HOUSE OF LORDS

Select Committee on Charities

Corrected oral evidence: Charities

Monday 5 December 2016

3.15 pm

Watch the meeting

Members present: Baroness Pitkeathley (Chairman); Baroness Barker; Baroness Gale; Lord Harries of Pentregarth; Baroness Jenkin of Kennington; Baroness Stedman-Scott.

Evidence Session No. 20 | Heard in Public | Questions 188 - 198

Witnesses

I: Dan Scorer, Head of Policy and Public Affairs, Royal Mencap Society; Andrew Seager, Head of Service Development, Citizens Advice; Jacob Tas, CEO, Nacro.

Examination of witnesses

Dan Scorer, Andrew Seager and Jacob Tas.

Q188 **The Chairman:** Good afternoon, Mr Scorer, Mr Seager and Mr Tas. Thank you for coming in to see us. Thanks to you in particular, Mr Scorer, for coming at rather short notice; I understand that Mr Cowman is injured. Before we begin, I have to tell you that this session is open to the public and is being broadcast on the parliamentary website. A transcript will be taken of your evidence. You will be sent a copy to check for accuracy and to advise us of any corrections that you want to make. If, after this session, you wish to clarify any points made during your evidence or if you want to make any additional points, you are welcome to submit supplementary written evidence to us. We do not expect any votes today, so we will not be interrupted by a bell. My colleagues will take it in turns to put questions to you. Please do not feel that all three of you have to answer every question if you feel that it has been adequately covered. My colleagues may direct a question to any one of you. Otherwise we will direct them to you generally and you can choose which one of you goes first. Please introduce yourselves if you would like to. Then we will start the questions.

Dan Scorer: My name is Dan Scorer. I am Head of Policy Research and Public Affairs at the learning disability charity Mencap.

Andrew Seager: I am Andrew Seager. I am Head of Service Development at the National Association of Citizens Advice Bureaux.

Jacob Tas: My name is Jacob Tas. I am the Chief Executive of Nacro, the social justice charity.

The Chairman: Thank you. The Select Committee particularly wanted this session to talk to large service providers such as you. We are interested in how the so-called contract culture works for charities, so we are very keen to get your views.

First, how has the move from grants to contracts changed the role of charities, if at all? What are the main challenges that you find in your work in the fulfilment of public contracts?

Dan Scorer: I will kick off, if I may, by answering the second part of your question on the challenges associated with the fulfilment of public contracts. There are two main areas that I planned to focus on with you today. One, of course, is social care. We provide direct support to just over 5,000 people with learning disability in their own homes. You will be aware of the very great funding pressures on social care and what that means for the eligibility of older and disabled people who need support. Indeed, many people no longer get support, as eligibility criteria have tightened and funding has reduced over recent years.

For us, the funding landscape is very challenging in relation to delivering contracts. There is year-on-year pressure in terms of the amount that local authorities are willing to pay to provide support. In addition, we recently had the very welcome introduction of the national living wage, but that has placed additional financial pressure on social care providers, which has been a great cause of concern across the sector. We have been making representations to government Ministers on the implications over the coming years as we move towards the eventual living wage level. So that is one area where there are certainly a number of challenges.

The other area I want to focus on is back-to-work support for disabled people. In the past, we have been a provider in the Department for Work and Pensions' employment support programme: the Work Programme and Work Choice. We are no longer in those programmes, because the funding, outcome and payment structures in them just did not work for us and for the people we work with: people with learning disability, who are often a long way from the labour market and who need significant sustained support over a period of time in order to move into work, and for them and their employer to be supported once they have moved into work.

A payment structure that does not reward progression as you move someone towards work puts significant amounts of risk on the provider of that employment support. In the end, that was a level of risk that we decided we could not take. That is not to say that that is the case with all programmes. We are currently delivering a number of ESF—European Social Fund—employment-related programmes, for which the funding structures are very different. There are payments for engaging people in the programme, payments throughout a year of supporting someone, and payments for sustaining someone in a job—normally for six months afterwards.

So we can see that those challenges are not inevitable. There are different ways of doing things; different ways of structuring contracts to ensure that people with learning disability, for example, who can be very far away from the labour market or have significant care needs, can be supported in the way they need.

