



How voluntary
and community
organisations
can help

TRANSFORM

public services

Ann Blackmore

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How voluntary and community organisations can help transform public services

Summary

Government remains committed to reforming public services and to enabling the voluntary and community sector (VCS) to take on a greater role in public service delivery. The aim must be to achieve a genuine, lasting and positive transformation in the public services that people receive. However, if government continues to focus on strengthening procurement processes to achieve transfer rather than the more wide ranging changes needed to achieve transformation, then these objectives are unlikely to be met. Public sector commissioners and procurers need to develop a more sophisticated understanding of how public services needs can be met and delivered, and ensure that contracting processes, and the funding available to deliver public services, properly reflect this better understanding. If this does not happen, the real failure will not be that VCOs cannot take on a greater role in public service delivery but that citizens and communities will fail to get the services they need and deserve.

The issue of public services

NCVO has played a leading part in the debate about the role of voluntary and community organisations (VCOs) in the reform of public services. We have argued that many VCOs can play a crucial role in delivering public services that better meet the needs of individuals and communities. But, if they are to do so, it must be on their own terms: public service delivery should contribute to the delivery of their own mission; it must be undertaken in ways that respect the independence of the organisation and the expertise and knowledge that they contribute; and the services they provide must be properly costed and paid for.

However, there is a real danger that the current debates about public services are not addressing the real issue. Attention has focused on the barriers to

VCOs taking on public service delivery and on the practical steps needed to facilitate the transfer of public services to the voluntary and community sector (VCS) – i.e. improving the process of contracting. Attention in this area is needed. But it is at least as important that we do not lose sight, and have a clear understanding, of *why* the government wants the sector to take on public service delivery, and equally importantly (for both the government and VCOs) why it is that many VCOs do want to take on public service contracts. If government is not clear about what it wants to achieve by working with the sector, and if it does not properly understand what benefits the sector can bring, then it is unlikely to put in place the right mechanisms to achieve the real transformation in public services that everyone wants to see.¹

The limitations of transfer

Politicians on all sides constantly refer to the need to make services more consumer driven and to segment beneficiaries into markets. However, little progress has been made to truly reform and transform public services because the agenda has been dominated by a flawed approach. All too often, rather than creating services which are tailored to the needs and preferences of the full range of users, commissioners in the public sector have prized economic savings and throughput. Such an approach tends to focus on delivery by a few large service providers, excluding smaller, specialist or locally based organisations.

At best, the most this model has achieved is to provide consistent services for the majority, but this may well be at the expense of vulnerable, harder to reach users who need more specialist or different services. It is also unlikely to lead to the development of more holistic services which understand and meet the whole needs of individuals. And there is little scope, within a model concerned with throughput, to invest in researching and developing new solutions, supporting innovation and piloting new services.

Instead, there is an apparent belief that simply transferring existing services out of the public sector to another provider will achieve more efficient and effective services – through the market mechanisms of competition and choice. If government simply wants to transfer services out of the public

¹ This subject has been addressed by Julia Unwin and Peter Molyneux, in their 2005 paper *Beyond Transfer to Transformation*, published by the Joseph Rowntree Foundation in *The voluntary sector delivering public services*. Their paper examined the ways in which the process of transfer could best be managed to deliver effective, sustainable and transformative change.

sector, to open up a market in public service delivery, then VCOs are undoubtedly one option for helping to achieve this. Many VCOs have been prepared to take contracts on this basis – because they believe that even within the constraints of a standard public sector contract they can still provide a better service to users. But although transferring services from the public sector to the VCS may have some marginal benefits to users and communities, it is unlikely to achieve a real transformation of services. To achieve a real transformation there needs to be a wider review of how service needs are defined, and how services to meet those needs are designed and commissioned.

How do we transform public services?

Not all public services are inefficient or ineffective: many are very good. That should serve to remind us that 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. If the public sector continues to design and commission public services in the same ways that it always has done, and simply offers contracts to VCOs that ask them to replicate the practices and models utilised by either public sector or private sector delivery, then it will be difficult for VCOs to bring additional benefits to those services and nothing will really change for users. Markets and contestability have their place in the public sector and should be processes that VCOs can operate effectively within. But many in the VCS express frustration that conventional approaches to commissioning and procurement limit the extent to which services can actually be changed to better meet public need. Commissioners need to review what it is they value in service delivery, and how that is recognised and rewarded through the procurement process, if they are not to drive out many of the very characteristics and benefits that VCOs at their best can bring to service delivery.

