data can improve the delivery of public services, including:

- Identifying need and better targeting services using datasets (and combining them) which give information about particular needs;
- Opening up data about the performance of programmes and services taken forward by the sector to demonstrate their impact;
- Offering an opportunity to be held to account by trustees, staff, donors and beneficiaries thereby helping to increase trust; and,
- Using existing data from government or other organisations to demonstrate an unmet need or campaign for wider change.

There are challenges and issues when looking at open data:

- Getting the most out of open data requires skills and resources that might not be plentiful within voluntary organisations;
- Data which directly identifies beneficiaries, staff, donors and any other individual should not be made open;

- Voluntary organisations will embrace and produce more meaningful data if they do it on their own terms, rather than being required to by government contracts; and,
- For open data to be successful for voluntary organisations, they need to be confident that being more transparent will produce a competitive advantage (or at least not disadvantage them) by increasing trust.

## Managing Scale

The British Red Cross share the lessons from a [collaborative approach](#), which they have co-ordinated, between the Conwy Intermediate Care Service (CICS), a multi-disciplinary statutory team and a consortium of voluntary organisations to support patient's independence following hospital discharge.

The project aims to help CICS's clients to find out about and take up services on offer from the voluntary organisations via a service co-ordinator hosted at the British Red Cross. The co-ordinator visits clients in their homes to assess their needs and produce a care pathway based on services locally available via the local voluntary sector. The co-ordinator then assigns a suitable volunteer to work with the client, providing sign-posting to other services and sources of information.

Each member of the consortium kept their own funding arrangements with the relationship between the organisations governed by a joint working agreement. This was clear on responsibilities, made all consortium members equal and allowed the consortium to expand and shrink easily. Sharing information about clients was covered by a simple information-sharing protocol, while common processes and back office systems support their offer. The 'honest broker' between the partners in the form of a member of the local Council for Voluntary Service was felt to be important.

In addition to improved outcomes for beneficiaries, averaging twenty nine per cent on nine measures of well-being and a significant drop in hospital readmissions, the partners in the consortium also benefited. They felt that the project had added significant value to their work, by creating pathways for clients whose needs might otherwise have gone unmet.

## Expert Analysis

### New forms of Finance

Payment by results models which are often end-loaded create a challenge to find working capital. Charities Aid Foundation explains that social investment has the potential to solve this problem by providing working capital to voluntary organisations with returns based on the payments made by commissioners. There are potentially

many ways in which this can be achieved; though common to all is finding a way to reduce the risk involved to an acceptable level. These approaches include:

- Social impact bonds (SIB) between the commissioner and an intermediary, enabling the investor to put money in on the basis that they receive a financial return based on the savings to the state, if certain agreed social outcomes are delivered;
- Direct loans to a voluntary organisation to cover its working capital needs where the loan might become outcomes-based (i.e. it is only repaid when results are delivered and contractual payments are received) or alternatively the timetable for repayment means earlier payments; and,
- Where a social investor underwrites or guarantees a loan made by a commissioner or vice versa.

While risk is the key issue in the use of social investment, investors are often not brought in until just before the final deadline giving them only a small window in which to do the required due diligence increasing the level of investor risk unnecessarily. Consequently they are either being forced to take undue risk or their willingness to invest will come with so many caveats as to be almost worthless.

### Managing Risk

While the relationship between the public and voluntary sector is often described as a partnership the Charities Finance Group (CAF) maintains that when that relationship enters the sphere of outsourcing the nature of that relationship changes dramatically – often down to fundamentally differing perspectives on risk and value for money.

Contractual relationships could in theory provide a solid basis for identifying and managing risk between partners; however, in reality power and risk are inevitably skewed in favour of the commissioner.

While there are other drivers one attraction for local authorities when contracting out public services is that they can retain overall control but transfer financial and other business risks to a third party. This is often shaped by a historically risk averse culture in local government and high levels of accountability (to the public and central government) compounded by shrinking budgets, pressure to find savings and a cautious approach to spending decisions.

Consequently the voluntary sector has to make complex risk considerations. The most difficult are those risks external to the organisation and beyond direct control.

The following areas give rise to overall risk in public service delivery:

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- Control - achieving full cost recovery, managing performance, dealing with reporting requirements;
- Uncertainty - around potential service user referrals, cash flow, the length of contract and notice periods and potential TUPE liabilities;
- Competition and scale - larger voluntary organisations being in a stronger position to manage risk thereby forcing smaller ones to deliver below-cost and take on greater risk or pushing them out of the running altogether;
- Sub-contracting relationships requiring careful risk management as they deal with the nuances of working with new partners, often in different sectors; and,
- Spot purchasing – offering bespoke services on ad hoc basis can help reduce risk, but it also offers its own risk as business is not guaranteed.

