



Submission to EURIM
Transformational Government
Dialogues

October 2007

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1. Introduction

1.1 NCVO is the largest general membership body for charities and voluntary organisations in England. Established in 1919, NCVO gives voice to over 5,250 organisations. Over three thousand of our members are local organisations, and over one third (35%) of our members have incomes of less than £100,000. NCVO champions voluntary action, our vision is of a society in which people are inspired to make a positive difference to their communities. A vibrant voluntary and community sector deserves a strong voice and the best support. NCVO works to provide that support and voice.

1.2 NCVO welcomes the opportunity to submit written evidence to the EURIM Transformational Government Dialogues. The reform of public services has been high on the public policy agenda, and both the voluntary and community sector (VCS) and the public sector want to see a genuine transformation of public services that puts the needs of citizens and communities at the heart of public services.

1.3 NCVO has been at the heart of the debate around the role of the third sector in public service reform in recent years. In June 2006 we published *How voluntary and community organisations can help transform public services*¹, a position paper outlining the steps that are needed to achieve a genuine, lasting and positive transformation in public services. This paper explores some of the issues raised in that document in greater detail, specifically in relation to EURIM's work on mixed economy.

1.4 Although a mixed economy of providers can give users more choice, this alone does not necessarily achieve more responsive public services, nor does it engage the community in the process of developing services. To achieve a true transformation of public services, government needs to:

- Engage in a wider review of how public services needs can be met and delivered and ensure the contracting processes and funding available properly reflect those needs;
- Apply a more sophisticated understanding of the efficiency agenda that gives as much weight to effectiveness as it does to cost savings; and
- Facilitate a more direct and deeper engagement with voluntary and community organisations (VCOs) and those that they work with in identifying needs, including commissioning or grant funding organisations to undertake consultations or supply expertise.

2. Voice versus choice

2.1 The choice agenda has been a key driver in the public service debate for the past two decades. It has been argued that through contestability and marketisation, commissioners will be able to get better value for money and that competing providers will need to offer more responsive services at a reasonable price if they are to win contracts. More recently, the choice agenda has developed to include a means of empowering users by ensuring that they have a choice of providers, the goal being greater diversity of provision and a mixed economy.

¹ The full report is available at <http://www.ncvo-vol.org.uk/policy/index.asp?id=2876>.

2.2 However this will not in and of itself achieve better outcomes for service users. Many service users and communities want to know that their opinions and concerns are taken into account from the outset when designing a service and not just through the complaints procedure when something goes wrong. Indeed, they feel more empowered when public services meet their needs and they don't have to complain. Government's goal should instead be achieving a transformation of public services where the agenda of citizens and communities is placed at the heart of reform.

2.3 Simply creating a mixed economy of provision will not achieve transformation, nor is real change likely to be achieved by transferring the service from one provider to another. Government needs to develop a more sophisticated understanding of how public services needs can be met and delivered and ensure the contracting processes and funding available for delivery properly reflect those needs.

2.4 Public services need to be designed and delivered in a way that enables the voice of citizens and communities to be heard and acted upon, as well as providing them with market choice. This will require putting in place processes to inform, engage with and listen to the widest possible range of service users and potential users. Only then can public services truly meet the needs of local citizens and communities.

3. The role of government

Trust and voice

3.1 The role of government in transforming public services is clearly one of leadership, but this leadership needs to be accompanied by partnership to reach out to communities and citizens. One of the benefits of working with the VCS is that it can and does reach out to some of the most marginalised individuals and communities.

3.2 Many VCOs have a greater ability to engage with and understand the needs of users and communities than statutory agencies are able to do. There are many and varied reasons why this may be the case. These include, amongst others:

- the way a particular organisation is set up – for example many VCOs are founded by people with direct experience of the issue they are seeking to address;
- the way they operate – such as having users on their board, or amongst their staff;
- because the organisation is based in the local community;
- because the organisation specialises in a particular issues; or
- higher levels of trust, confidence and credibility than the statutory sector, in some cases simply because a VCO is independent and not part of the state.

Government, particularly at the local level, needs to be more aware of the benefits working with voluntary and community sector partners can bring to achieving better designed and delivered public services.

An unattractive partner?

3.3 It should be noted that much attention has been focused on the role of VCOs in delivering public services and indeed this inquiry is an attempt to change the way that UK public services are *delivered*. Where they do want to deliver public services, many can be well placed to do so and achieve outcomes that the public and private sector may not. However this is only one of a number of roles VCOs can play in the reform of public services including:

- identifying service need, as a result of gaps in service provision, or poorly designed or delivered services;
- helping to design solutions to meet a need; and
- delivering services.

