



NCVO Green Paper submission

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

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1. Executive Summary

1.1 NCVO is the largest general membership body for voluntary and community organisations (VCOs) in England. Established in 1919, NCVO represents over 8400 organisations, from large ‘household name’ charities to small groups involved in all areas of voluntary and community action at a local level. NCVO champions voluntary action. Our vision is of a society in which people are inspired to make a positive difference within their communities. A vibrant voluntary and community sector (VCS) deserves a strong voice and the best support. NCVO works to provide that voice and support.

1.2 NCVO’s response covers the areas addressed in the four substantive questions in this Green Paper. Where NCVO has specific views and expertise on sub-questions, these are included under the main questions. NCVO will submit further evidence to the forthcoming White Paper on public services reform. Given the very short timescale for this consultation, we will use the White Paper consultation as the principal opportunity to consult with members on issues around public services reform. Changes to commissioning are an essential part of driving improvements in public services. This must be used as an opportunity to promote high quality commissioning – moving away from current practices which actually in many cases are uncoordinated procurement exercises rather than comprehensive commissioning.

1.3 The VCS already plays a significant role in public services, and there is potential for this to grow. It is important that the full role, skills and attributes of the sector are taken into account and that the role for the sector is not restricted to delivery. The VCS should be engaged in this process to transform services, not simply to be the recipient of transfers of services from the public sector. A shift toward commissioning on the basis of the full economic, social and environmental value of services is positive. Services should be focused on outcomes and this will require changes to the commissioning process. To develop innovative, flexible services will require proportionate risk taking – risk needs to be accepted and managed and the burden of risk shared fairly amongst partners.

1.4 A more decentralised model for public services and greater role for communities and community groups will be part of the solution in seeking to make services more responsive and accessible. Right to challenge proposals will be one mechanism for this, though there are important issues to be resolved around how the criteria to determine a successful challenge should be drawn up. Where a service is successfully challenged, then this should result in a full commissioning process, as long as appropriate, rather than simply a procurement exercise to replace one provider with another. It is important that the fact that services are being challenged is taken seriously and that a full assessment of where improvements and changes are needed is undertaken. The transferring of assets to communities is a further welcome step, but it is important that these transfers are properly configured and that the reality is not simply a transfer of liabilities.

1.5 There are currently obstacles to market entry and a lack of a 'level playing field' between the VCS and other sectors, for example in the way that VAT is levied. Very significant barriers for the VCS include access to capital and cash flow. It is likely that a shift toward a payment by results model would exacerbate these problems if decisive action is not taken. The Big Society Bank is a part of the solution to that problem.

1.6 Partnership working is going to be essential across all sectors in seeking to improve public services in a period of fiscal austerity. Partnership working is important in maximising resources and the Compact should remain an important mechanism for ensuring that this occurs.

2. In which public service areas could Government create new opportunities for civil society organisations to deliver?

2.1 The voluntary and community sector (VCS) already plays a significant role in public services. NCVO supports government in its ambition to drive effectiveness and innovation in public services. However, the role of the VCS must not be constrained to service delivery – our sector plays an important role in identifying need, in working with communities (including many of the most excluded and disadvantaged), in giving voice to citizens and in designing and shaping services. Voluntary and community organisations (VCOs) may also play a specific role in service delivery, as appropriate, but a delivery role should not be a pre-requisite for involvement in other important elements of public services.

2.2 The ultimate aim must be to improve services to the benefit of service users and communities. VCOs may want to be involved in service delivery to the extent that it achieves this aim and when it is consistent with the mission of the organisation.

2.3 Commissioners need to understand and take account of transforming principles – 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.

2.4 Meaningful engagement with the VCS by commissioners will be a pre-requisite in order for the most effective services to be designed, commissioned, delivered and evaluated. Compact Voice has reiterated the need for Compact principles to be adhered to in engaging with the sector.

2.5 NCVO has well established policy in the ways in which the VCS adds value in public services:

Putting citizens and communities at the heart of the reform process

2.6 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.