In order to achieve transformation a radical approach is needed, one that:

- **Places the agenda of citizens and communities, not just individual consumers, at the heart of the reform process.** This is an important distinction. Public services provide not just a private benefit to individual consumers, but also a public good. It is not sufficient to ensure that a service meets the needs of the majority of the community, it must also be available to citizens who need an adapted or even a quite different service, which may have less scope for economies of scale and therefore tend to be more expensive to provide.

- **Ensures public services are 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 a market *choice*.** This will require putting in place processes to engage with and listen to the widest possible range of service users (and potential users). In addition, where choice is offered, service providers should ensure that users have the information and support they need to be aware of and access the range of choices available to them.
- **Recognises the need for a holistic approach, which provides effective, joined up services to citizens.** This will require developing a full understanding of the needs of citizens and communities, listening to their preferences and building services around the way they live, rather than around organisational structures and silos. For example, at present there is no incentive for a statutory funder to support a project or service if all of the cost falls to one department whilst some of the benefits accrue to another, or indeed to another public sector body. If real change and reform is being sought then government (at all tiers) needs to get better at sharing costs and benefits, through effective joint commissioning.
- **Applies a more sophisticated understanding of the efficiency agenda, which gives as much weight to effectiveness as it does to cost savings.** Government needs to move away from short term quick fix solutions: real transformation may need up front investment, and some patience, to achieve lasting and meaningful benefits. And there should be a greater willingness to value and invest in preventative services. This would require better modelling of the likely cost savings of prevention, so that a clear funding case can be made.

What role can the VCS play?

Commissioners need to understand and take account of the transforming principles for public services set out above – so that the design, commissioning and management of public service contracts reflects a more sophisticated understanding of the needs of users and communities and the various ways of meeting those needs. Those commissioning and procuring services also need to better understand and value the range of skills and

strengths that different partners can contribute to public services. In particular, if the VCS is to play a full role, then there needs to be a greater appreciation of what it can bring and how it operates.

Putting citizens and communities at the heart of the reform process

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 issue; 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.

As a result, there are many VCOs that have a strong track record in generating innovative learning about people's real needs and in creatively designing and delivering services that reflect those needs. This has particularly been the case with the needs of diverse and disadvantaged communities.

Supporting voice and choice

Government wants individuals and communities to become more engaged as active citizens within public services. But it is not sufficient to give people the opportunity to engage, they also have to be given the skills and support to take on new roles. This includes empowering users to be able to make choices and to express their preferences at the point where services are being designed, as well as at the point of delivery. In some cases government agencies can directly provide the support and capacity building to enable people to engage more effectively, but in many cases VCOs are often better placed to provide this support.

Advocacy and advice and information giving have always been as much a part of the role of VCOs as direct service delivery. Through these roles VCOs enable individuals and communities to have their voice heard when decisions are being made about what services are needed and how they should be provided. And by providing information, advice and support, VCOs can support people to understand and make the most of the choices available to them: if one of the mechanisms to achieve transformation is the provision of greater levels of choice, it will only be effective if all service users are capable of expressing their preferences and of making informed choices.

It is important that commissioners understand that the VCS' roles of advocacy, support and advice giving contribute directly to public service delivery. Some argue that there is a conflict of interest if a VCO wants to both advocate for a certain approach, or be consulted on or contribute to decisions about how a service should be designed and delivered, and then bid for the contract to deliver that service. However, many VCOs argue that the type and quality of services they provide is directly influenced by their knowledge of their users and the information they receive from them. Equally, they argue that their campaigning and advocacy work is strengthened and has legitimacy because they also have direct service delivery experience. Where there may be issues of conflict of interest and competitive advantage this should be acknowledged and managed through the commissioning and procurement processes. However, this needs to be done in ways that enable knowledge and experience from user engagement to inform and lead public service transformation.

Providing effective, joined up services

Whilst a VCO may specialise in a particular field, it is likely to focus around a particular client group or community and to provide its services to that group in a joined up way. As a result, VCOs are often able to deliver joined-up services across governmental boundaries. In the voluntary sector, “outcomes based collaboration” is already emerging as an important concept and government is well placed to benefit from this.

