

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

## Cabinet Office

---

### A response from the National Council for Voluntary Youth Services (NCVYS)

January 2011

#### About NCVYS

1. The National Council for Voluntary Youth Services (NCVYS) is the independent voice of the voluntary youth sector in England. A diverse network of over 180 national voluntary youth organisations and regional and local youth networks, NCVYS has been working since 1936 to raise the profile of youth work, share good practice and influence policy that has an impact on young people and the organisations that support them.
2. The NCVYS network reflects the diverse range of voluntary organisations working with young people at community, local, regional and national level. Most of our members offer opportunities to engage in challenging activities or develop creative talents. They also support young people to become active in their communities and offer opportunities for their voice to be heard. Some offer interventions to prevent or tackle specific issues such as homelessness or offending behaviour. Others offer counselling, advice, guidance and information. All contribute to young people's personal and social development; some also engage with spiritual development.
3. For more information on any element of this paper, please contact NCVYS's Director of Policy and Communications, Faiza Chaudary or NCVYS's Policy Officer, Dom Weinberg on 020 7278 1041.

## Introduction

4. The National Council for Voluntary Youth Services (NCVYS) is a strategic partner to the Cabinet Office, and welcomes the opportunity to comment on the Cabinet Office's *Modernising Commissioning* green paper. Commissioning processes must be reformed for the voluntary and community sector to take up its rightful place as the country's first sector, as articulated by the Prime Minister:

*'...we will want to do everything we can to help what used to be called, rather condescendingly, the third sector but I believe is the first sector: the excellent charities, voluntary organisations and social enterprises that do so much for our country...so often these first sector organisations have the right answers to the social problems in our country.'*

The Rt. Hon David Cameron, Prime Minister's Questions 14 July 2010, Hansard

5. In 2007 over half of voluntary and community sector income was earned. The majority of that was from contracts for public service delivery. Over the last eight years, voluntary and community sector organisations have reported an increase from income from contracted work and a decrease in funding from grants.<sup>1</sup> However, despite this shift we believe that commissioning arrangements need to be improved to:
  - create a level playing field for charities of all sizes to deliver public services
  - ensure services are delivered with maximum efficiency, targeting the totality of resources from statutory and non-statutory groups to meet community need
  - ensure the full range of outcomes delivered by the sector are understood and appropriately rewarded
  - ensure help reaches the most disadvantaged in our society and supports civic involvement across communities
  - boost support for social enterprise to build sustainability in the sector

## Unlocking opportunities for civil society organisations to deliver public services

6. Voluntary and community youth organisations regularly deliver services on behalf of local authorities. This has been viable because the sector is recognised for its ability to reach socially excluded groups, innovate and develop new approaches as well as deliver a range of social outcomes at low cost. However, for too long, the sector has been plugging gaps in service rather than being seen as a viable provider of mainstream public services. We know that there have been some attempts to do this. In Buckinghamshire, Northamptonshire, Gloucestershire for example, the voluntary sector has got involved in delivering services at varying scales. This has ranged from contracting the sector to deliver services for targeted groups, to wholesale contracting out of mainstream youth services. These arrangements have been seen only in a minority of local authorities. In learning from these arrangements we would like to see the potential for greater involvement in the delivery of youth services as an area of increased activity for those of our members who have the expertise and capacity to take on this enhanced role.

---

<sup>1</sup> Bassac: *Commissioning, collaboration and the community*:  
<http://www.bassac.org.uk/system/files/dms/documents/13/Benefiting%20everyone%20commissioning%20C%20community%20organisations%20and%20collaboration.pdf>