Andrew Seager: Citizens Advice is the national umbrella organisation for 300 local citizens advice bureaux, so we get to see what local commissioners do as well as national commissioners. We are fundamentally set up to help the 2.7 million people who we help to solve their individual problems and to find a way forward. That varies from individual to individual; needs will vary. Contracts tend to be very tightly defined, as Dan said, and you end up trying to wedge your core service delivery and the people you are trying to help into a tightly defined contract. Contracts do have a role to play, but I would describe them as one tool in a commissioning toolbox; they are not a one size fits all and do not necessarily apply to every funding opportunity.

The only challenge that I would add to what Dan said, which I agree with, is that there is also a difference between whether the contact is new or existing. There is a cumulative effect in that if you are bidding for existing contracts, things like TUPE and liabilities become much more of a challenge and, for the charitable sector, a risk too far for us to take or to feel comfortable with. You can deliver a really good service with not a lot of existing liabilities, but then you have to take those on. You almost rule yourself out, and you have to because you just cannot afford to take those liabilities on.

Jacob Tas: I have a few things to add. In my view, the move from grants to contracts changed the role of charities. We had to establish business development departments and competitively bid for contracts. You do not get paid for that. If you are successful, that effort gets returned. The move from relationship management with local commissioners who would grant you the money to the whole contracting process has professionalised doing the work. That experience is varied because commissioners are more or less successful in commissioning that framework. That is my answer to the first part of the question.

In addition to the main challenge, I would definitely pick up on the TUPE experience. It is very disruptive, although seemingly stabilising. Staff will still have employment when they move from one provider to another, but when the bid is announced, people are unsure about their future. Who will win the bid: the incumbent or a new provider? While the transition takes place, there is again great disruption for workers. Usually, there is then a reorganisation or a different way and a different culture.

I therefore want to propose a different style of commissioning, which perhaps I can elaborate on later. Although it seems stable for workers—they are still employed—the whole commissioning of services between different providers is very disruptive.

The Chairman: You mentioned successful commissioning. For whom did you mean it would be successful?

Jacob Tas: The good thing about having charities represented here is that we are passionate about our charitable objectives, which are for the service user. There is only one goal in life: to make the world a better place in some form—we all have different forms. Therefore, we and our staff are driven to deliver those charitable objectives for our service users. That is the focus, but we do that through people. If people are motivated to get out of bed and are proud of working for your organisation, you have a better chance of making that happen.

Baroness Stedman-Scott: Do you believe that the contracts, the payment term and the cost tolerance by the contractor are realistic for the needs of your service users, or do they have the reverse effect of driving delivery services to gain as much from the contractors as possible? Is the way in which the contracts are set up in the best interests of the client?

Jacob Tas: It is mixed: some are, some are not. Some are well-defined; they have usually taken input from stakeholders, service users and providers to commission that piece of work. Then there is a good chance that it makes sense. There are ample stories about levels of pay, which you were talking about. I have heard of commissioning work—not in my direct area—of bussing children from A to B. That is by no means possible to do if you pay people a salary, have insurance and have a bus that does not fall apart, but it is still commissioned on that basis, and some commissioners say, "Well, that is your problem, as long as somebody does it". That is the other end of the spectrum.

Andrew Seager: Just to add to that, I totally agree that it is mixed. If services are well commissioned and well designed, and that is thought about, that is helpful. From Citizens Advice's perspective, we have a very robust way of choosing whether we bid for something or not. It takes a lot of confidence in today's funding climate as a charity, whether national or local, to say, "Actually, no. That's a bridge too far. We won't end up delivering the good service to individuals that we are set up to do". That is hard. It requires a high level of confidence but also a great deal of understanding about your cost base and whether or not you can deliver a service. From my perspective, I would rather say no than try to deliver something that we cannot influence where we cannot deliver a good service.

Dan Scorer: That is a very important point. We know both in our area of service delivery and through talking to other providers of social care services in the area of learning disability, that people are having to move away from contracts that are being retendered by local authorities in some cases at rates at which providers just do not believe it is possible to deliver a high quality, safe service to someone with learning disability. That is happening now and is hugely worrying in terms of the quality of support that people are getting.

