University of Birmingham/Demos Policy Commission

Report of workshop on 'Reproducing Success and Mitigating Failure; the Future Roles of the Third Sector and the State', 10 March 2011

Evidence suggests that radical policy change is likely to experience failure. Planning for and developing ways in which to respond to failure will be crucial in order to avoid individual services users and communities being left without services. Conversely it will be important that 'successful' enterprises are able to be reproduced. This will necessitate the collection and assessment of evidence about different kinds of initiatives and enterprises.

This workshop focused on evidencing and dealing with the 'success' and 'failure' in the context of a renewed focus on third sector service delivery. It considered the implications for the third sector of working with new funding and 'partnership' arrangements, examined evidence of how organisations learn from success and failure, and explored the future role of the state and local government in promoting successful initiatives and mitigating failure.

Session One: Roundtable - the role of the third sector in delivering public services

The workshop began with a roundtable discussion on the role of the third sector in delivering public services led by **Pete Alcock** (Professor of Social Policy, Director of Third Sector Research Centre (TSRC) and a Commissioner). Pete introduced the roundtable with an overview of ideas in past and current policy on third sector delivery of public services and the challenges experienced by past and present policy practice. The key points of the presentation were:

- Third sector organisations have a long tradition of being involved in service delivery. What has changed is the way in which successive governments have sought to manage third sector involvement. Thatcher's governments introduced the 'contract-culture' into voluntary organisations principally through their engagement as service providers in a mixed economy of welfare. New Labour extended that model and contracts with the public sector now provide at least 36% (£13b) of charities' income (NCVO research). Contracted income to charities has doubled while the proportion of grant income has remained static.

- This change in resourcing has had other consequences including:
    - Increase in competition for contracts between third sector organisations
    - Inequalities in the growth of third sector organisations – TSRC evidence suggests the biggest change here is the disproportionate growth in middle sized organisations

- Increase in transaction costs associated with bidding for/negotiating and managing contracts
- Increase in and change in the way third sector organisations are regulated through contracts – greater requirement to account for how time is spent and on what
- Risk of incorporation – have third sector organisations become incorporated into public services?
- Risk of isomorphism – have third sector organisations started to look like public sector bodies (or private companies)? Do users care about this?
- Poor practice in commissioning – public service commissioners do not necessarily know who the appropriate third sectors providers are nor are they necessarily expert in setting outcomes for providers to deliver

- The coalition promise of 'Big Society' includes an intensification of third sector provision but a number of challenges remain:
  - How to overcome the 'contract culture' to encourage more creative involvement – task force on 'red tape' set up but not yet reported
  - The move from 'cost' to 'price' based contracting is likely to intensify competition but may also adversely impact on smaller third sector providers
  - The implications of the 'right to provide' offered to public service workers to deliver services independently

- There are also broader developments in public policy that will affect third sector providers:
  - The change in the way we specify what public services are and what they are for, specifically the emphasis on outcomes
  - The development of personalization – and service user budget holding
  - What do these changes mean for third sector organisations; how they are organised and their relationships with other organisations?

Key issues raised in discussion were:
- The challenge of getting better at outcomes based commissioning (particularly getting state organisations to stop specifying how as well as what), of translating this into outcomes based procurement and of working out the potential and limits of outcomes based payments

- The challenge of balancing quality and cost. There is evidence from social care and waste that the introduction of competition into public services drives down costs initially but that over time changing user demands and regulatory standards focus on

improving quality which places intense pressure on providers. There is need to understand the implications of context for expectations about 'the usual price'.

- State/third sector relationships are not linear but interactive and the third sector has shaped policy not just been a recipient of it.

- There is need to challenge the view that success = organisational growth

- What is distinctive about the third sector? Does it have a moral/cultural/political base that sets it apart from private and public organisations and does this matter in public service delivery? Suggested points of distinction included:
  - Can do things more cheaply
  - Can access resources that other sectors cannot (e.g. because of charitable status)
  - Can bring innovation based on its proximity to communities/users
  - Is more responsive to communities/users because grown from community/user movements
  - In some cases it has a unique access to particular groups that no other organisation has (implications here for how services to this group are then commissioned)
  - Values of volunteers focus on the delivery of social benefits to communities/users
  - Makes decisions closer to staff and power lies with 'members' not elites

  All of these points were contested. TSRC is undertaking qualitative and quantitative work to explore the sector's distinctiveness.