2.7 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.

2.8 There are concerns around the proposal to set specific proportions of services to be delivered by independent providers. The Government's enthusiasm for increasing the diversity of provision is welcome, but it is essential that services are transferred from the public sector for the right reasons, and not to fulfil a quota. NCVO believes that the reason for VCS involvement in public services is to transform services, not simply to transfer them from one sector to another. There are current barriers to market entry, but these should be tackled in order to promote a functioning market, rather than to meet quota targets.

2.9 NCVO shares the Government's desire for a greater focus on outcomes in public services. Too often, services have been geared towards delivering narrow outputs and in meeting short term performance targets. A genuine shift towards outcomes would allow the necessary flexibility to reform services.

2.10 There are, however, significant challenges associated with a shift towards outcomes. First, the ways in which outcomes are measured (and agreed between partners) is complex and will also take time. There needs to be an acceptance of a fair share of risk on both sides in both toward outcomes.

2.11 The outcomes that the VCS delivers often cut across a number of public service areas. NCVO has conducted significant research in this area (jointly with ONS, HMT and other partners), which shows that the transfer of a service from one sector to another does not prompt improvements of the service in itself, nor does it recognise the value that could be added across a

number of service areas. This complexity should be reflected in the commissioning process to ensure that the full value added by the VCS is recognised. Adequate flexibility in commissioning is also a necessary step to driving genuine change in services¹.

Right to challenge

2.12 The right to challenge will potentially be useful in improving services and in allowing organisations from across all sectors to take on the running of the service if they are in a position to make it more accessible and effective. We would urge government to make the most of this opportunity and consider the following:

- Government should work with a full range of partners, including the VCS, to consider how services will be measured and what the criteria would be for a successful challenge;
- there must be a role for communities in assessing the success of services and in how services could be improved;
- when a service is successfully challenged, this should result in a full commissioning process (as long as appropriate) to address the problems with the service and the necessary steps to resolve them, rather than simply having procurement to change the supplier rather than the nature of the service; and
- the VCS will also expect to be the subject of, and not solely the instigator of challenges. Unintended consequences need to be considered – particularly given that the instigator of the challenge may not win, or even wish to bid for, new contracts. Government will need to consider ways in which market plurality will be maintained.

2.13 There is a difficult balance to be struck in needing to make sure that funding for services is made available in a way that enhances sustainability whilst also ensuring that the right to challenge is meaningful and that services remain flexible and innovative. There should be detailed work into how ‘break clauses’ in contracts and financial compensation would work in these cases.

Providing effective, joined up services

2.14 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.

2.15 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

¹ This research can be found here: <http://www.ons.gov.uk/about-statistics/methodology-and-quality/measuring-outcomes-for-public-service-users/mopsu-reports-and-updates/index.html>

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

2.16 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.

2.17 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.

Community assets

2.18 New rights for communities in the areas of public services and asset ownership are positive. It is important that communities are equipped with the necessary skills and confidence to maximise the potential of these proposals. It is essential that asset transfer does not in reality result in a transferring of liabilities from the public sector to the VCS or to local communities.

2.19 Some types of assets are more able to become self-sufficient in relation to ongoing maintenance, independence, and sustainability. Transferring a building in a good state of repair and with decent amenities to a voluntary organisation may mean that they are able to generate income by providing services or hiring out parts of the building. However, transferring a playground or open space offers much less opportunity for generating income and may mean that there is a need for continuing funding in some form from the public sector.

2.20 An asset, by its definition, should be a benefit. Assets which are not currently financially viable or operating at a loss would mean that a voluntary organisation would be owning or managing a liability – putting a huge amount of potential risk on the organisation taking on the asset.