At the national level, going back to what I was talking about earlier, the Department for Work and Pensions is about to move to the next phase of employment support programmes with the new health and work programme. We have largely the same concerns about that; at the moment, we do not know whether we will be involved with that either as a specialist provider delivering employment support through a number of different funding streams up and down the country. We do not know whether the outcome payment structure for that will work for people with learning disability who need longer to get into work.

Q189 **Baroness Barker:** I was struck as I listened to you that the private sector bidders for those same contracts will have similar problems if the funding base is not right. The key question is whether the responsibility, the onus that charities feel to deliver public services to their client group, detracts from what is really in the best interests of your clients?

Dan Scorer: We were founded in 1946 by parents of people with learning disability who were campaigning for their children's right to have an education. For us, delivering services was a natural development for the organisation where we did not feel that the services or their quality that people with learning disability and their families needed were available. For example, we have been delivering employment services for over 40 years to people with learning disability.

Your question is very important, and we have to focus on the contracts that we are bidding for and whether they will deliver for our beneficiaries. Will they deliver on our core mission? It can be easy, if organisations take their eye off the ball, to get involved in contracts that end up diversifying the people they are working with in a way that is potentially not delivering their core mission.

We feel that through delivering social care services, for example—also as a campaigning organisation—we get huge insight into and understanding of what is happening on the ground through supporting thousands of people up and down the country every day, through engaging with local authorities and commissioners and understanding the challenges they are facing. As an organisation that also campaigns for change, that allows us to have a more informed and credible voice.

Andrew Seager: I echo what Dan said. There are risks. From our perspective, we also have to be really careful. We have 23,000 volunteers who are our prime delivery mechanism, for want of a better phrase—sorry, volunteers. We must consider their motivations for choosing to volunteer for our organisation. If they end up delivering a large-scale contract and feeling that they are not helping people, that is not a place that we want to be in. I am with Dan that sometimes delivering something can give you unique insight into what needs to change. That is about the effectiveness of the relationship with the commissioner. Where you can influence through delivery, that is really helpful; but I come back to my point that sometimes it is a bridge too far and the client need cannot be met by the contract on offer. That is where you have to say no.

Jacob Tas: I do not have too much to add. This is at the heart of what charities struggle with, particularly if there is a declining austerity marketplace where there is less money going around: are you chasing the money or do you hold to your charitable objective or your service user? Each charity and board of trustees will make choices about that, but from what I have seen in different organisations and when I talk to colleagues, I am clear that charities are focusing on their purpose. Sooner or later, it will backfire if you are distracted and chase the money: you will get so widely spread that it no longer all hangs together.

It is a challenge, but is the challenge that less money is available or that the commissioning is not done very well in certain places?

Baroness Barker: So you do not think that the onus to provide services under contract compromises your ability to speak up on behalf of your users?

Jacob Tas: No. I saw that in the questions. I do not think so at all, but perhaps that is the way I have been brought up in the UK charity world. For any organisation to be part of the Prince's Trust Action for Children—now Nacro—it is a given that we speak out and speak up, based on the service delivery experience. It is not that you bite off the hand that feeds you. I have never experienced others being annoyed by that. It is about the language that you use. Perhaps you constantly shout from the rooftops, but you might not be very effective anyway. It is not about a shrill voice but about an effective voice that comes up with solutions and not only problems.

Dan Scorer: I would just add that the so-called anti-lobbying clause clarification that came on Friday was welcomed. It went to the wider point that a lot of commissioning issues are about guidance being really necessary; people need to understand where they stand. As a charity, we need to be very bold both about saying no and about saying that something goes too far. We need to focus solely on the individuals who we are trying to help and to stay true to that mission and not allow that to drift.

Q190 **Baroness Barker:** My second question is: does the current commissioning practice threaten innovation? I suppose that begs the question: is there room for innovation in the current commissioning processes, or does innovation have to happen in a completely separate part of the funding world?