- Is it helpful any longer to think about sectors? Should we instead think about outcomes and how we make decisions in ways that secure these rather than confer special attributes (which may be illusory) on particular kinds of organisations?

The roundtable discussion then explored three specific themes, each introduced by an expert from policy, practice or research:

Theme 1. What future funding models can support the development of third sector delivery? Oliver Reichardt (National Council for Voluntary Organisations) introduced this discussion with the following points:

- The third sector likes outcomes based commissioning because it fits with their commitment to a 'triple bottom line' i.e. not just working to an economic model

- Payment by results can be problematic for the third sector as organisations may not to have sufficient working capital to invest in the process. Possibilities here are 'split risk' models where some funding is paid up front and some delayed (but this dilutes the principle of payment by results). DWP has experimented with a 'prime contractor' model in which the private sector lead contractor has to deal with the practical issues whilst conforming to a set of standards for engaging with the third sector as sub-contractors. Social impact bonds are risky for third sector organisations for this reason, but the social investment bank might be advantageous if it lends on preferential rates to third sector bodies.

- Personalisation is also not necessarily all good news for the third sector as it replaces 'guaranteed' delivery with the more uncertain costs of individualized provision

- Partnerships are increasingly important in commissioning and are becoming in some cases the only way for third sector organisations to secure larger funding pots. However they can require a long lead in time to develop and may mean that initial 'MOU' are not as robust as they should be.

- It is possible to deliver these new funding approaches in third sector 'friendly' ways:

    o E.g. Staffordshire council is offering grants for 3 years for innovative interventions, giving a transition to payment by results

    o Tendering processes can be re-designed to minimize transaction costs, e.g. begin with broad, light requirements and then increase the information required as you narrow down the potential candidates

- But there are important challenges (new mechanisms may still be considered too risky, new publicly spun out third sector bodies may compete with third sector) and barriers (big third sector organisations will have the legal/technical resources to work with new mechanisms that smaller ones lack)

The discussion covered the following issues and questions:

- Stability and framework agreements are important in enabling third sector organisations to function in market environments

- The third sector is likely to need financial support e.g. source of lending - model of the Social Investment Business is helpful here

- Is the market model good for voluntary organisations? Are there other ways of making decisions about how services are provided that can promote quality as well as manage costs?

- Is payment by results necessarily facilitative of improved outcomes?

  o If we are interested in prevention then is payment by results appropriate?

  o If funding remains silo based then payment by results may narrow what funders will support and this will then reduce the discretionary activities of organisations that in the past contributed to improved outcomes. Will it reduce creativity in the third sector?

  o How much of the sector is likely to be engaged in payment by results?

Theme 2. To what extent can partnerships or subcontractor models provide an effective means of involving third sector organisations in public service delivery? James Rees (TSRC) introduced the discussion with the following points:

- A NAO study into partnership/sub-contractor relationships found no evidence that third sector/private sector provision in some service areas e.g. employment, was better than that of public service providers overall. In the pathways to work programme that employed a prime-sub contractor model, there was evidence that prime contractors top-sliced funds and that sub-contractors (usually third sector organisations) lost out in this process. The coalition has introduced MERLIN standard to introduce greater fairness in these prime/sub-contractor relationships.

- Programme design can create perverse incentives or unintended consequences e.g. in the employment services programme designed to reach the 'hardest to help', the programme design and partnership arrangements meant that providers were excluding users they would ordinarily include – depends on your experience of who is 'hardest to help'

- Risks associated with new funding/partnership models may mean that smaller third sector bodies do not participate and the goal of creating a more diverse range of providers fails as only the bigger providers can compete

The discussion covered the following issues and questions:

- The new government's 'Work' programme is very complex, requires working with a myriad of providers and engaging with them across a broader range of outcomes (economic and social). To work well this programme requires a more networked approach to delivery. This means rethinking partnership arrangements and contractual relations, integrating commissioning, provider and user perspectives to arrive at outcomes and preferred ways of achieving them. It also requires restructuring provider organisations (in whatever sector) to work in new ways.

