

A provocation paper

Designed to spark discussion and debate across the sector.

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FAILING THE PUBLIC?



Fiona Sheil questions if the current focus on service delivery is the best way for charities to have an impact.

Fiona has worked in the charity sector for eight years, with roles at NPC, NCVO, Lambeth Voluntary Action Council and Age Concern Sheffield. She has also been chair of the award-winning disability cycling charity Wheels for Wellbeing. She is currently on a sabbatical, volunteering in Detroit. These are her personal views.

Introduction

I believe the charity sector is failing the public. Why? Because it isn't living up to its potential. Nowhere is this failure more apparent—or more urgent—than in public service reform.

The growing crisis in our public services is well known. Needs are growing, while money shrinks, and the overarching system is not working effectively to draw on the assets of communities and maximise the money that remains. No government yet has found effective ways to hold those who deliver services on its behalf to account, and the most vulnerable in our society are still typically those most disenfranchised from the system. Public services based on a poor understanding of the beneficiaries are inefficient and fail to meet the needs of the public, which leads to increased demand and rising costs.

The charity sector, with its flexibility, ideas, wealth of social assets and expertise, should be setting the principles and creating the systemic practices for the future. The sector should be driving forward equality, impact and cost-effectiveness at all points of the system, from the top levels of decision making, through to service delivery and wider community engagement and capacity building. Of course, there are daily examples of effective work in all these areas. Somehow though, these frequent pockets of excellent practice aren't managing to influence the overall picture as much as they should. Why is this?

After an unprecedented decade of growth in delivery of public services, income from government now makes up over a third of charity sector income. What impact has this had? Have charities gained more influence through this delivery role, or less? How has it affected culture? And most important of all: has it been the route to greater social impact, or a distraction?

As the crisis in public services gets only more acute, the charity sector needs to be in rude health—capable of innovation, of standing up for people's needs and wants, and of making systems, relationships, and technology effective. We need a charity sector that leads reform, not just responds to it.

This paper has been informed by my own experiences and by discussions with many colleagues in the public, private and charity sectors. In March 2014, while I was at NPC, I held a roundtable with a number of representatives to discuss the future of public services. I am grateful for their contributions and insights; however this paper reflects my own views, not those of the participants.

Delivering services—and following the money

Any discussion on charities and public services starts by talking about delivery. Why? Because this is where the money has been, and for better or worse, charity sector leadership has followed. Government funding now makes up over a third of the charity sector's income¹, which means that public sector purchasing decisions have undue influence on the way in which the charity sector deploys its resources and the independence of its voice.

The question of what impact has been achieved by this delivery focus remains an open one. Can the charity sector justify the focus on delivery, or has it been a distraction from activities like research into what works, which might have a greater impact on the shape of services commissioned? The National Council for Voluntary Organisations (NCVO) states that charities have a clear role to play in improving public services, but have charities achieved this goal?

The picture is mixed. In discussions, charities admit to taking on contract terms which they know preclude them from transforming the service. This is driven by the twin motives of retaining stable income in order to keep other activities afloat, and by a need to keep 'a foot in the door' for future, possibly better, opportunities.

In contrast, there are many instances where the sector has had a significant influence; for example large parts of the disability sector lobbied for the introduction of direct payments, which are implemented through personalisation. There are also particular needs that can only be met by organisations acting purely on a user's behalf, and without other conflicting motives (eg, profit). Independent mission-driven organisations like Citizens Advice Service, Rape Crisis or Shelter are arguably best placed to provide the necessary support to the people they serve—especially for those who have been forced into crisis or have lost trust in state institutions. As a result of this unique role, the charity sector can deliver certain public services which no one else can fulfil, and so they will always be required.

However, in more generic, universal provision, how much value does a charity add when under contract? Many charities argue strongly that service delivery by a mission-driven organisation with a beneficiary focus can produce better results, and that taking on contracts is the best way to prove this. However, studies show that in some cases contract terms and pricing is so tight that charities end up delivering services of no better quality than providers from other sectors². This is the case not just because of commissioner behaviour, but because in many contracts, and particularly those using payment by results mechanisms, the contract is used to manage and transfer the risks involved. In outsourced markets this leads to many contracts merely reflecting what has gone before, which is known and therefore easiest to manage.