Andrew Seager: It can do, depending on the approach taken. That is my short answer to that. First, I would observe that innovation is sometimes seen as a bit of a buzzword and not always necessary; sometimes you just need to deliver good services. That is not to say that they should not change.

Commissioning and procurement can be uneasy bedfellows. If we are talking about doing commissioning well and focusing on the needs of an individual and how to best meet those needs, innovation often works very well. To give you an example, the local authority of Lambeth has commissioned based on outcomes. It has said, "This is what we care about delivering. How you deliver it is up to you, but these are the outcomes that we care about". That has really helped the local citizens advice to think about what they need to do, how they need to innovate and what they could do under that funding.

When procurement becomes involved and it is just about the buying bit, which can sometimes dominate commissioning, there can be less scope for innovation and it feels much more like delivering something much tighter and buying something rather than other areas that are a bit grey. My observation is that grant funding lends itself much more easily to saying, "Let's try something new here and see what works".

Baroness Jenkin of Kennington: It is very helpful—at least, I find it very helpful—if you give us examples, as you just have, because sometimes the concepts are harder for those of us who are not involved on a daily basis to get our heads around.

Jacob Tas: Innovation comes up almost no matter what. The organisation is so driven at the front line by helping service users that it will constantly say, "This doesn't work", or, "Try this". I find it more challenging to channel such innovation within the organisation so that

that there is quality control and we do not go off doing all kinds of different things.

However, I have experienced the same commissioning attitude. Some commissioners will determine what they want to buy, and you, you could argue, are just one of the providers; or they commission by outcome, or in partnership, which is also what commissioners now try to do more and more: get you to work with another organisation to deliver services. The more open the delivery model is to you to interpret, the greater the chance that you can bring innovation and new ideas to the fore. But then it is sometimes challenged by the procurement side, which just wants to fill in forms and keep score.

I have an example of liaison and diversion being commissioned in Greater Manchester—so in a devolved type of set-up. Liaison and diversion are for people who are picked up off the street or put into a police cell. They may well have mental health or substance abuse issues, and instead of just treating them for a criminal offence and their automatically going into the criminal justice system we should perhaps divert them away from that. Nacro has also been involved in developing the policy, but during the process we were not even invited to the interview. We wrote a clear model, but the police custody commissioners, who also partly funded this work, said, "No, we want police custody, not this fancy liaison and diversion". I am sure the Committee will not agree with that statement, but that is what it looked like from the outside. There is a mixed bag of experiences. We hope to win other parts of this work, of course.

Q191 **Lord Harries of Pentregarth:** What are the merits and demerits of initiatives such as payment by results? More generally, does the requirement of such initiatives to demonstrate impact in short term generate risks for charities' longer-term objectives? You have already given the very helpful example of the difficulty of getting people with learning disabilities back into work because the process is much longer. You may or may not want to add to that, but perhaps the other two charities have something to say on this.

Andrew Seager: It is one tool in a range of commissioning options. It naturally lends itself to an outcome that can be concretely defined; if you can be really clear that your intervention has cause and effect, that works very well. But it does not necessarily lend itself very well to our advice service and what we do, because if you are trying to focus on the individual, who may have multiple problems, defining just one outcome and pursuing that means that you risk pursuing the outcome and not the individual. That concerns me in the broadest terms. In areas such as the Work Programme, we resisted any payment by results in any subcontracting, because there is also a secondary issue: we cannot afford to bankroll on the hope that we will. Also, to be really honest, I am worried about the risk of cherry picking and going for the low-hanging fruit. These are all horrible phrases, so apologies, but you know what I mean: individuals who you can be sure you can bank on funding from. Whether you are really doing that or are perceived to be doing it—obviously, if we ever went down that route we would do all sorts of things not to have that happen—that feels like a bridge too far for us right now. That is not a good way forward.

Jacob Tas: Nacro has also a big education side. We try to prevent people from getting into criminal activity. For a lot of the NEET population—young people excluded from school—we deliver the study programme, which is funded by the Education Funding Agency and is fully payment by results. I am very happy to be paid by outcomes and results, because if we deliver the outcome, why would we not be paid for it?