- There is a risk that the operation of prime/non prime relations between private and third sector organisations will fracture the relationship between the state and the third sector as the prime contractor becomes the key mediator. This also relegates democracy (representative and participative) to the margins of service decisions.

- There is also risk that an unsophisticated outcomes/commissioning model will focus on reducing risk and not improving outcomes. Consequently partners – prime and non-prime - will prioritise moving risk on and this will mean that the most vulnerable, in this case smaller third sector organisations, will bear a disproportionate amount of risk.

- Localism could be very powerful in supporting the design of more creative programmes and partnerships if decisions and power are devolved and judgement is privileged over close prescription

- Need to pay more attention to changing the incentive structures for providers. Evidence from the Future Jobs Fund suggests that a changed incentives structure, changes providers' behaviour and so changes outcomes – if outcomes and target groups are not well defined then impact can be negative rather than positive

Theme 3. What scope is there for self-help and self-organisation particularly in relation to young people? Angus McCabe (University of Birmingham) and Cheryl Garvey (Birmingham Association of Youth Clubs) introduced this discussion with the following points:

- Need to get away from demonizing young people in policy discussions

- Need to recognize that young people are part of communities and not separate from them. Youth Work suffered when it was separated from youth and community work and this also allowed adults to distance themselves from young people's lives. Need to challenge some prevailing orthodoxies e.g. should we be teaching young people to be resilient in the face of a failed public policy system or should we be encouraging them to challenge it?

- For self help and self organisation to flourish requires spaces and support – where are the spaces for collective organisation outwith the state? Where are the resources to encourage individuals or groups to pursue things that they think are valuable even if they are not on a list of government's priorities e.g. involvement in the arts, media and other activities?

- Currently self help initiatives are at risk because those involved believe that they are not valued by those in power and so do not feel able to continue.

- Investing in young people is a good thing to do. This is not only a resource issue but one of values.

- Need to be focused on services for young people not 'the Youth Service'. But also need to acknowledge that those young people most likely to get involved in shaping services are those most able and educated.

- Youth workers have never been able to demonstrate how what we did contributed to outcomes. This is a technical problem (collecting evidence of impact) but also a political problem (youth work occupies a strange space in local government organisations). Need also to see services for young people in the context of education which plays a key role in shaping young people.

- Services for young people have been driven by different policy agendas, most of which have little to do with the aspirations of young people e.g. initially focused on play and creativity, more recently on providing childcare for parents who are out at work and currently as a means of diverting young people from anti-social behaviour.

The discussion covered the following issues and questions:

- Need to consider carefully what we mean by outcomes in the context of young people's services. A focus on prevention often privileges activities that prevent bad things happening rather than promote the possibility of good things for young people. A focus on outcomes can also disguise structural inequalities which inhibit some young people from achieving their potential – a social justice question.

- Our current mode of delivery works on a deficit model of young people which is evident in how we talk about them as well as what and how we deliver services. Need to move to an asset based model. This in turn will challenge what we mean by payment by results.

- We may also need a different conception of what services to young people are and what they look like. May not just (or even) be those services provided by 'youth workers' but rather services provided in other ways and for other purposes that young people find helpful and meaningful, e.g. Foyers work with 10,000 young people but are not seen as a youth service.

- Should not assume that self help is a substitute for public planning and provision.

- Self help activities with no connection to the state or acting in resistance to the state should be valued.

Session Two: Select Committee - Measuring impact, reproducing success and learning from failure in third sector delivery of public services

For its second session the workshop adopted a select committee form with Commissioners questioning invited witnesses on issues relating to 'success', 'failure' and learning. The witnesses covered the following issues:

- What current models of measurement of impact can help us to make judgements about the effectiveness of current service delivery by third sector organisations? How effective are these different impact measures and is there any evidence of good practice in their usage?