2.21 The risk factor is a large potential barrier – trustees of charities may be particularly reluctant to take on a liability which may end up being a drain on their resources. The model of asset transfer can be key here – a one size fits all approach for transferring assets to community ownership will not reflect the different needs and particularities of different types of assets in different areas. Thought must be given to the range of ways that communities of civil society organisations may manage or own assets including:

- full transfer of ownership;
- shared management with the local authority retaining some responsibilities;
- long term arrangements where the community manages and develops the asset in perpetuity such as community land trusts; and
- long leases granted by councils in a traditional landlord/tenant relationship, perhaps accompanied with a management agreement.

2.22 Taking on assets will be a new venture for many organisations and community groups. They will have to appropriately consider how to involve and consult the people who live near and around the asset, as well as any historical legal requirements on the land (for example long-term covenants), an awareness of liabilities, consideration of what the most appropriate governance structures would be (community interest company, charitable trust, an industrial and provident society), as well as issues such as appropriate insurance.

2.23 Accountability measures for how the community group or organisations uses and manages the asset for the local area must also be considered so as to ensure that the needs of the community are always at the heart of whatever happens with the asset.

2.24 What is clear is that a simple transfer of an asset will, in most cases, not be appropriate – much more consideration, work, and long-term planning must take place around it to overcome barriers for civil society organisations.

2.25 The transferring of assets, increasing community involvement in activities and driving transformative improvements in public service quality and efficiency are innovative objectives. However, by aiming at doing something new and different, the Government must also recognise that an associated level of risk will be inherent. It is crucial that commissioners understand that all of that risk should not fall on civil society organisations.

2.26 The Asset Transfer Unit Evaluation Baseline Report for the Development Trusts Association indicates that there a number of significant critical success factors in asset transfers to the VCS (percentages are of surveyed local authorities):

1. The receiving VCO has sufficient capacity and skills (72%)
2. A good business plan and viable revenue stream going forward (64%)
3. Availability of funds to refurbish the asset or get the activity started (33%)

4. A rounded and strategic approach from the local authority (28%)
5. Strong support from local politicians (21%)
6. The transfer scheme has a strong champion and project manager to drive it through (18%)
7. The local authority has sufficient capacity and skills (14%)
8. Broad public/local support for the transfer (12%)
9. Technical knowledge about a particular asset (7%)
10. Not applicable (8%)²

Managing risk

2.27 To achieve real improvements in public services will require greater innovation and flexibility in both commissioning and delivery. This in turn will require a more open attitude to risk. Planning programmes and services well in advance, based on consultation with civil society organisations and service users, will help commissioners best understand the requirements and particularities of civil society organisations and go some way to ensuring a fair balance of risk.

2.28 There are wider issues around the way in which risk is viewed. To deliver innovative, flexible services does require an acceptance of proportionate risk taking and for failure to be seen as part of the natural process of improvement. There are significant concerns that the current fiscal pressures and the need for commissioners to quickly find large budgetary savings will make commissioning a more risk averse process. For example, NCVO is aware that some councils, such as Oxfordshire, are considering reducing delivery by external partners, including the VCS and intend to take services back in house.

2.29 Risk should always be proportionate to the value and method of funding that is being allocated. In all cases, the level of risk should not be dictated by the public sector, but should be arrived at in agreement and discussion with the organisation well before any contract or grant is entered into. Grants are an important part of the funding mix if innovation is to be encouraged, allowing VCOs the room to try new approaches to meeting needs.

2.30 Funding, in whatever form, should be regarded as a partnership. As such, the risk should be shared between sectors as is appropriate. We have come across contracts from public bodies where disproportionate claw-back clauses have entailed such a level of risk for that organisation that they have had to hand back the contract without signing. High quality commissioning, which understands the workings and nature of civil society organisations would go some way to stopping instances like this happening again.

2.31 Increasing the plurality of public service provision is part of the solution to driving improvement. However, there must be a fair balance of risk and reward between all sectors working in partnership in public services. In light of that, proposals to move toward increased provision by mutuals, co-operatives

² SQW Consulting (2009) Asset Transfer Unit Evaluation. Baseline report for the Development Trusts Association. Available here: <http://atu.org.uk/Document.ashx?ID=223>

and social enterprise (along with the VCS) is positive. It will be essential that government works with all of those sectors to ensure that the skills, knowledge and confidence exists across those sectors to make partnerships effective.