One of the challenges I have found since I joined Nacro is that I also have to attract these young people to come to my centre. When I have them, I can work with them, but it is quite hard to attract them to come to me. There is a lot of background to that. One thing is that lots of colleges that are in financial difficulty would previously have signposted people not suited to that type of education to our centres. Now, they hold on to the money and perhaps keep them at home. There is a real concern about that, and we are holding round tables to talk about it. But I digress too much. Back to payment by results.

Another experience I have had with payment by results is with Action for Children, where we were paid through a social impact bond. The children were at the edge of care, and we tried to intervene with an evidence-based programme to keep them at home, and of course save a lot of money that you would otherwise pay for foster care. We were paid at the 60% margin. Of course, it is not good for some children to stay at home, and I would argue very strongly that charities—again, the good charities, the ones whose charitable objectives are at the fore—are the ones that can do this, but if you do this in a commercial entity it becomes a bit like we said: going for the low-hanging fruit; or, "Well, I will get them to stay at home", whether or not that is the best outcome for the service user. We have payments by results contracts in other settings.

The other complication is: what do you really pay for? In secure training centre contracts, for example, penalties are being paid for people absconding, so what does the commercial entity focus on? Making sure that nobody runs away. But we should be focusing on rehabilitation, and that should be generating a bonus.

As an instrument, it would be silly for me to sit here and say that I am not here to deliver outcomes to my service users. Pay me for those outcomes; that is fine. The cash issue we can probably compensate for. We are talking about all the things that you have to bear in mind, so it becomes a suite of things for which you would pay people by results.

Ultimately, if I get my way, it becomes almost a kind of grant funding, because I want somebody to check whether my organisation is doing what I am supposed to do and then pay me for it.

Dan Scorer: I would just add that there are a couple of elements here: accountability and transfer of risk. Clearly, we have to be accountable for delivering outcomes, and payment by results in part delivers that, but when you are talking about transfer of risk, the financial model has to work for specialist organisations that are trying to work with people who have more complex needs and has to recognise the journey that those individuals will go on. If it does not, that will exclude those organisations—particularly smaller charities, which do not have the cash flow to work on a pure payment-by-results outcome—from operating in that contract environment. That is something we want to avoid.

Q192 **Baroness Gale:** What has been your experience, if any, of the co-design of services, and should this model be applied more widely?

Andrew Seager: Yes, in short. We have some evidence of this. I am a massive fan of co-designing services involving suppliers and commissioners, as well as service beneficiaries and users; that is really important. I would cite two examples.

Citizens Advice, as a membership organisation, is commissioner of our own network, and we have recently been doing some work on the NICE guidance on cold homes and preventing excess winter deaths. We have seen massive divergence in what works. What works to address that issue in Great Dunmow is very different from what works in Manchester, so co-design comes up with some really interesting ideas.

Another example: in Birmingham City, the advice providers, including which are Citizens Advice, were asked by the local authority to work out what an advice sector commissioning strategy should be for the city. The commissioner recognised that his suppliers knew the needs more than the commissioners. The council then adopted that and used it to commission. That is a brave, bold approach and one that we really welcome.

The caveat to that is that it takes a skilled step from commissioners and a lot more time and investment to get to that point. I think it is very well worth making, but some of the evidence that we have seen is that lip service has been paid to it: "We want to co-design. We have two weeks to do it". I am a little flippantly taking it to the extreme, but it needs the proper level of investment; it needs to start at the beginning of a commissioning process, not towards the end; and I would champion that it should be involved in any commissioning—it is really important.

The Chairman: There were several nods at that. Mr Scorer.

Dan Scorer: Focusing on social care, people with learning disabilities and their families have faced hugely challenging circumstances over recent years because of changes to services that they rely on, such as changes to daycentre provision, short breaks provision, individuals being reassessed for their support packages. It is very clear that local authorities should be involving people with learning disability and their families where there are to be significant changes to vital provision on which people rely.

Unfortunately, we see wide variation in practice in early engagement of people with learning disability and their families when changes to services are being discussed: whether the consultation process is itself accessible, so whether information is made available in an easy read format that people can access; and whether consultation events on the service redesign are widely publicised so that people with learning disability and their families can genuinely engage in the process of designing services.