In such an environment, and with contracts the key tool for securing—and fixing—service provision, perhaps charities delivering on imperfect contracts are not necessarily adding any unique value. Arguably, they just become part of a wider mix. Certainly, charities find themselves often frustrated by contracting processes which deny them the ability to lever their expertise into service design, or to utilise their wider resources and models in service delivery.

However in public services, the application of a quasi-market model to drive competition and force risk onto providers compromises the user-focus of charities. Contracts demand allegiance to the service purchaser, which often conflicts with the needs of the people charities serve. Contract terms can hinder the delivery of flexible services or the use of innovative approaches, leaving charities just delivering the same service as previous (possible failed) providers.

This risk-averse approach leaks out into surrounding relationships, leaving charities complaining that they cannot have intelligent discussions with purchasers around creating better services, or adapting to emerging needs and

¹ 34.8%, NCVO (2014) Civil Society Almanac

² Office of National Statistics (2010) Measuring outcomes for public service users

best practice. The resulting atmosphere across markets can become characterised by a lack of innovation and by suspicion between funder and contractor, which contributes to services improving at a sluggish rate, if at all.

A perfect storm

More than a decade of unprecedented growth in charity sector income from the state, and charities focusing more on delivery, has had wide reaching effects. These good years, followed by the sudden budget cuts now being made, have created a perfect storm—bringing out all the sector's shortcomings.

In the years of easy growth, the sector hadn't needed to be particularly skilled in operating in a commercial manner, or competing with private sector organisations for resources. The skills and knowledge which are required now—collaboration; risk management; negotiation; influencing; collective strategies for impact—were optional until relatively recently. As a result the sector's leadership isn't experienced in these areas, and as competition grows for diminishing resources, is finding itself reacting to negative factors. Rather than having the confidence and clarity to stay focused on achieving social impact, charities are making rushed decisions, building ill-fated relationships, and failing to have the evidence and strategy they need to deliver the level of social impact they should be.

For some charities, an approach driven by commercial competition and responding to contract specifications is in direct tension with the organic, bottom-up way in which charities develop—often founded as a direct response to the state's failure to meet needs. Small charities, or those trying to innovate, often find barriers to entering the market are absolute. At the other end of the spectrum, larger charities have responded to market pressures for scale and capital by becoming quasi corporate in their approach and scaling. Has it shifted from a point where operating in a contract environment encouraged professionalisation in the charity sector, to one where it is just producing another model of bureaucracy?

These splits in charity models are potentially divisive. We don't know how they will affect behaviours and relationships within the sector, with service users, and in the public's perception of what charities should and can do for our society. The charity sector needs to understand these implications.

The need to review the impact the sector achieves through delivery is now urgent—where the sector adds specific value through the delivery of public services, and where delivery by any competent provider would achieve a similar result. If the sector understands where it can be transformative, it will know where individual and collective efforts should be applied. We need an evidenced understanding of the circumstances in which the charity sector is able to transform public services for the better.

Improving the system—evidence and needs

The destabilising factors in public services delivery are not going to change: it will always be subject to political interference and new priorities. For the sector to be an able contributor, it needs to focus on understanding and influencing the system that sits above it. This means working higher up, where budgets are set against needs, market structures decided, and standards of quality set. Here, the possible influence of transformative approaches has greatest potential.

Macmillan Cancer Support is an example of a charity working on systems, rather than relying on contracted income. They regard this as their route to achieving greatest possible impact. Their work includes trialling new systems structures, providing evidence on which to base commissioning, and ensuring that individual users as well as user cohorts are well advocated for and able to advocate for themselves. These methods, rather than service delivery, are their primary means to achieving reform.

Evidencing and explaining needs is a particular focus for Macmillan Cancer Support, and an area where the charity sector has unique value to add. In listening to people and articulating their needs and how they are

caused, the charity sector can provide the knowledge base on which the public service system makes its decisions. For example, organisations who use the Joint Strategic Needs Assessment (JSNA) process can shape what social care needs are met, and how they are met.

But focusing on creating and analysing evidence is too rare in the charity sector. It doesn't attract the same kind of funding as delivery. As a result, many charities regard evidence as an add-on to their main delivery work; they will discuss it with public service purchasers, but only as a side piece of research. Conversations remain driven by the procurement cycle, at which point charities see the immediate value of influencing the public sector.