3. How could Government make existing public service markets more accessible to civil society organisations?

3.1 There are a number of barriers to market entry for VCOs. Part of the solution in encouraging VCS involvement in public services will lie in tackling these challenges. We would echo the findings of the 2008 Public Accounts Select Committee findings around the barriers faced in the tendering process, referenced as part of this consultation.

3.2 A key strength of the VCS lies in engaging with communities to identify need, including need that is not met by current provision. The aim, therefore, must not simply be to improve access to existing public service markets but to reflect on ways in which markets should change and new public services markets should develop.

3.3 The increasing focus on the role of the VCS in shaping and delivering public services has set a number of challenges for those working in organisations in both sectors, especially in relation to the commissioning phase. Reducing the red tape that hinders the sector's role in public services is a priority: the aim is for smart, effective and innovative commissioning that ensures the optimal involvement of the sector. NCVO will submit evidence to the Government's red tape taskforce and is running a parallel 'Task and Finish Group' on VCS regulation which will report in early 2011.

3.4 There is a clear need for accountability, but monitoring must not be excessively bureaucratic. The process of monitoring performance should be transparent, proportionate to the size and nature of both the organisation and the activity, and focus on outcomes. Where appropriate, service users should be involved in monitoring and reviewing service delivery.

3.5 Specific proposals for streamlining the commissioning process are:

- commissioners should focus on outcomes when developing monitoring requirements, rather than inputs and outputs. Target setting is rarely appropriate and is overly burdensome. On the other hand, outcomes allow providers to focus on the specifics of staffing, delivery and using their expertise to deliver services;
- develop monitoring forms and arrangements that are proportionate with the value of funding, size and level of perceived risk associated with the provider in receipt of funding. Finding the right balance allows providers to focus on delivery. Excessive monitoring burdens can also affect a provider's price for service delivery; monitoring has associated resourcing costs;

- presently, VCOs delivering public services face unnecessary bureaucratic burdens due to the overlap of monitoring requirements by multiple funders. For example, hospices providing the types of services regulated by the state have found the burden of regulatory bureaucracy increase in recent years to a level many feel is inappropriate: this is caused by many factors, including standards applied to the NHS, those necessary under law as independent providers of healthcare, those in their role as service providers to local PCTs and requirements under charity law;
- only include information that is required or will be used to assess performance against outcomes or value for money in monitoring forms;
- explore ways in which monitoring arrangements can be joined up, or standardised with other departments' approaches. Currently there is lack of consistency in bidding processes and contractual management: funding methods are highly variable across government
- financial information about third sector providers should also be 'passported' between Government departments.

3.6 The fiscal position is a clear challenge in seeking to deliver more localised, decentralised services at a time when many commissioners may look to achieve savings through offering larger contracts. This does present genuine difficulties, but we would stress the opportunities associated with involving a number of providers from all sectors and of all sizes. Government should provide support in covering the start up and transition costs of moving toward different public services models, particularly where these can deliver cost savings relatively quickly (for example, investment in prevention).

3.7 The complexity of issues surrounding TUPE and wider employment policy present barriers for the VCS. There is an important ongoing role for support and development of VCOs to ensure that concerns around employment legislation are not preventing an enhanced role in public services.