The Chairman: One thing that has been said to us is that no acknowledgement is ever given of the time and resources it takes for the charity to engage in the co-design. Is that something you have come across—you were talking about lip service?

Andrew Seager: Absolutely. It is a challenge, and the smaller the charity, the bigger the challenge, because they are not built or structured in that way. Co-design is an intensive process that needs to happen in quite short succession. It is not something you do for half an hour on Monday and come back to a month later. In the NICE example I cited earlier, I think we spent three months working with the local offices to co-design services, and they will keep changing as the programme goes on. That has required quite an investment from both the local offices and us paying them to work with us to do it. It is not something that a charity will necessarily have the resources to take part in; that also needs to be recognised by commissioners.

Baroness Gale: You say that quite a big investment goes into it. Is it always worth while? Are the outcomes always much better if you do it that way?

Andrew Seager: That is a really good question. My experience so far has been that, yes, it has. It is still an early concept, so we have not seen fully what it looks like. There is always a risk of going too far: thinking that everything has to be co-designed, when it may not be a one size fits all. However, from the work we have done and the results I have seen so far, I am confident that it will lead to better outcomes for the individuals we are trying to help.

Jacob Tas: I would agree, in that if the co-design is genuinely wished for, the investment of the participants can make it worth while, because there is a listening ear. If it is fake, if it is just as a good show, of course it is waste of everybody's time, and usually it is very short-lived.

I would very much welcome co-design and particularly partnership working throughout contracts. We are delivering a big contract on substance issues in Wolverhampton, and the pattern of the issue that young people have with drinking or using drugs may change. We might be commissioned to do so much work on drugs, but the pattern has shifted. We need to be able to talk and say, "This is the reality on the ground. Let's shift it a bit so that we get paid"—again, a payment-by-results element—"also for this other intervention". Otherwise, we would stop helping the people who need help with drugs and try to find people with drink problems; or the other way around.

We have experience with another contract that was clearly undeliverable. We did brilliant work but we never got a penny for it, with massive losses for the charity. The commissioner just said, “Well you signed the contract, so it’s not my problem”. In my view, that is pretty shocking behaviour. It still feels painful.

Q193 **Lord Harries of Pentregarth:** Does the use of large-scale contracts risk squeezing smaller charities? Is there a case for public sector contracts to be made smaller scale to allow a more level playing field? That is the view that we got very strongly when a group of us visited Cardiff last Wednesday.

Dan Scorer: I would say yes. We may be a large charity, but we too feel squeezed at times. I talked earlier about previous Department for Work and Pensions contracts around employment support. It has been operating on a scale, with a prime subcontractor model, that we, and I think many large charities, found incredibly challenging to engage with because of the degree of resource needed to engage in the process of contracting, assessing the level of financial risk to the organisation involved in entering into those contracts and assessing the chances of being able to deliver successfully under those programmes. These are certainly issues that will have a huge impact on small charities. It could be very detrimental in that it will discourage them from entering into contractual arrangements where they can share their expertise and insight with particular client groups. This is an issue that also affects larger charities.

Andrew Seager: I totally echo Dan’s points. The only thing I would add is that sometimes linked with the prime contractor model is the concept that you have to bid to be on a framework that, for want of a better phrase, is a shortlist of the great and the good for that particular opportunity. Our experience of trying to get on frameworks is that they are often very out of date—they have existed for a long time and do not get updated—the supply chain stays the same, and they are about how large you are, so you need a huge financial turnover to be able to meet some of those risks.

In Citizens Advice, we are quite lucky that we can bid on behalf of our local offices, because in effect we can be the prime contractor. I share all Dan’s concerns about how challenging that model is.

The Chairman: I just want to be sure what I understand by “get on a framework”. Who is setting up the framework?

Andrew Seager: Various government departments. The most recent example has been the Department for Work and Pensions, which has made a health and work framework agreement. You bid to be on that shortlist, for which you have to meet certain criteria relating to the size of your organisation, your skills and experience. For any commissioning that it does from then on in, it uses that framework, so once you are on the shortlist you have a right to bid for further work; if you are not on the shortlist you cannot bid as a prime contractor for future work.

