

## Cabinet Office - Sector Challenge August 2010

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### The Speaking Out Project

Speaking Out is a joint project between the National Council for Voluntary Youth Services (NCVYS) and Children England that sets out to build a voice for the children and young people's voluntary and community sector across Government as part of a strategic partnership with the Office for Civil Society within the Cabinet Office, with funding until 2011.

The project aims to develop closer links between a range of Government departments and the voluntary and community sector in delivering cross departmental plans that impact on children and young people.

### Introduction

We are pleased to offer a response to the call for ideas and evidence from the voluntary and community sector on delivering savings and reforms that can contribute to rebalancing public finances and improving efficiency.

### Supporting Big Society Transitions

The children and young people's voluntary and community sector is both energised and well-placed to play the role envisaged by Government in its Big Society vision – in terms of increasing delivery of services to the public, and in terms of galvanising and enabling citizen activism at local community level. Many of the reforms already proposed, such as the Big Society Bank, the freeing of charities to charge at price rather than cost, and the removal of barriers and bureaucratic requirements in working with the State, are welcome and should, in time, work to enhance the entrepreneurialism, innovation and professionalism that already characterise this sector. We view this as an important transformational agenda that will take several years to come to fruition if it is to be able to offer the kind of opportunities that it promises, and we are keen to work with Government in bringing that change about.

However right across the voluntary and community sector, there are clear and substantial threats to the continued existence of a significant proportion of organisations in the more immediate term. Public spending cuts are already starting to be passed on to our sector in terms of immediate contract withdrawals, as well as the prospect of widespread decommissioning at the end of most existing contracts in March 2011. Many organisations who might otherwise have a vital and creative role to play in the Big Society may be lost over the next 18 months due to the suddenness and severity of statutory funding withdrawal, and the lack of viable alternative funding pathways to 'bridge' their survival and adaptation to the new evolving environment. We believe there is a significant risk that while placing a growing voluntary and community sector at the heart of Government plans for a more sustainable economy, the Coalition may more immediately preside over a period of the most substantial reduction of the

sector for many decades, before we've even had a real chance to contribute to Big Society opportunities.

We of course understand that substantial impact from the reductions in public expenditure will be felt right across society, and we are under no illusions that our sector could or should expect to be protected while all around us change. We want to adapt, are keen to establish new, independent and more sustainable funding mechanisms, and to provide leadership at community and national level in finding ways to do more, better, cost-effectively – that is our history and one of our greatest strengths. If the sector's expertise and capacity to play that future role is not to be cut unnecessarily deeply, however, we would urge consideration of the following measures within the Spending Review:

- The creation of some form(s) of **bridging loans and/or grants and emergency funding** capacity – perhaps through the Big Society Bank – to enable voluntary and community sector organisations facing immediate closure due to State contract withdrawal to stay afloat (subject to their satisfactory creation of persuasive plans for alternative income generation within the following year).
- The special one-off collection of major donations to the coffers of the Big Society Bank by a national '**Big Whip Round**' – asking of the wealthiest individuals and companies in society to make a one-off major donation this financial year only, to kick start the ability of the Big Society Bank to support community and voluntary action and service delivery. This should underpin a strong push by Government to put weight and speed behind the development of new finance vehicles for the sector, such as Social Impact Bonds.
- Local authorities **monitored on the impact** of their spending cuts on their local voluntary and community sector. This monitoring should continue, not just as a measure relating to cuts, but as a key means of tracking progress on the ground in delivering the Big Society aspiration to increased levels of provision, partnership and community involvement.
- In the event of full contract withdrawal and decisions not to re-commission services, encouragement of local authorities to **replace prior contracts with lower value grants** (earmarked at say 10-20% of the contract value). This would:
  - help to secure against complete or immediate closure of whole projects serving their communities;
  - enable greater freedom to adapt services to the real and emerging needs of the community (rather than meeting pre-set contract requirements); and,
  - act as seed-corn investments in local social enterprise, that any good voluntary sector organisation will be able to use as a basis to try to generate further and diverse income sources, adding value to the statutory spending on their grant.

## Commissioning

We know well that competitive tendering and commissioning across the public sector is expressly intended to act as a means of delivering best value for the money spent on services. The voluntary and community sector has certainly been through an enormous cultural and practical change process to adapt to (and in many cases thrive in) the public sector marketplace. In times when public money was not felt to be scarce, the evaluation of value for money in the public sector could quite easily focus on the value delivered for the cost of the contract. However as money becomes painfully scarce, we believe it is now vital to look critically at the true and total costs of running a public sector marketplace in order to deliver those contracts.