- Are there examples of effective replication or scaling-up of effective delivery by third sector organisations? What can experience of learning in other sectors, e.g. local government, tell us?

- Are there examples of learning from failure? What might lead to failure in third sector delivery in the future? What provision can/should we make for this?

Witness 1. Domenico Moro (TSRC):

Domenico focused on issues of impact and measurement. The key points from his opening statement were:

- Outcomes comprise tangible and intangible impacts. It is very difficult to undertake cost/benefit analysis using monetary values when the benefits may be intangible, when value changes over time and when the cost/benefit of an individual unit or activity cannot be extracted from the wider system of provision. Monetarising intangible benefits is always partial.

- Social Return on Investment approaches offer an adjustment to conventional cost/benefit analysis but they continue to face the challenge of quantifying benefits.

- Do organisations have more or less discretion in how they account for the value of social benefits when they are working with grants rather than contracts?

- Can we ever really quantify social benefits in monetary terms and how credible are existing instruments, e.g. how helpful is it to quantify volunteering by its market value replacement cost? Cost/benefit analysis does not tend to work well in welfare economics where different people value benefits in different ways.

Issues raised in questioning and discussion:

- There may be outcomes that are recognised as valid and useful e.g. Every Child Matters outcomes, but which cannot be monetarised. These outcomes are likely to

be the product of a range of interdependent interventions – How can impact be measured here?

- How is user opinion/value accounted for in traditional cost/benefit approaches?

- What impact are we wanting to measure – micro level (individual) and/or macro level (system)? Each implies different kind of measurement.

- The most credible approaches to measuring impact may be the simplest but these may not allow for quantification or monetarisation of intangible benefits

Witness 2. Malin Arvidson (TSRC):

Malin focused on measuring social impact and learning from/scaling up successful interventions. The key points from her opening statement were:

- Social impact measurement tools are about proving and improving but the learning element (improving) in this process tends to occur in private and organisations are not comfortable about opening up this experience to the public as revealing 'failure' may be perceived adversely by funders or commissioners demanding a certain level of standards/results. Issues of reputation and funding would need to be addressed before organisations would be comfortable making these processes public.

- Social impact may not tell us enough about the underlying processes of why something happened – this is necessary for replication. SROI is an advance since it has the potential of focusing on the organisation rather than projects. Too often tools consider isolated activities without considering e.g. organisational culture, ethos…

- In scaling up we need to consider what we lose when we move from the singular to the multiple
  - Particularly in third sector – risk of losing characteristics that are highly valued e.g. flexibility, innovation, limited bureaucracy, being locally connected
  - Need to develop a greater understanding of how to mitigate risk and prevent mission drift in the process of scaling up

- Need to consider where motivation for scaling up comes from – top down (for efficient and effective delivery of public services) or bottom up (for example to spread innovation, reach new, marginalised groups)? This will influence the purpose and process of scaling up.

- o Recent studies on replication e.g. Social enterprise Coalition: Growing social enterprise – research into social replication (2011) considers *why* organisations engage in replication – an important factor to understand. Is it e.g. to increase income, spread innovation? Motivation may be different in partnerships – influenced e.g. by whether the actors involved have the same motivation and end goal
  - o For third sector it is Important to remain rooted in local communities – need to allow time for engagement of local community – cannot have a 'time budget'
  - o Difficulties associated with replication include: weak external partnerships, wrong skills and attitudes to do the work needed, internal resistance within organisations, difficulties of finding funding to support replication.
  - o Replication as discussed in the report by the Social Enterprise Coalition mentioned the difficulty of fitting in funding structures, when scaling up involves an income generating element. Organisations are (inappropriately) then seen as 'commercial' by funders and hence fall outside of funding framework as set for charities.