Price assessment

3.8 There have been issues around the way in which services provided by the VCS have been priced. Arguably this is because a 'grants mentality' continues to influence the way services are commissioned from VCOs, with contracts awarded on the basis of cost, often with 'claw back' clauses requiring any unspent funds to be repaid. Although the commitment to full cost recovery established the principle that services delivered under contract should be fully costed and paid for, it did not change this mindset. This point was made by the Public Administration Select Committee in its review of commissioning services from the third sector, which stated that:

'Commissioners need to lose the habit of grant funding when dealing with third sector organisations in competitive procurement processes. The onus

*should always be on the bidding organisation to decide how much they want to charge.*³

3.9 Enabling VCOs to bid for services on the basis of price, rather than cost would make it possible for them to generate a surplus from contract income, should they wish to do so. This, in turn, would help them to become better capitalised and therefore more resilient. It also has the potential to facilitate more mature relationships with commissioners.

Access to capital

3.10 A continuing issue for many VCOs is a lack of access to capital, or unrestricted funds, that they can use to invest in their organisation to build capacity; develop new products and services; or manage cash flow. Cash flow is a significant challenge for VCOs and this is likely to be exacerbated by a shift toward a payment in arrears/payment by results basis.

This needs to be addressed if VCOs are to be able to take advantage of new opportunities to deliver public services, particularly in the context of payment by results.

3.11 As outlined in the introduction, a commitment to partnership working from all sides will be essential. This includes managing funding relationships well, including changes to funding. Compact Voice have indicated the benefits of multi-year funding when appropriate – as embodied in the renewed Compact.

3.12 Investment ahead of income generation and evidence of profitability is high financial risk. Private companies have access to commercial capital markets and the expertise to manage this. VCOs that want to compete for contracts will need access to a more mature social investment market, as well as the right set of skills, in order to manage in this market.

Big Society Bank

3.13 Government proposals for the Big Society Bank are positive. A social investment wholesale bank, which NCVO has long called for, should provide much needed capital for the VCS, particularly in the context of the current fiscal challenges and the knock-on effect that this will have on the sector.

3.14 There is an important role for the Big Society Bank to capitalise projects to improve the skills base of VCOs in finance and governance. Government has indicated that the Big Society Bank will be given a high level steer to consider investment in youth and related projects. It would also be of value for government to further give encouragement to the Bank to provide support to projects that build capacity.

3.15 Key concerns around the Big Society Bank relate to:

- timing: NCVO accepts the complexity involved with the set up of the bank and the transfer of unclaimed assets. Clearly, all efforts should

³ *Public Services and the Third Sector: Rhetoric and Reality – Government Response to the Committee's Eleventh Report, Thirteenth Special Report (Session 2007-08),*

be made to ensure that the Bank is operational as soon as possible given the likelihood of tough times ahead;

- clarity: it is important that the VCS understand the role and function of the Bank as a wholesaler and that there is clarity on how funds will be directed to retail institutions;
- amount of funding available: the Bank will need to leverage in additional private capital if it is to realise its potential.

3.16 Given the very difficult fiscal and economic climate, collaborative working is likely to be a key way of maximising resources and mitigating the impact of less funding. It is therefore important that government does what it can to incentivise, or at least not present obstacles to, promote collaboration. NCVO reiterates the need for government to urgently examine VAT levied on shared services in the VCS.

4. How could commissioners use assessments of full social, environmental and economic value to inform their commissioning decisions?

4.1 The focus in the use of assessments to take account of full social, environmental and economic value must be that it enhances mission driven organisations in their efforts to deliver services that add value that goes beyond the purely financial. This commitment to the principles of the full value of public services, and not the mechanics of how assessments will work, must be the priority.

4.2 Current debates around public services should be embraced as an opportunity not only to deliver 'more for less' (or indeed 'less for less'), but to re-focus public services more widely. The Private Members' Bill introduced to Parliament by Chris White MP, has NCVO's support in that it seeks to widen the focus of services to take account of their full economic, environmental and social value.

4.3 The renewed Compact includes a reference to "ensuring that social, environmental and economic value forms a standard part of designing, developing and delivering policies, programmes and services". It is important that government at all levels takes this commitment seriously, working with the VCS and a full range of stakeholders to determine the ways in which these wider values will be measured.