Most local authorities now have many senior level commissioning posts, and sizeable contracting and procurement teams. None of those salaries delivers a service to the local citizen directly, but are the costs of creating the conditions of a competitive marketplace. The often varied, non-concurrent commissioning cycles for different parts of the authority, along with most commissioning cycles being a maximum of 3 years, means that the 'bureaucracy' of commissioning is work and salary-intensive, even before any contract is awarded or service delivered. Furthermore, the time and money being spent by each tendering organisation to put together and pitch for tenders, when in each case only one bid will result in a contract, represent substantial valuable resources of the voluntary and community sector being diverted away from delivering direct services to children, young people and families, to the attempt to chase and win contracts.

Of course, we don't expect the competitive public sector marketplace to disappear, but we believe that streamlining of the costs of multiple, extensive and overly-repetitive contracting rounds is essential. We think that the following should be considered as practical potential ways to streamline commissioning costs:

- Spread of the **Total Place/OnePlace** philosophy, mechanisms for completely pooled local funds, and synchronised whole-authority commissioning rounds for the medium term.
- The promotion of greater **grant-giving** in place of detailed contracting and highly specified tenders. Grants to voluntary and community organisations require neither a competitive applications process, nor the same level of compliance monitoring, while offering the additional benefit of greater flexibility for the receiving organisation with which to be practically innovative in responding to need, and to be financially entrepreneurial.
- Offering **longer term contracts**. The longer the contract, the lower the costs and demands of repeating, and competing in, the re-commissioning round. But longer contracts, more importantly, offer voluntary and community organisations the stability to build strong profile and relationships with the families and communities they serve, as well as enhancing the potential to be able to add value to the original contract by attracting additional charitable and investment income to the service. With the recent news of a 26 year public sector contract (prison) being awarded to two prominent voluntary organisations, we would encourage more departments, locally and nationally, to think in much longer terms. Even a shift from the most common current

maximum 3 year term, to a 'standard' of 5-year contracting, would not only deliver significant savings on the costs of the commissioning framework required to support them, but would also, we believe, prove a critical factor in improving the demonstrable outcomes from 5 years of stable practice delivery, improving in turn the evidence base and practical learning to inform subsequent re-commissioning.

- End the confusion and **duplication created by multiple different 'commissioning units'** and commissioning model projects across Whitehall. The volume of national guidance and best practice frameworks for public sector commissioners, not to mention continued local variation and innovation in how each authority actually goes about commissioning, has not led to any clear sense of common or best practice on the ground, and certainly not for those bidding into commissioning processes. Perhaps more importantly, where best practice and cost-effectiveness demand the integration of services to meet complex needs (for example combining social care, health, learning and criminal justice interventions in one service), the retention of separate national service-commissioning guides and frameworks for each element becomes pointless at best, and a barrier to smart, flexible practice at worst.

### Promoting efficiency

We believe there is broad scope for improving consistency and delivering efficiency across a range of areas of public sector procurement, as well as a major opportunity to deliver and systematise investment in social enterprise, ethical and sustainable programmes. We hope that the cross-government review of procurements will consider and address the following:

- Cost savings achieved through **grouped/pooled procurement** arrangements;
- **Preferred provider status** for price-competitive social enterprise suppliers, whose profits will be reinvested in ethical and sustainable social benefits (for example going through a community interest company such as [Ethical Junction](#) to source a wide range of suppliers and services)
- Issuing and use of **'common standard' procurement and contracting tools** across local authorities – eg common format for contracts, tender document requirements etc. This would not preclude the tailoring of such tools for use in specialist applications, however the complete lack of standardisation of process, documentation and monitoring, results in many voluntary and community organisations (and their statutory commissioners) having to expend time, money and resources highly inefficiently, on complying with vastly different requirements to provide what are often essentially identical services from one area to the next.

We would emphasise that the benefits of team and organisations grouping together to purchase services and support that would be more expensive (or completely unaffordable) for organisations individually, are to be seen in the voluntary and community sector's own infrastructure. The histories of organisations like NCVYS and Children England have been built on the 'clubbing together' of voluntary and community organisations, to share in training, gather and benefit from expertise,

resources and information that each would struggle to source or secure for themselves individually. It will be important to view positively the many **process and cost efficiencies of voluntary sector infrastructure organisations** in helping to deliver the ambitious cultural change embodied in the Big Society agenda.

Children England and NCVYS are grateful for the opportunity to submit the ideas to the Sector Challenge and look forward to working with the Cabinet Office and other government departments closely in the future to help ensure that the voluntary and community sector can continue to play a central role in the lives of children, young people, families and communities right across the country.

For more information or discussion on any element of this response, please contact Kathy Evans or Faiza Choudhary, at the contact details on the opening page.