- Scaling up also needs to take account of balancing commercial and social goals
  - o Work on the growth of Micro-finance (MIF) on the international development arena (Muhammad Yunus) offers lessons on mission drift, creaming off clients, change to nature of client base. A recent study by Copestake (2007[1]) looks into how assessments of MIF organisations can incorporate indicators that are sensitive to some types of mission drift. Success would then be defined not only by how many clients have successfully applied for and then repaid micro-credits, but also by the characteristics of these clients.
  - o Considering social impact assessment in the UK third sector today, frameworks that are presently used do not include such variables/indicators. Exploring how evaluation tools can be made sensitive to for example mission drift, can help us learn about replication, and mitigate some negative unintended consequences and risks that come along with replication by flagging up problems at an early stage.

Issues raised in questioning and discussion:

- Are there examples of spreading innovation (as opposed to scaling up within an individual organisation)?

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[1] Copestake, James (2007) Mainstreaming Microfinance: Social Performance Management or Mission Drift? *World Development*, Vol. 35, Issue 10, October, pp. 1721-1738

- The relationship between replication and quality assurance; how to allow room for tailoring the replicated service to different contexts/needs – made more difficult in cases where funders e.g. (local) government want a particular kind of interventions; questions of regulation

- Often, new skills are required in scaling up e.g. in managing staff in new ways

- At what point do you describe an organisation that has not achieved all that it set out to achieve as a failure? Who decides what is a failure and what isn't? The value of a life cycle approach to understand this better?

- The influence of funding in what is scaled up/replicated and the limits of silo funding streams

Witness 3. Peter Latchford (Black Radley Limited):

Peter focused on learning in public sector organisations. The key points from his opening statement were:

- There is a range of approaches to designing and delivering public services but policy makers tend to assume that they are all one and the same, rather than different points on a spectrum or variations on a core set of principles.

- Services/interventions may fail for a range of reasons: alignment of a set of factors that generate a crisis, wrong diagnosis of the original problem leading to inappropriate service or intervention, or lack of engagement of the key people needed to make an initiative work (often this may be failure to involve users).

- Models of services are either transactional or relational. We need to know when and how to employ each model. Too often transactional models are used which are inappropriate to the issue to be tackled.

- The key issue, in designing and managing successful public services, is – how should decisions be made? There are four broad problem types, each of which requires a different decision making approach. These are: (1) involvement (where the involvement of the service customer/client in the decision making is more important than the content of the service itself – e.g. youth services); (2) joined up (where the alignment of services between providers is more important than the professional content of each in isolation – e.g. chaotic families); (3) analytical (where expertise, information and professional standards are the main drivers of quality – e.g.

surgery); and (4) political (where the framework of intervention, the priorities and allocation of resources are defined – e.g. Council budget setting).

- We need to see local public services as complex adaptive systems – this requires us to: offer freedom to experiment, be honest about failure, and humble about our current situation (of failed public services).

Issues raised in questioning and discussion:

- Whose fear needs to be tackled in thinking about public services in this way – politicians and/or professionals and/or the public? How do we tackle this?

- Is there an orthodoxy of instrumentalist, masculine management – are there examples of other approaches we can use?

- Considering public services as complex adaptive systems means there is no single answer and all approaches are contingent. What does this mean for how the commission approaches its recommendations?

- Change is not just restricted to the public sector. All sectors involved in delivering public services need to change. Important not to underestimate the challenge.

Witness 4. Rob Macmillan (TSRC):

Rob focused on research about learning from failure in the third sector. The key points from his opening statement were:

- What do we mean by failure? At least three levels in the third sector context:
  o Organisations that fail (i.e. closure, insolvency)
  o Service level failure (i.e. services or projects which fail, even though the organisations which run them continue)
  o Failure associated with beneficiary levels and outcomes (i.e. where services or projects fail to impact on people or communities, even though they may have been successfully implemented and the organisations which run them continue).