7. Good commissioning practice relies on planning effectively to meet the needs of service users within the capacity of the market. Sector specific infrastructure has particular value in brokering conversations and providing expert challenge and analysis of delivery options to assess viability. This can take many forms. For example, NCVYS is supporting the London Borough of Croydon by offering independent challenge to guide the development of young people's services in partnership with the voluntary and community youth sector within the context of savings and budget cuts. Handled well, we do see this as a potential growth area for the sector and one that can yield savings to the public purse, providing better value for money and innovative solutions to community needs.
8. Infrastructure has a broader role to play in the coordination of communities to take advantage of new powers presented by the Localism Bill. The new powers to challenge the way local services are delivered are enabling powers. They will only be effective if communities actually use them. As voluntary and community organisations that are close to and understand the needs of local communities, we will be well placed to make some of these challenges ourselves. However, where successful challenges lead to a bidding process to deliver services, local authorities must ensure that voluntary and community organisations are able to compete through good procurement processes. Working with local infrastructure to coordinate community action will be needed.
9. The 'right to buy' backed with the right support will potentially empower voluntary and community organisations to have a say in the use of community assets. We would urge careful consideration before community buildings are put on the community asset list by local authorities. Our concern here is that communities may not have the ability to meet disproportionate revenue costs where these exceed the capital cost of the asset. In addition, we are concerned that some communities who are not very well engaged in local decision making processes may be unable to coordinate the action needed to save a valuable community asset, which could lead to the closure of these assets. Local infrastructure will need to be a key partner with local authorities to help present the view from voluntary and community organisations and their service users when assets are being considered for this list.
10. NCVYS has long argued for schools to be used as community hubs, enabling the delivery of voluntary and community activities more widely. Whilst the extended services agenda went some way to opening up the school doors, we would like the Office for Civil Society to consider how state-run schools could be open to community challenge for the use of facilities outside of core schooling hours. However, this like all other new powers would need appropriate local authority mechanisms to enable action by community groups.
11. We welcome the Government's aspiration to diversify providers of public services, with up to 25% of business going to social enterprises. As a national infrastructure body working with over 80% of the voluntary and community youth sector, NCVYS is well placed to broker arrangements where our members could deliver services on behalf of government departments. As the procurement arrangements evolve from departments, NCVYS would be keen to facilitate consortia providers to help build a sustainable sector and explore how existing charities can work innovatively to generate income by working with the Government in this way.

## Increasing accessibility for civil society organisations in existing public service markets

12. Our response to the *Sector Challenge*<sup>2</sup> called for the rationalisation of commissioning processes to increase efficiency. A number of these had the dual benefit of increasing accessibility for civil society organisations to compete in commissioning processes by reducing the bureaucracy that can sometimes limit participation. For example, we called for an end to duplication created by multiple commissioning units and instead asked for common standard procurement and contracting tools to streamline processes (please see link below for further information in the response). Our response to the joint BIS and Cabinet Office Task Force to *Cutting red tape*<sup>3</sup> also called for an 'information passport' to consolidate the wealth of information being sought by central and local government for organisations wishing to bid for contracts. We were pleased therefore to see the announcement in November that Government would be moving to a standardised core pre-qualification questionnaire. We would welcome similar approaches across local authorities to reduce bureaucracy. We support the concept of a 'lean review' across Government departments to streamline procurement processes, but would similarly advocate that this is an approach championed at local authority level to reduce bureaucracy.
13. Consortia arrangements have been a popular way for organisations to maximise resource and capacity to delivery public services. This increases opportunity for small organisations who on their own would struggle to carry some of the risks associated with managing the delivery of contracts. We welcome Government's commitment to establish proportionate levels of risk allocation across public service providers in particular through the development of the Merlin standard. However, these need to be more widely applied and monitored. In the meantime, commissioners can help to achieve a fair balance of risk by reducing risk levels in proportion with the capacity of smaller organisations wishing to be part of larger consortia bids for public services. Payment schedules agreed in advance against delivery outputs would be a step forward in ensuring that smaller organisations feel confident that their running costs can be covered as delivery outputs are achieved.
14. Our response to *Cutting red tape*<sup>4</sup> called for a review of TUPE arrangements. We called for these to be improved to make the transfer of staff across statutory and non-statutory agencies easier. In particular, we want the rules around pensions to be reviewed and simplified to enable greater fluidity across the sector and prevent TUPE regulations acting as a barrier to better partnership working that involve transfer of staff or organisational merger. The Best Value Authorities Staff Transfers (Pensions) Direction 2007 requires any agency that takes on Local Government staff through TUPE to offer a final salary scheme. Most charities cannot or should not do this. The direction is unfair as it only applies to employees of Local Authorities and not the employees of any other organisation. This is preventing charities from tendering for contracts and as a result both Local Authority as service commissioners and young people as service users do not get the best value for money. We want the 2007 direction to be repealed as soon as possible to enable better management of skills and staff across services.