The problem is: evidence is needed to drive the process of procurement right at the start. Only by fully understanding needs and how they are caused and mitigated, can public services be effective. So long-term arguments about integrating service models, or funding prevention, can only really be made once the evidence exists which explains how the current system's resources aren't effective, or in some cases, even worsen social problems.

The challenge for charities is of course one of resourcing and skills. Research work is often considered a nicety, not a necessity. Funding tends to be sporadic, and limited, and systems and skills for collecting evidence and demonstrating impact are often not planned or embedded. As a result, the charity sector is operating in a public service system that is itself deficient, because of its lack of commitment to evidenced based decisions, and the charity sector is doing too little to alter that. Yet it stands to reason that until the public service system is based on an understanding of needs and how to meet them, it will remain strategically adrift and using resources poorly.

What can the charity sector do to make sure it doesn't unwittingly ape these problems of the wider system? A focus on evidence is the first thing. This means ensuring the skills and methods are in place to maintain an unbiased and active understanding of changing needs, and the factors that cause them. The role for charities in identifying needs is of absolute importance. Charities are—or should be—close to the needs of their members, constituents, and communities. Charities should act as a conduit and representative, communicating people's needs, and their capabilities. The charity sector's independence and single-purpose commitment to mission makes it singularly suited to provide this evidence effectively and without bias.

Effective influencing

The charity sector also needs to get much better at having the needs and solutions it identifies listened to. This requires an investment in influencing structures, and particularly in collaborative planning and collective voice. Lately, public services policy and research seems to have been an area for disinvestment by the sector. That needs to stop. Organisations who want to influence improvements in public service need to understand that well presented evidence and solutions are essential to achieving that aim.

Working together to present arguments will increase impact, and save on resources. This requires working with partners with whom they might compete in contracting settings; and it also means working with research focused organisations outside the public sector market. However market pressures can interfere with collaborative intentions, as they drive the sector into commercial behaviours and competition. This failure to collaborate is an open secret in the charity sector: so when is its impact going to be publically discussed?

Problems in public services identified by the charity sector are also not addressed in part due to the lack of technical detail and solutions that the sector offers. On the subject of procurement for example, there is a notable lack of highly-technical, pooled knowledge to enable reform. Procurement problems persist because purchasers are driven by an adverse attitude to risk, so the primary response from the charity sector should be the kind of detailed, technically-valid alternative models which can counteract purchaser's fears. But this hasn't happened, with policy and discussion around procurement and other areas of systemic problems often generalised—lacking the technical clarity to really make change viable for government.

Personalisation: an example of ineffective influencing?

The principle of personalisation was founded and advocated by the charity sector and when first conceived was genuinely radical: demanding change from the bottom up, so that people, not institutions, became the pivotal point and deciding factor in what services were put in place and how.

However, there were problems from the outset, including a lack of understanding by government of new risks, lack of support for people in their new purchasing role, and lack of vision and method for sustainable market restructuring. The charity sector widely recognised and raised these problems, but has not been very successful in getting them addressed. The impact of the poor transition to personalisation is still seen today: often people in receipt of personal budgets do not feel that they've seen significant changes in the services they experience.

Why wasn't the charity sector better able to counter the emerging systemic problems as they appeared? Probably due to the lack of a coordinated strategy to ensure the sector's voice was weighty, and the best channels for influence were used. Alongside this, the range of views within the sector meant that it was not possible to reach and articulate a consensus around the best approach.

The importance of systemic reform doesn't implicitly mean the charity sector should abandon all influence in other parts of public services, such as its provider role. But it does require far more planning and resourcing than it currently receives. System reform is too often an accidental addition to the experience of contracting, and not a primary target for charity sector thought and resources. Yet systemic changes to public services are likely to be much more impactful than most opportunities for service provision. If the system is well structured, and its principles and evidential basis sound, it matters far less who delivers the actual service to people. Perhaps here is where the sector needs to redouble its efforts for reform, even if it means moving focus away from provider roles.

User voice and support

I believe the true and fair representation of people's needs and wishes is above all the most important role the charity sector can play in public services. While other sectors can play an instrumental role in systems reform, research, and delivery, only the charity sector has the independence, skills, and people-focus to advocate fairly for users within, or seeking to access, the public service system. Many charities are founded because such support and advocacy is absent; so where it is necessary, users and their supporters develop peer and organisational structures to meet those advocacy and support needs.