- Failure is a relative concept in relation to expectations

- There are systemic reasons why organisations rarely talk about failure (in public).
  o There are incentives in the system to hide anything that is 'less than success' – related to primacy given to success; reputation; access to resources – the economy of regard/reputation

- o Strong emphasis in public policy on accountability, responsibility and the associated tendency towards 'blame games' contributes toward organisations i) hiding failure *and* ii) talking up the promise of progress, success

- There are limited examples of failure in the literature. This is not the same as saying that there is limited failure, only that accounts of failure are a rarity.
  - o Examples in third sector literature – usually about organisations that have collapsed and therefore trying to account for that collapse => multiple, contested accounts of the reasons for failure (such as 'was it contextual/environmental?' – e.g. funding regimes; or 'was it conduct and process?' – e.g. a failure of management and governance)
  - o Some examples of organisational turnaround – of recovering from apparent failure

- Future sources of failure in the third sector include:
  - o Funding regimes - higher risks associated with payment by results;
  - o Profile of beneficiaries that third sector organisations work with – a 'dumping ground' for the more difficult cases/intangible problems, meaning that it is harder to generate the results that could be classed as success?
  - o Unrealistic expectations of commissioners/funders about what can be delivered/what outcomes can be generated – associated with a lack of genuine co-production that involves third sector organisations in design of services
  - o Under-capitalisation in the third sector, suggesting little flexibility for contingency in the face of austerity/revenue shortfalls, and little scope for investment in organisational capacity

- Possible ways of protecting against failure include:
  - o Capacity building: what should capacity building in the third sector look like? Is capacity building being tailored towards risk management?
  - o Quality assessment – the process of thinking through quality assessment can be a learning process

- Important to be wary of any programmes/services that are touted as success/models without any mention of challenges/failures; think of failure in terms of learning - think of 'interesting practice' as opposed to focusing on 'good practice' and 'bad practice'

Issues raised in questioning and discussion:

- There is a dearth of specific examples of learning from failure. Often accounts of failure are written after the event. Does that limit the learning that can take place?
- Failing organisations can be turned around but need to understand the context in which they are operating and draw on the right resources (human and financial) to respond.
- Failure is sometimes built into inadequate commissioning processes e.g. contract clauses that will produce failure.

Witness 5. Brian Carr (CEO, Birmingham Voluntary Service Council):

Brian focused on the practical experience of learning from failure in the third sector. The key points from his opening statement were:

- Commissioning can been a key source of failure in circumstances where:
  - The commissioning process is flawed or unclear to potential providers
  - There are hidden agendas amongst commissioners
  - There is uncertainty about what the outcomes should be or lack of agreement between commissioners and providers
  - Commissioners take a 'blanket approach' to potential/actual providers rather than addressing weaknesses in particular sectors/organisations
  - Commissioners fail to see that third sector providers can help co-design services as part of the commissioning process

- Third sector organisations can contribute to failure where they get into 'partnership' arrangements with local public services too early and without sufficient preparation

- Third sector organisations also make less use of SROI or other impact assessment processes than they should

- Both third sector and public service organisations lack 'corporate memory' and spend insufficient time reflecting on what went wrong in failed arrangements

- Too many commissioning arrangements rely on individuals making them work – when those individuals leave, the commissioning process fails and relationships between commissioners and providers deteriorate

- Ingredients for success include:
  - Robust accountability mechanisms that can contribute to learning
  - Agreeing and recording impact between partners
  - Having time to build new relationships, drawing on existing networks

- o Making resources available to build capacity – money still matters for third sector development
- o Getting users involved in identifying the problem and agreeing the solution
- o Engaging in pre-procurement dialogue
- o Effective debriefing of why providers weren't successful – vital for learning

Issues raised in questioning and discussion:

- Umbrella or representative organisations can support making changes to how the third sector works and its relationships with commissioners by:
  - o Representing broad concerns to commissioners
  - o Identifying weaknesses in particular third sector organisations and helping to address these (peer review and quality assurance here?)