CAF advocates that local authorities should fully assess the negative effects of being too risk averse and enable innovation in commissioning by taking part in a constructive two way dialogue about risk sharing at the point of tender and on an on-going basis. This will reduce the long-term risk of contract failure which inevitably impacts on the local authority, the provider and the beneficiaries. In turn voluntary organisations should:

- Be prepared to respond to new emerging demands and engage in discourse with commissioners to better understand risks faced by local authorities;
- Voluntary and infrastructure organisations should consider the diversity of their local voluntary sector and ensure organisations are partnering appropriately in their area;
- The voluntary sector should invest in capacity building for risk management and undertake a more comprehensive review of risk appetite and tolerance of all partners; and,
- Voluntary organisations need to set an example of good practice when dealing with other voluntary organisations.

## Ensuring Quality

Age UK believes that it would be too easy to characterise the development of Open Public Services as a withdrawal of the state replaced by alternative providers resulting in a loss of accountability. While lines of accountability may become more complex this should not mean local and national government abdicating their responsibilities to ensure minimum standards, particularly for vulnerable groups.

Where independent agencies are carrying out statutory functions it should be made clear that ultimate responsibility still lies with the statutory sector with a clear route for redress. Any measures to devolve statutory functions to independent bodies should be resisted if the effect makes it difficult or impossible for people to secure their statutory rights.

Vulnerable service users also need better access to information, advice and advocacy in order to ensure fair access. Government needs to set standards to ensure comparable information to facilitate 'like for like' service comparisons.

While in some service areas (e.g. health) national outcomes are being set to provide a framework for standards, without similar standards for other services to maintain quality, priorities could be skewed. At the same time local people need to be able to hold public services to account, need the mechanisms to effectively participate and a process to assess the suitability and quality of services.

## Comment

This collection of think pieces and case studies provides for an uneven and narrow take on the voluntary sector and the Open Public Services agenda. It is primarily concerned with the payment by results model (though one of the strongest chapters was on the Work Programme) and with the sector's role as a contracted service provider. The sector's role and experiences goes much wider than that. There is no discussion for example about personal budgets, personalisation, neighbourhood working or the transfer into community ownership of public assets.

It is also rather introverted in its focus on the voluntary organisations themselves, not taking the perspective of the beneficiaries of the services themselves and the experiences of those voluntary organisations that choose not to be providers of state services but operate to represent and advocate for service users. But it is at its strongest when giving vital best practice tips to fellow voluntary organisations; and gives some 'food for thought'.

There are certainly shifting patterns in the sector's funding and a [New Philanthropy Capital survey](#) shows clear concerns within the sector about the increasing use of models which carry greater risk such as personal budgets, spot contracts and tariff-based contracts. What many in the sector would prefer is that we go back to the days when grant funding dominated. That seems unlikely. Even before the current expenditure cuts there was an increasing pressure to strengthen accountability. Besides, up to recent years the increasing trend towards contracting was driven by the expansion of the sector's role in service delivery and not in the main at the expense of grants.

Grant funding still has a role to play and this report does recommend that it does but does not back this up with explanation or evidence. The execution of true strategic commissioning would see grants used to support the core funding of community organisations whose objectives align with those being commissioned. Grants can also be effective in developing and piloting new ways of working and services.

That said in other areas a contractual relationships should in theory be a positive operating environment for charities and voluntary organisations. Contracts provide certainty which is not legally possible with grants. But there is a gap between theory and practice which can only be closed by developing new customised contracting models befitting the services being commissioned and the market from they are being procured.

Observing the sector and its engagement with what was once the public service reform agenda under Labour, and now with Open Public Services, you see a sector at a national level that is often 'clutching at straws' comforted by 'forms of words' or merely being mentioned by the Government in policy and guidance documents. A good example of this is provided by the London Voluntary Service Council piece on the Work Programme which points to the "rhetoric" that came from the Government on the sector's role in that Programme which was found to be "misleading". This and other examples prove it is not 'words' but 'deeds' that count.

It is also the case that these developments around outcomes-based contracting and personal budgets which the sector has become concerned about had been advocated and campaigned for by the voluntary sector. But it would seem that at best there are transitional issues (probably in the case of personal budgets for adult social care) and at worst the realities have fallen short of expectations (e.g. the Work Programme). The sector needs to ask itself how did this happen?