---

<sup>2</sup> Response to Cabinet Office: *Sector Challenge*: <http://www.ncvys.org.uk/UserFiles/Supporting%20a%20Stronger%20Civil%20Society%20National%20Infrastructure.pdf>

<sup>3</sup> NCVYS response: *Cutting Red Tape*: [http://www.ncvys.org.uk/UserFiles/NCVYS%20response%20-%20reducing%20burdensFINAL\\_1.pdf](http://www.ncvys.org.uk/UserFiles/NCVYS%20response%20-%20reducing%20burdensFINAL_1.pdf)

<sup>4</sup> Ibid.

15. The breadth and diversity of the voluntary and community sector is one of the greatest assets to our civil society. Harnessing that diversity means reaching out to some of our most niche providers that by nature of their connections or expertise serve a particular community or need. For example, this includes faith based groups, those working with young people who are particularly disadvantaged or organisations providing activities according to ability and need, such as those working with young people who have disabilities or learning difficulties. For these organisations to compete in existing and new public service market places, they must be supported by strong local infrastructure that can help to coordinate their contribution to local public service delivery.
16. As set out in our response to *Cutting red tape*<sup>5</sup>, strong relationships between voluntary and community agencies and the statutory sector are vital to coordinating strong partnerships that can pool their collective resources to maximum effect. In this section of our response we called for continued investment in strong local infrastructure to nurture these relationships and ensure that local councils for voluntary youth services are able to impart knowledge about commissioning opportunities to the sector. This is an area of work that is vital in enabling small voluntary and community organisations to understand new and existing opportunities and one we would like to see prioritised if commissioning across the full breadth of the sector is to be a reality.
17. The focus and delivery mechanisms for funds distributed by the Big Society Bank provide a valuable opportunity for enhancing the role of voluntary and community organisations delivering public services. NCVYS has been advocating for the focus of these funds to prioritise young people as originally intended. To support this and to ensure that voluntary and community organisations working with young people are able to take up enhanced opportunities, we are keen to see funds distributed according to the principles of social investment. We see this as a means of supporting the creation and maintenance of high quality institutions that are able to effect long term change, rather than support the delivery of short term projects. We have set out our approach to developing a strong system for driving the fair and effective distribution of funds from the Big Society Bank by contributing to a paper written by one of our members London Youth<sup>6</sup> (please refer to link below for full paper). For civil society organisations to capitalise on opportunities however, both potential investors and investees need high quality analysis of opportunities and risks. In addition, social investment retailers will need to develop specialist knowledge of the youth sector, the development of such retail specialism may require pump priming by the wholesale bank, to ensure effective distribution of funds.
18. As already advocated above, we would support an extension of the Merlin standard across central government departments as a way of developing supply chains that can support a more active role for the sector in delivering services with prime contractors to departments. This would create consistency of operations across departments and strengthen the sector's role in delivering services with government. In considering the extension, lessons will inevitably emerge from the DWP pilot of the standard and added to those we would recommend the following considerations for voluntary and community organisations:
- consideration of rewards for voluntary and community sector organisations that take full account of the broad spectrum of outcomes delivered
  - facilitate innovation in the sector by ensuring payment schedules allow for creative working
  - consideration of risk transfer that is proportionate to the size of voluntary and community organisations in the supply chain

---

<sup>5</sup> Ibid.

<sup>6</sup> Unclaimed assets: Funding for young people and social investment: [http://www.ncvo-vol.org.uk/sites/default/files/10\\_03\\_04\\_A\\_way\\_ahead\\_for\\_unclaimed\\_assets\\_and\\_the\\_youth\\_of\\_tomorrow.pdf](http://www.ncvo-vol.org.uk/sites/default/files/10_03_04_A_way_ahead_for_unclaimed_assets_and_the_youth_of_tomorrow.pdf)

- impact monitoring is proportionate to the size and capacity of voluntary and community organisations
- ensure strong communications with voluntary and community organisations that if relevant can be shared with the wider sector to promote learning and awareness

This needs to be supported by an environment of openness and transparency that encourages all voluntary and community organisations to understand the range of delivery options that are open to contractual arrangements. Sector specific infrastructure, such as NCVYS, has a particular role to play here in supporting departments to communicate information and opportunities to relevant parts of the sector.