In many cases services provided by VCOs have been developed in areas where neither the state nor the market have been able or willing to operate. VCOs provide specialist knowledge, of an issue or client group, to help fill

niche markets. VCOs have also pioneered services, by being the first to identify and meet a need and then successfully arguing that the state should take responsibility for making those services universally available.

Efficiency: balancing professionalism and mission

The efficiency agenda is also important for the VCS. VCOs are not driven by shareholder value. However that does not mean that VCOs are not as keen as those in the private sector to promote efficiency. The bottom line for VCOs is how effectively their work achieves their mission, within a given budget. Where the private sector has shareholders, the VCS has stakeholders, and it is important for VCOs to demonstrate a return on stakeholder investment. That return is judged on the impact they achieve.

VCOs have, rightly, endeavoured to become more professional in the way they deliver services. But this has resulted in some confusion. Government and statutory funders need to understand that being more business-like in the way an organisation is managed does not mean being more like business in all respects. VCOs are different from both the public and the private sectors. Whilst prudent use of resources is important, they are not seeking a return on shareholder value. Instead, VCOs are mission driven: their objective is to achieve a social, environmental or economic impact. This difference is reflected in their governance structure and the roles and responsibilities of trustees. They do and should operate differently because they are operating with different objectives and different stakeholders. If we want to see new approaches to public service delivery, then our statutory partners need to understand and value these differences because they are an important part of the reason why VCOs can play a crucial role in helping to achieve the transformation of public services.

What do we need to enable VCOs to really transform public services?

VCOs have the potential to play three different, and equally important, roles in the reform of public services:

- 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.

Individually, some VCOs will want to contribute to all three roles, others to only one or two of them. However it is this combination of the three roles across the sector that means that the VCS as a whole can help to truly transform public services. If VCOs are not involved in service definition and design, including those who have no interest in subsequently taking on a contract to deliver the service, then the scope for transformation could be extremely limited. And if the commissioning and procurement process does not recognise and reward the wider contribution VCOs can make to public service reform, public service delivery will, for many VCOs, continue to be of limited interest.

It is equally important that voluntary and community organisations of all sizes are encouraged and supported to engage in the process of public service reform. There is an important role here for infrastructure bodies within the VCS to advise, support and encourage their members who can contribute to this agenda. But it is at least as important that public sector bodies do not put in place processes to design and commission services which effectively exclude smaller or more specialist organisations.

1. Enable VCOs to contribute fully to decision making processes about service needs.

Government needs to develop an approach that recognises the broad range of roles that VCOs play, how these broader roles are inherently related to the provision of good public services, how VCOs can be enabled to contribute to discussions about what services are needed and how they can best be provided. The primary aim must be to ensure that the opinions and concerns of users, and the wider community, inform the debate.

For this to happen, public sector commissioners need to engage with and provide support to organisations that give a voice to communities at an early stage in their decision making process. This engagement should be both formal and informal. The Compact codes on consultation and funding both provide some guidance on these issues – for example the expectation that VCOs should be consulted on issues that can be expected to directly affect them or those they work with. However, a more direct and deeper engagement in the commissioning process is needed. This could include:

- Putting in place open and transparent consultation and decision making processes that actively encourage those with an interest or expertise in an issue to contribute, and make it straightforward for them to do so.
- Commissioning or grant funding VCOs to play a representative or consultative role in relation to the development of specific services or activities. This could include commissioning an organisation to undertake a consultation exercise, or to hold discussion or focus groups.
- Commissioning or grant funding VCOs that provide support to individuals or communities to enable them to have their voice heard.
- Entering into a consultancy relationship with VCOs specialising in a particular field to benefit from their knowledge or expertise of an issue.

2. Enable VCOs to help design and commission solutions to meet those needs.

Commissioning and procurement are separate processes, and often in the public sector they are carried out by different people in different parts of the organisation. It is therefore essential that those commissioning services are clear about what it is they want to purchase and what selection criteria should be applied at the procurement stage: all too often procurement is ineffective because commissioners have not properly specified the service and the outcomes they want.

VCOs have a wealth of knowledge and experience of working with users to design and, where appropriate, deliver high quality public services. Some of this knowledge and expertise comes from direct experience of service delivery, but some also comes from the role of VCOs as advocates or advisors. Making best use of this expertise requires a different approach to commissioning services, one that understands and values the distinctive contribution VCOs can offer and seeks to enable them to fulfil their potential.