The future importance of this primary and founding role of charities is immense. It could well be argued that in the context of public services, this user representation role should be pursued before all others. The potential power of users to hold the system to account, and to demand change, is one very clear argument for charities to ensure their users' voices are heard. Successive governments have all argued from their different political philosophies that people exercising choice and control can create effective accountability that then creates impactful public services.

While New Labour called this 'personalisation' and the Coalition call it 'choice', neither government has been as effective as hoped in transferring accountability directly to users of services. But having tried a number of methods to drive accountability and improvements, from centralised target-setting to localised devolution of decision-making, empowered services users is increasingly emerging as the final hope.

As of yet, much of this remains just rhetoric. The ability to shape public services typically remains in the hands of politicians and professionals, not service users. But the rhetoric about users as agents for change, now often

referred to as 'co-production', continues—even if the reality is a long-way off. This suggests that there is intent behind the words and so the charity sector should be active in getting this off the ground.

Because whatever the political posturing behind 'choice', 'co-production' and 'citizen-centred services', this represents a core principle of the charity sector. The charity sector itself is a demonstration of user and peer-led activity. Charities should be knocking down the doors of Whitehall to promote all methods of service and system structure that give users greater power and control.

Advocacy and assets

One of the methods that gives users greater control is advocacy. Advocacy can work on two levels: advocacy on the behalf of individuals to access or shape the services they need, and advocacy on behalf of multiple user voices to influence policy changes—whereby charities are the vehicle for communication.

The provision of services is only one part of a public service system: the other part is ensuring those services can be accessed and are effective. This is the role the charity sector has played consistently and well throughout the history of the welfare state. However, advocacy services, which help people access services, are unfunded and poorly recognised. Often considered an unnecessary add-on, they are liable to cuts when budgetary envelopes reduce. However, without advocacy, services like support for rape victims, asylum seekers, or children in care, are not effective and fail to meet social needs. The charity sector must argue not only the value of advocacy for individuals, but the value of advocacy in strengthening accountability and driving up quality.

It is already recognised that services centred around individuals are in many ways more rational and effective than those centred around institutional and budgetary silos, as has traditionally been the case. Take for example, the Social Impact Bond at Peterborough prison. What services did it end up funding? Peer key workers, who have not only the expertise to provide high-quality support, but who strive to create integrated service models centred around individual offenders.

The use of peers in this setting demonstrates that users are not only experts, but often have untapped capacity to add to the system for further improvement. The charity sector is well placed to recognise and strengthen these assets in individuals, enabling, for example, service users to contribute in reciprocal relationships as volunteers, or offer support to their peers and associates.

Charities can provide a platform for recognising user assets and facilitating their exchange. This can be through a number of models, such as timebanks in order to share assets with others, or increased self-management in order to strengthen the impact of the system. Charities can not only enable this exchange and asset base to develop, but have a role in regulating it too so contributions are fair. Contributions also need to be more than just transactions to fill gaps in the system. Self management in health for example, should be encouraged as a way to achieve a higher-quality and longer-lasting impact, structured in such a way that relationships change and users' knowledge, confidence and quality of life is improved.

The ability to support users to be experts, to hold services to account, to steer quality, ensure needs are sufficiently understood, and even to add their own assets into the public service system, all require leadership from the charity sector. If the charity sector focused on support in this area, it would not only transform the system and services, but support individuals to be independent from services. The overall impact has varied, and extensive, transformative power. Only the charity sector, with its independence, expertise and mission, can perform these roles without equivocation. But given the potential of this work, how committed and well organised is the current sector to make this happen?

Strengthening communities

The quality and impact of public services isn't only shaped by factors and actions directly related to services funded by the state. There exists a wider 'economy' of socially-minded civic action that works either unfunded, or through independent funding sources. This is work like youth clubs, befriending projects, and busy community buildings. These activities strengthen community roots, building a social economy based on mutual reciprocity, support, and a desire to create supportive, safe, and shared living environments.

This social glue isn't state-funded, but provides active and knowledgeable preventative support to people and communities. It brings people together, provides an outlet for volunteerism, and also a voice to represent community needs and interests.