Session Three: Roundtable discussion – "What about the continuing role for the state?"
The roundtable discussion explored three themes, each introduced by experts invited to identify the key issues from their perspectives:

Theme 1. What role does the central/local state have in supporting the third sector? Helen Dickinson (Health Services Management Centre, University of Birmingham) and Sharon Palmer MBE (Regional Action West Midlands) introduced this discussion with the following points:

Helen Dickinson:

- The state has a number of roles in relation to the third sector that can be performed (albeit with different emphasis) by the national and local state:
  - o Funding
  - o Regulation
  - o Collecting evidence to support improvement
  - o Setting expectations within the third sector and wider society about the role of the third sector

- Local government has a particular role in :
  - o Translating national sentiment into local contexts
  - o Market management – creating networks, supporting contract development, developing new mechanisms
  - o Enriching local networks beyond the usual suspects – opening up the third sector

Sharon Palmer:

- RAWM is a regional organisation that has a particular role in relation to third sector organisations – strategic management of support to sector, stewardship of funds and provision of infrastructure to the sector. Without infrastructure organisations how will the sector develop?

- Previous Governments' intervention in third sector development has left many ill equipped to deal with current Government proposals which they feel amount to abandonment. Government's proposals are evidence of a continuing desire to shape the third sector in particular ways rather than allow it to develop in its own way

- Is the emphasis on social enterprise appropriate for all/many organisations; do they fit Government's proposals and will availability of transitional funding force more into becoming social enterprises even if it is not appropriate?

- Need to acknowledge the contribution the sector makes to economic wealth and cohesion – to continue to do this Government needs to invest.

Issues and questions raised in discussion:

- Need to avoid using language of 'dependency' in the context of third sector organisations. Third sector/public sector relationships are of interdependency

- Emphasis on local determination of which services are provided and on what basis. This requires transparency of commissioning and procurement and a separation of the two. How are potential conflicts of interest specified, identified and addressed?

- Does 'partnership' imply loss of independence, particularly if as so often the third sector organisations are not equal partners with public sector bodies?

Theme 2. How are accountability, value for money and public safety to be ensured? What are the respective roles of local and central government? Ed Hammond (Centre for Public Scrutiny) introduced the discussion with the following points:

- Accountability in public sector/third sector relations has become limited to accounting for how money is spent and the achievement of specified tasks. It encourages a practice of compliance to stated measures and inhibits creativity. It is also a diminished conception of accountability.

- An alternative conception of accountability is one in which more attention is paid to local circumstances and the construction of mechanisms for giving and holding to account that go beyond the financial/performance measures, but embrace narratives of why things happened and what might be learned.

- A new approach to accountability could be flexible, locally led, based on building up strong relationships with others and holding partners to account for progress towards shared goals.

- Local councillors have a key role as ward representatives, mediators of local interests and scrutineers of the actions of local government and other providers

- Public safety is a matter for both central and local government and can be secured through a combination of national inspections, quality assessments (that are proportionate) and self policing. Need to think about the balance between national and local, external and internal assessments.

Issues and questions raised in discussion included:

- Need to rediscover the potential of local councillors and provide a clear and meaningful role in a 'new localism'. Why privilege the contribution of nationally appointed 'community organisers' over long established local councillors?

- Think about examples of where local government commissions services without contracts and uses alternative methods of holding providers to account.

Theme 3. Who should step in when third sector (or private sector) delivery of public services fails? What responsibility does the state/local government have for providing a 'safety net' of services? What are the implications of this in terms of public service planning and resources? Chris Banks (Chair, Public Chairs Forum and Deputy Pro Chancellor, University of Birmingham) and Mark Bramah (Association for Public Service Excellence) introduced this discussion with the following points:

Chris Banks:

- The decision about whether or not to step in depends on how the state views the service e.g. is it a service that the state has decided it does not wish to/cannot afford to provide any longer, or is it a service that the state believes to be core to the well being of its communities? If the former then the state can opt out should failure occur, if the latter then the commissioner retains a responsibility for making sure that the service is provided.

- Traditionally in public services we offer more resources to things that we do badly than things that we do well. Why do we do this and how can we change our behaviour?

- Lessons from the private sector suggest that if we do due diligence, plan for failure, consider a range of possible future scenarios, limit the circumstances in which we have a single supplier then failure, when it occurs, is easier to mitigate.

- Failure does not happen overnight. The warning signs are always there. Key role for a commissioner to keep on top of managing performance.

- Don't assume that failed services can or should be brought back in house – contractual arrangements might not permit this and it may not be best for the consumer.