3.4 Government needs to develop an approach that recognises the broad range of roles that VCOs play and understand how the two sectors can work together to achieve the primary aim of ensuring that the opinions and concerns of users, and the wider community play a key role in shaping public services. Public sector commissioners should engage with, and provide support to organisations that give a voice to communities at an early stage in their decision making process. This could include:

- commissioning or grant funding VCOs to play a representative or consultative role in relation to the development of specific services or activities;
- commissioning or grant funding VCOs that provide support to individuals or communities to enable them to have their voice heard; or
- entering into a consultancy relationship with VCOs specialising in a particular field to benefit from their knowledge or expertise of an issue.

3.5 Where VCOs do deliver public services, government needs to ensure that those services are commissioned and procured in ways that do not drive out the reasons for working with the sector in the first place. For example, this could include providing the full costs of delivering a contract and ensuring that any reporting and monitoring is proportionate according to the size of the contract. Contracts also need to be properly negotiated and managed and are sustainably funded. Commissioners need to be clear about what value they are seeking for a particular service and which potential providers are best able to provide that value. For example, commissioners should include in contracts an expectation that communities and users will inform the delivery of a service. The service providers will in turn need to demonstrate how they listen and respond to their users. And the contract should include the costs of this engagement.

3.6 Commissioners need to review what it is they value in service delivery, and indeed public services more broadly, and how that is recognised and rewarded through the procurement process. It is only then that a mixed economy of service providers will be able to meet the needs of citizens and communities.

Provider or facilitator?

3.7 Not all public services delivered by the public sector are inefficient or ineffective: many are very good. Where public services are inefficient or ineffective, it is not simply because they are in the public sector; it is because the wrong model of delivery is driving them. In some instances the public sector may be the most appropriate provider, and a true mixed economy should include the public sector.

4. Performance and information management

Incentives for outsourced delivery

4.1 In recent years, there has been much focus on removing the barriers to VCOs taking on a greater role in public service delivery. At the end of 2006, the Office of the Third Sector (OTS) developed an action plan for third sector involvement in public services, setting out the steps the government has taken and will take to support the

sector in the public services arena. The recent Third Sector Review also makes commitments to the multiple roles the sector can play in transforming public services.

4.2 However, there appear to be mixed messages coming from different parts of government. While some departments champion working with the sector, and properly funding the roles it can play in helping to identify need, design solutions and deliver outcomes, other departments demand efficiency savings that cut out small, local and specialist providers and are unwilling to provide funding for community engagement and empowerment.

4.3 Government needs to apply a more sophisticated understanding of the efficiency agenda, which gives as much weight to effectiveness as it does to cost savings. If service users value a trusted local service that understands their needs and can provide a more personalised approach, awarding contracts to large organisations with no community knowledge, trust or expertise to achieve cost savings through economies of scale, will not produce an efficient service because it will not meet the needs of the community. Public sector providers should ensure that small, local and specialist providers are able to compete for public service contracts.

Value and risk

4.4 Government needs to recognise the need for a holistic approach which provides effective, joined up services to citizens and recognises that long term outcomes are more important than short term efficiency gains. This requires developing a full understanding of the needs of citizens and communities, listening to their preferences and building services around the way they live. To achieve this, all tiers of government will need to get better at sharing costs and benefits through effective joint commissioning.

4.5 The reforms needed for procurement processes have already been identified in the Treasury's 2002 cross cutting review, and reiterated by the NAO and PASC reports and the Action Plan for Public Services, but there remains the need for a stronger commitment to implementation. This includes funding the full cost of providing a properly defined service, ensuring that risk is fairly shared by both the provider and government, providing longer term funding where appropriate and ensuring that monitoring requirements are proportionate.

5. Change management: a fair relationship

The Compact

5.1 In order for the VCS to contribute to a transformation in public services, this cannot be a one-way relationship in which government commissions and the sector delivers. Commissioners will need to engage with and provide support to organisations that provide a voice to communities at an early stage in their decision making process. This engagement should be both formal and informal.

5.2 The Compact is a formal agreement between Government and the voluntary and community sector to improve their working relationship for mutual benefit and for the benefit of the citizens and communities they work with. It is underpinned by five Codes of Good Practice, including the Code of Good Practice on funding and procurement. Government has committed to the Compact and in order to achieve better relationships with the VCS, commissioners need to comply with the Codes, particularly in relation to

three year funding and consulting properly on issues that can be expected to directly affect them or those they work with.

6. Conclusion

6.1 Transferring services from one provider to another to create a mixed economy will not by itself create better public services. To achieve a transformation of public services, government must look more widely at the way public services are identified, designed and delivered. Commissioners must facilitate a more direct and deeper engagement with VCOs and those that they work with in identifying needs, including commissioning or grant funding organisations to undertake consultations or supply expertise. They must also enable VCOs to help design and commission services that are more closely tied to user needs, including purchasing expertise from the sector in the development of services. This is not for the sake of the sector, but for those with whom VCOs work. Only in this way can we achieve truly transformed public services that meet the needs of citizens and communities.

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October 2007