## **Understanding and supporting the full social, environmental and economic value of services when making commissioning decisions**

19. Grant funding must be retained as a cost effective, non bureaucratic means of providing core priority services administered by voluntary and community organisations. Grant funding can yield innovation and helps the sector to provide specialist services for particular communities that would otherwise be at risk of negative outcomes or social exclusion from mainstream civil society.
20. Where contracts are undertaken, NCVYS members believe that payment by results is desirable and achievable in certain areas (such as resettlement and employment) so long as sufficient working capital is available. If it is not, all but the largest voluntary organisations will simply not be able to get involved. It is important to identify how success is going to be measured and whether the measure is on outcomes and outputs rather than inputs. Payment-by-results contracts must pay a portion of delivery costs as they are incurred to ensure that risk is proportionate to benefit. Financial and social return on investment will be greater if payment-by-results contracts recognise the broader spectrum of outcomes and development needs of the most disengaged. Often it is early, smaller step outcomes that enable personal and social development. We recommend that payment by results recognises this and considers a more appropriate staged-payment model whereby voluntary organisations do not experience a cash flow problem.
21. In addition, where voluntary and community organisations are delivering a range of outcomes, these must be taken into account in payment structures. NCVYS has many members whose core work is about increasing the social and emotional development of young people. These outcomes are hard to measure and do not necessarily immediately translate to quantitative measures of public benefit. However, over time, they do steer young people away from negative outcomes that can have personal implications for the young person in question and financial implications for the public purse. If payment by results is to be developed further to broader areas of delivery, we would like to see payment frameworks that reward organisations for delivering services that divert 'at risk' groups from negative outcomes or indeed provide services that strengthen the fabric of our civil society by improving lives.
22. Commissioners must take advantage of the totality of resources available in communities. This will be even more important now as we all work with fewer resources than ever before. As well as developing outcome monitoring and payment structures that take account of the full value contributed by voluntary and community organisations, strong partnerships will be crucial if the value of local civil society is to be properly exercised in the delivery of public services. Our response to *Cutting red tape*<sup>7</sup> includes a section on how strong partnership working must be a crucial element of service design and commissioning arrangements going forward. Please see link included in the references to this response for further information.

<sup>7</sup> NCVYS response: *Cutting Red Tape*: [http://www.ncvys.org.uk/UserFiles/NCVYS%20response%20-%20reducing%20burdensFINAL\\_1.pdf](http://www.ncvys.org.uk/UserFiles/NCVYS%20response%20-%20reducing%20burdensFINAL_1.pdf)

## Supporting greater citizen and community involvement in commissioning

23. Ultimately, citizens must be at the heart of all good public policy and its practical implementation on the ground. In the case of NCVYS, our members work to support young people across communities. Together we have championed participation of young people in civil society through our youth participation work. This includes a national forum of young people which NCVYS is currently expanding through funding from the Big Lottery Fund. Part of this work involves supporting nine young facilitators that will work across every region in England to develop young people's involvement in decision making processes and policy that impacts on the lives of young people and the communities in which they live. We would like to see young people in every locality having a say in how services impact on them.
24. Effective commissioning must be responsive to local need. The knowledge that our sector has about what young people and their communities need is crucial in fostering civic engagement. We would like to see commissioners working actively with local voluntary and community sector infrastructure to understand the local landscape and explore how relationships between citizens reached by the sector can be steered towards greater civic involvement in commissioning. As a pre-requisite for that however, the relationships between commissioners and the local voluntary and community sector must be strong and based on openness and transparency.
25. Local infrastructure can act as a broker nurturing civic involvement. For example, if local services are to be integrated then voluntary and community organisations can be called upon to access the beneficiaries of these services to talk to commissioners. This role can be taken further when we look at the potential of community budgets to procure services from the sector or state. Here local voluntary and community sector infrastructure can act as a signpost agency informing citizens about the wealth of support available in a locality that might best meet their particular need. This would be best supported, where local statutory agencies and voluntary and community sector agencies, both understand the priority needs of local citizens and understand which services are available to best support these.
26. At NCVYS we know that improving commissioning arrangements will be even more important than ever if voluntary organisations are to take on the enhanced role in public service delivery envisioned by the Big Society. NCVYS has produced a range of commissioning resources and guidelines for our members and statutory providers through *Kindle*, a community sector partnership set up for children and young people. The latest publication focuses on the Big Society<sup>8</sup> (please see link below for full document) and signals how much needs to be done if services are to work effectively in maximising resources through good commissioning models.

---

<sup>8</sup> *Commissioning and the Big Society: the role of the community sector:*  
<http://www.ncvys.org.uk/UserFiles/Commissioning%20and%20the%20Big%20Society.pdf>