4.4 There are clear issues and challenges in taking forward the Bill: including how to measure social value. Given the importance of the local context, seeking to impose one national standard is simply not realistic. Therefore, whilst there is a need to maintain consistency, there will also have to be adequate discretion in local areas. We would urge public bodies at all levels to engage with the VCS – particularly given the community reach of the sector into a full range of communities.

4.5 It is important that the aspiration that commissioners attaching full value to economic, social and environmental concerns is backed with sufficient

commitment from government and that this activity is not simply seen as an 'add on'.

4.6 Where commissioners are shown to be working to consider the full value of public services, then this should be rewarded with increased freedom to make decisions. Where the 'full value' is shown to generate savings to the public purse – for example, through reducing demand elsewhere, then an appropriate amount of the money saved should be re-invested into the service.

4.7 It will be important to strike the right balance between the need to manage spending reductions and seeking to ensure that social, environmental and economic value is taken into account. If considerable pressure is placed on commissioners to reduce spending quickly, then this reduces the likelihood of them taking social, economic and environmental full value as seriously.

5. How could civil society organisations support greater citizen and community involvement in all stages of commissioning?

5.1 NCVO supports proposals to engage local people and communities by giving them a greater ability to determine the shape of the places in which they live. Communities should be given the opportunity to identify their concerns and priorities, and be given the opportunity to help design solutions. 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.

5.2 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.

5.3 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.

Joint Strategic Needs Assessment (JSNA)

5.4 An approach which strategically examines need (including projecting future need) will be essential in seeking to improve public services. Meaningful engagement with a full range of stakeholders from across the community (many groups will be supported in this process by the VCS) is a pre-requisite to a comprehensive and accurate assessment of need. A further strength of JSNA is that it seeks to recognise the appropriate balance between the needs of individuals and the needs of communities.

5.5 Looking at need over the longer term and designing services to meet those needs is central to improving services. There are obvious challenges around making such long term decisions: first, predicting the future is difficult and commissioners need to allow a considerable level of flexibility, with services geared to meet agreed outcomes rather than narrowly defined outputs. Second, the current fiscal situation and the quick cuts to local authority budgets will inevitably make long term decision making difficult.

5.6 Commissioning should not be seen as a one-off exercise, but as a continuous process where communities are engaged in designing, using and evaluating services – with the lessons learned from such evaluation used to inform better future decision making.

5.7 The training of public service commissioners is going to be important to the success of these proposed changes to ensure that the full role of the VCS is understood and respected.

5.8 A commitment to genuine partnership across sectors is essential in making relationships work, especially in a time of more constrained resources. The commitment to partnerships are more important than written agreements or formal training, which will mean little if commissioners do not take working with the VCS seriously.

Community Budgets

5.9 NCVO is supportive of the Community Budgets pilot. Though a focus on the whole community in seeking to move to a more holistic approach would have been preferable, there is considerable scope to drive improvement to public services through a more holistic approach. This was covered in NCVO's response to the Spending Review:

- *To deliver effective services, commissioners should not operate in silos. The needs of users and communities often cut across public*

sector boundaries and a more holistic approach is needed to deliver genuinely responsive and outcomes focused services. Moving toward pooled budgets could prove valuable in seeking to maximise limited resources and to deliver funding that is genuinely effective. Pooled budgets will help to create an approach that meets a range of needs, which often cut across and overlap and will not be met effectively through a silo approach.

- *At a local level, the early results of a place based budgeting approach are encouraging, but will need to move beyond looking at finance alone toward a more holistic approach to the whole process of service delivery to be fully successful. VCOs should be key partners and allies in this process. Cultural, as well as structural change may be needed to foster a culture of collaboration, both within the public sector and across sectors. Decisions should be taken at the most appropriate level, taking account of the cross-cutting needs of communities of interest as well as communities of place.*
- *Public sector contracts should include provisions relating to social outcomes and social value.*
- *Greater use of pooled budgets would ensure that commissioning processes maximise use of scarce resources and better meet the needs of service users.*