To simply argue for personal budgets and result based services to be cast aside in favour of the old funding and contracting model is a difficult one to explain to end users (or indeed the taxpayer) even when there are legitimate concerns about the impact on the quality of services. The sector needs to do more than that to develop alternative approaches and solutions in partnership with the commissioning community.

So how should the sector and its leadership move forward on the Open Public Services agenda?

## **1. It should stop reacting to events and become more proactive and 'get ahead of the game'.**

It is certainly a sector which is capable of doing this; we forget that it was the user-led organisational movement which created much of the thinking behind personal

budgeting. More recently the sector has been leading solutions such as Social Impact Bonds.

But it needs to be more consistent in investing in such research and development particularly as such work is beyond the resources of the vast majority of the individual organisations that make up the sector. There is a risk therefore that at worst, Government and commissioners will develop solutions which do not take account of the realities of the sector's operating environment and at best new solutions coming out from the sector will only work for the bigger players.

It should go without saying that such R&D work will be better received and more robust if undertaken in partnership with the commissioning community which will only serve to improve mutual understanding. And it will help enormously if solutions can be found to make the most of all the resources and talents in the sector, a good example of which is the intermediate care collaboration case study in this report.

## **2. It should establish a direct national relationship with local government and the health service.**

For far too long the voluntary sector's national leadership have sought to influence change in these sectors by lobbying the Cabinet Office and the Department for Communities and Local Government and other Whitehall departments. When the most effective and sustainable route, especially given the localism agenda, is to find common cause and partnership with the Local Government Association, Solace and the NHS Confederation.

While there are isolated instances where these organisations have worked together these two sectors are far too important to the voluntary sector in terms of funding and mission not to have a visible, deep, strategic and on-going relationship with at a national level. And in difficult financial times it is an imperative sooner rather than later.

## **3. It should accept that there are no 'silver bullets' out there that are going to improve the commissioning environment – save greater dialogue with the commissioning community.**

Public services, and in particular the local government sector, are so diverse in nature that any work to improve the commissioning environment and in particular partnership between local government and the voluntary sector is best rooted in individual sectors and services (children services, waste and adult social care etc.).

This means strengthening the relationship with the local government sector (and indeed in health), as advocated above, and needs to be underpinned by greater dialogue with the different commissioning communities at a service level outside individual commissions.

This could significantly increase mutual understanding between the sectors around key issues as highlighted by this paper on risk, social investment, open data and contractual incentives etc. as well as being a framework for developing new delivery models and solutions. A key ingredient for this must be mutual respect underpinned by a common cause in a commitment to serve local communities and service users. A respect that recognises differences and the different constraints and pressures that each sector is operating under.

This can be achieved with little financial investment through a series of individual partnerships between the different professional groups in local government and second tier voluntary sector infrastructure organisations.

#### **4. The sector should remember that it is at its best when it advocates for change from the perspective of users and local communities.**

Sometimes within the context of Open Public Services the sector can come across as self-interested. This is far from the sector's roots and mission. Though in part this might be explained by how successive Governments have presented their public reform agenda focusing on the 'who' should provide public services rather 'what' (kinds of services are required) and 'how' (they might be delivered) issues. This has been at the detriment of real and meaning reform. The sector should push back on this and keep reminding us all about the ultimate aims and look past cosmetic reform.

#### **5. Yes, commissioning practices need to be improved, indeed continuously so, but there are also challenges which the sector also needs to grapple with.**

There is a sense that much of the sector has not properly equipped itself for the new environment in which it is operating. This has come about for a variety of reasons. Nonetheless, the sector is in desperate need to increase its capability, as recommended in this report, in a range of commercial skills for example, in business development and contract negotiation.

Addressing these capability deficits will not only benefit individual voluntary organisations and the sector as a whole, it will also help to strengthened overall commissioning environment.

## External Links

- [Open Public Services: experiences from the voluntary sector](#)
- ['Turning Point's 'Connected Care' model of community-led' commissioning](#)

## POLICY BRIEFING

- [Changemakers – “Involving young people in the design, development and evaluation of local services – a best practice guide”](#)
- [London Voluntary Service Council’s experiences of the Work Programme](#)
- [Conwy Intermediate Care Consortium](#)
- [New Philanthropy Capital survey - “When the going gets tough – Charities’ experience of public service commissioning”](#)

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