Whether or not the state funds this work, the charity sector and the public service system need to consider how public service policy and resourcing is dependent upon this ongoing community-led activity. This grassroots work is fundamental to keeping communities cohesive and providing universal support, reducing inequalities. The big resources tied up in public service contracts have overshadowed this community activity and the benefits it has. As one roundtable delegate argued, everything in the public service system 'stands on the shoulders' of this grassroots activity.

'Contracts are the tip of the iceberg. Most of what we do—spaces for communities; support to navigate; safe haven; place to contribute—all of this is outside the market'

Roundtable delegate

The competitive world of contracting can encourage the larger charities to encroach on community-led work; or even, to adopt its results as its own. There is a clash here of two very different cultures, and in a world where resources equal power, it is too easy to drown out the expertise and the benefits that these volunteer and community-based organisations deliver. Yet if grassroots activity is lost, contracting charities may find themselves less able to achieve the outcomes expected of them: the two sides need to find a way of working together without undermining the unique contribution of community-led organisations. This will require a level of trust between the different parts of the charity sector, and open dialogue with public bodies recognising the relative contributions of each side.

Conclusions

Contracting has dominated the debate about charities and public services for too long. Transforming the quality of public services requires a much broader debate about the position and behaviours of charities. We need to see much more research, far greater focus on advocacy and brokerage for users, and methodological approaches to leveraging new innovations into services and overarching system design.

If the charity sector has been distracted by the surges in contract income, its now time to review just how effective contracted activity is, and how it fits with other means of achieving impact. All this however requires analysis of current impact, and willingness amongst the charity sector to analyse and admit what could be better.

- The sector needs to identify where it adds specific value through the delivery of public services, and where delivery by any competent provider would achieve a similar result. If the system is well structured, and its principles and evidential basis sound, it matters less who delivers the actual service to people.
- The sector needs to get involved in the nuts and bolts of finding solutions, helping commissioners to act on recommendations by making them clear and practicable and providing the technical details needed to make change viable for government.

- The sector should continue to support people to exercise choice and control, as this creates effective accountability which could not only transform the system and services, but support individuals to be independent from services.
- The sector needs to acknowledge the role of community-led activity that supports people and communities and consider how public service policy and resourcing is dependent upon it.

Improved impact also requires applying greater strategy to the way the charity sector works with the public sector. This means deliberately increasing skills, being targeted in evidence and messaging, and being collaborative in choosing priorities to affect and sticking with them until they are achieved. This kind of coordination requires an overhaul of current leadership and committed support by intelligent funders—both in the public sector and from independent foundations too.

The sector has many lessons to apply from its experiences so far, but most important amongst these must be what unique and important value can be added when the sector is meticulous in listening to and advocating for people and their needs. This drives better services, better systems, and better accountability, regardless of who is delivering the services.

We stand at a point in which the welfare state faces the biggest changes in its history. To play its part, the charity sector needs to embrace its independence, the quality of its evidence, and its ability to leverage people's voices to the top-table. Ultimately, the sector also has an on-going role in accountability, advocacy, and setting a vision for the future. But the sector needs need to begin by first asking the question: is it really having the biggest impact that it could?

Let us know what you think about the future role of the charity sector in improving public services.

Email info@thinkNPC.org or tweet us @NPCthinks using the hashtag #NPCprovokes.

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TRANSFORMING THE CHARITY SECTOR

NPC is a charity think tank and consultancy which occupies a unique position at the nexus between charities and funders, helping them achieve the greatest impact. We are driven by the values and mission of the charity sector, to which we bring the rigour, clarity and analysis needed to better achieve the outcomes we all seek. We also share the motivations and passion of funders, to which we bring our expertise, experience and track record of success.

Increasing the impact of charities: NPC exists to make charities and social enterprises more successful in achieving their missions. Through rigorous analysis, practical advice and innovative thinking, we make charities' money and energy go further, and help them to achieve the greatest impact.

Increasing the impact of funders: NPC's role is to make funders more successful too. We share the passion funders have for helping charities and changing people's lives. We understand their motivations and their objectives, and we know that giving is more rewarding if it achieves the greatest impact it can.

Strengthening the partnership between charities and funders: NPC's mission is also to bring the two sides of the funding equation together, improving understanding and enhancing their combined impact. We can help funders and those they fund to connect and transform the way they work together to achieve their vision.

New Philanthropy Capital
185 Park Street, London SE1 9BL
020 7620 4850
info@thinkNPC.org

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