If government wants to transform public services, then it is the wider roles of advocacy, support and advice that it needs to utilise and build on.

It is also the case that, in some circumstances, VCOs need to be clearer about their objectives in service delivery. For example, a wider engagement with VCOs in the designing and commissioning of services may mean that the solutions designed and piloted by VCOs become funded as part of the mainstream and will not remain within the VCS. Whilst there are issues about how such investment in service development is funded, it is equally true that if it results in a better service for a larger number of people, then it is still a successful outcome for both the VCO and those with whom it works.

Commissioning also needs to develop in ways that cut across traditional public sector “silos”. There needs to be more thought to joint commissioning by the various statutory partners that require and/or benefit from a particular service. Joined up commissioning (and recognition and reward) should enable services to be provided that better meet the needs of users and communities. And joined up commissioning should also reduce the burden of bureaucracy and duplication, and the associated costs, experienced by many service providers – in the VCS and elsewhere.

- VCOs could be paid to help design a service solution – effectively acting as consultants.
- VCOs may choose to “sell” what they do to the public (or private) sector to enable it to be implemented more widely – for example by taking a contract to train staff in another sector, or producing guidance or best practice material.
- VCS specialists in a particular field should be invited to comment on draft specifications.
- Large projects with an advisory panel should be expected to include experts from the VCS (either in service delivery or community engagement).
- Public sector bodies should consider investing in research and development undertaken by VCOs.

3. Where VCOs do deliver public services, 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*
- are properly negotiated and managed*
- are sustainably funded.*

Government policy statements have recognised the “added value” that VCOs can bring. To an extent this concept of “added value” has muddied the waters because it has led many, particularly those working in procurement and audit, to try and quantify “added value”. The real point is that commissioners need to be clear what value it is they are seeking for a particular service, and which potential providers are best able to provide that value. This needs to be properly specified in the commissioning process. For example, commissioners should include in contracts an expectation that communities and users will inform the delivery of a service; and service providers will need to demonstrate how they listen and respond to their users. The contract should include the costs of this engagement.

The issue of better procurement processes comes into play once service needs have been properly identified and a solution designed and commissioned. The reforms needed for procurement processes have already been identified in the Treasury’s 2002 cross cutting review, and reiterated by the NAO and PAC reports, 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, providing longer term funding where appropriate and ensuring that monitoring requirements are proportionate. It is to be hoped the Action Plan that government is due to publish in autumn 2006 will help truly embed these reforms at both the national and local level.

However, in order to achieve reform we also need to address the issue of funding. Firstly, there is the need to create capacity. If government really wants change, it has to create the environment and drive the agenda, including making available resources to increase capacity – as it did with foundation hospitals. In some cases short term and up front investment will be needed to enable VCOs to increase their capacity to achieve long term gains. Futurebuilders clearly has a part to play here, but as has been pointed out elsewhere, Futurebuilders’ success depends on VCOs being able to win longer term, fully funded contracts.

Which leads directly to the more fundamental issue: the need to properly fund the work of VCOs in relation to existing services. The VCS should be engaged in decision making processes, designing solutions and delivering services because doing so will result in better services and better outcomes for users and communities. But it would be wrong to assume that this has no cost: VCOs are not a free good that government can use to implement its reforms. The VCS cannot engage properly in the commissioning and delivery of public services because adequate funding is not made available.

- Good public service delivery depends upon good service specification and commissioning processes.
- Government needs to ensure that it fully implements the commitments it has made since 2002 to improve procurement processes with the VCS.
- The needs of individuals and communities need to be understood in a holistic way: there should be more joined-up commissioning and procurement of services.
- There should be scope within large public service contracts to fund innovative services, or to pilot new ways of working.
- Where services developed and piloted by VCOs are to be mainstreamed, more thought needs to be given to how that process will be managed.
- Public sector providers should ensure that small, local and specialist providers are able to compete for public service contracts.



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INVESTOR IN PEOPLE



National Council for Voluntary Organisations

Regent's Wharf
8 All Saints Street
London N1 9RL

Tel: 020 7713 6161

Fax: 020 7713 6300

Textphone: 0800 01 88 111

Email: ncvo@ncvo-vol.org.uk

Websites: www.ncvo-vol.org.uk

Need to know? www.askNCVO.org.uk

HelpDesk: 0800 2 798 798

or helpdesk@askncvo.org.uk

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