- What contingencies do public bodies have for mitigating failure e.g. drawing on reserves? If they have no contingencies then possibly think about funding a levy to provide some protection (insurance) should failure occur.

Mark Bramah:
- Proposes an alternative to the 'enabling council', the 'ensuring council'. This draws on Anthony Giddens idea of an 'ensuring state' – an active body offering new capacity to deal with emergent challenges - and contrasts this with one interpretation of 'enabling' which is to hand over responsibility for meeting needs/delivering services from the state to others.

- 'Enabling' is about giving responsibility away to others. Its language is that of competition, markets, procurement and commissioning. 'Ensuring' means that you are responsible for the outcomes and you need the capacity to do things as well as getting others to do things.

- 'Ensuring council' privileges the role of politics in expressing the values of citizens and communities. It is not just about the role of elected members as passive intermediaries between citizens and service providers and also highlights its 'stewardship' role in relation to public value and social justice.

- It assumes greater financial capacity and flexibility locally and also acknowledges the capacity for 'civic entreprenuerliam' and innovation within the public sector (rather than assuming this only comes from without).

- In the current financial climate, local authorities need to think about services in the context of those that **must** be provided, those that are locally **needed** and those that **could** be provided.

Issues and questions raised in discussion included:

- 'Big Society' will not replace the state – at any level but particularly not local. There is a public mandate for an active state and public services but they have to take a different form.

- The commissioning process does not end when the contract is signed. There is a cycle to the commissioning role which if done properly will enable failure to be managed.

- Have we thought enough about the role of local government in market making – finding alternatives to existing supply and supporting through building capability and infrastructure provision?

- Is it easier for councilors to perform their democratic role if services are commissioned externally – does this avoid conflicts of interest for councilors or does it reveal a lack of capacity on their part to be responsible stewards?

- One possible scenario for dealing with the inevitable mistakes that will be made in redesigning public services: have niche providers, shared service partners, residual in-house roles, challenge service design through involving users, introduce penalty clauses (will potential providers simply add these on to their bids?) and make provision to bring in emergency social enterprise provision.

Birmingham Policy Commission Workshop:

10 March 2011

Workshop participants

COMMISSIONERS

Name	Organisation
Pete Alcock	Professor of Social Policy and Administration, University of Birmingham; Director of Third Sector Research Centre
Tony Bovaird	Professor of Public Management and Policy, University of Birmingham
Deborah Cadman (Chair)	Chief Executive, East of England Development Agency
Nick Sharman	Director of Local Government, A4e
Jane Slowey	Chief Executive, Foyer Federation

INVITED GUESTS

Malin Arvidson	Research Fellow, Third Sector Research Centre
Chris Banks	Chair, Public Chairs' Forum and Deputy Pro Chancellor, University of Birmingham
Mark Bramah	Assistant Chief Executive, Association for Public Service Excellence (APSE)
Brian Carr	Chief Executive, Birmingham Voluntary Service Council (BVSC)
Helen Dickinson	Lecturer, University of Birmingham
Cheryl Garvey	Chief Executive, Birmingham Association of Youth Clubs
Ed Hammond	Research and Information Manager, Centre for Public Scrutiny
Peter Latchford	Chief Executive, Black Radley Limited
Rob Macmillan	Research Fellow, Third Sector Research Centre

Angus McCabe	Senior Research Fellow, University of Birmingham
Steve McKay	Professor of Social Research, University of Birmingham
Domenico Moro	Research Fellow, Third Sector Research Centre
Sharon Palmer	Chief Executive, Regional Action West Midlands (RAWM)
James Rees	Research Fellow, Third Sector Research Centre
Oliver Reichardt	Head of the Public Services and Partnerships Team, National Council for Voluntary Organisations (NCVO)
Catherine Staite	Director of Organisational Development, INLOGOV, University of Birmingham

POLICY COMMISSION TEAM

Helen Sullivan	Professor of Government and Society, Head of the Birmingham Policy Commission University of Birmingham
Audrey Nganwa	Research Associate, University of Birmingham