The Chairman: It is a sort of entry requirement, as it were. I see.

Jacob Tas: Again, the same: yes. We have seen, particularly in transformation and rehabilitation, that smaller charities, third-tier providers, do not know for a long time whether there is any money. Previous funding stops because the department says that it is now coming from TR through the CRCs, the community rehabilitation companies. I also echo the point that larger charities are also squeezed.

That is no surprise: if we outsource our services to corporations that are in the outsource business, they are usually low-margin companies that manage contracts. It is a bit of a zero-sum game, as I have described it before. In other words, if I squeeze you, I win; if you squeeze me, I lose. There is only so much money, so it all levels out. So a different type of partnership is emerging from it.

I do not necessarily understand why we have such a positive view of outsourcing our services to the commercial sector. They are efficient and effective, I would not deny that, but they need to make shareholder value, make a profit, pay dividends and pay bonuses—and fast cars, possibly, if they are very successful. Charities on the other hand are governed by our charitable objective, but we are also efficient and effective—or we can be—and we did not have that shareholder and dividend payout, so we have a bit of margin. The challenge for charities is to be efficient and effective, not just doing good work on the front line, but we could be part of the delivery machine, because we understand public service, we understand social value and we do not need to be bothered so much in writing everything into the contract.

When I was at a trustee board and some of the trustees said, "So what does the contract say?", I would say, "No, what do we deliver?" I have worked with commercial organisations: you deliver the contract. That is what people are driven by.

Lord Harries of Pentregarth: Would you say that the situation is better if commissioning is more local? We went down to Wales. Quite a big charity had moved from England to Wales and found the whole environment much better because there was much easier access to the commissioners and to the Minister in particular. They felt that it was a much healthier environment for a charity to work in.

Jacob Tas: Again, I would say yes. We work as a national organisation, but of course we have our local contacts, and that is where the work gets done. I would continue by saying that it very much depends on the local commissioner, on that relationship and on the understanding, co-design and all the elements that you have been asking about, to make it happen.

Baroness Stedman-Scott: Where you have the framework and all these organisations that want to get on the framework, have you then found that you have had to bid to all those organisations, so that you have hedged all your bets and whoever wins the contract at least you have some work to do? So whereas one organisation goes on the framework and puts in their bid, charities big and small have to bid to every one of them to have a hope. What are the costs of that?

Andrew Seager: We probably all have different experiences. We did this for the Work Programme. We feel very strongly about the organisations that we were prepared to work for—those that shared our client ethos—and those we were not. We found that we were in all sorts of multiple negotiations and discussions. In some ways, that can be helpful, because you can play one off against another, but all were demanding things such as exclusivity and confidentiality agreements. You can stop and think: "We are a long way away from the individuals we are trying to help and we are having endless conversations about contracts and not talking publicly", and we ended up going with only two providers on a very small scale, because for the rest we were just not prepared to take that route.

Q194 **Baroness Jenkin of Kennington:** Could we move on to what you have found to be the impact of the social value Act? Is it functioning as it was intended, or do you think that further measures are needed to support it?

Andrew Seager: We welcome the Act. That is my main point. We place a great deal of emphasis on impact and value, for the obvious reason that we want to know that we are making a difference in what we are trying to achieve. I know that we solve problems for two out of three of our clients; we make a difference to four out of five of their lives. That is really important to us.

The Act is welcome, but we have little experience of it coming through and making a difference. I will explain what I mean by that. In advance of coming here, we looked at all the tender specifications that have come across our desk and who we have. We found that it was not necessarily in every tender, and where it is the score is often 5% of the overall mark. My conclusion from that is that it is popping up, but at a level where I would not be expect it to be seen. It is almost the afterthought. Often, the question posed to suppliers is: how will you show social value? It is not the commissioner saying, "I really care about this. It's a great opportunity. I will score this at 20% or 30%". I am not suggesting that that is the right percentage, but it feels like a bit of an afterthought.

It never appeared in the framework agreement—to come back to the framework point—and I think it should. It is deliberately fluid in not defining what it means, but more work needs to be done on commissioners' skills and understanding how the Act translates into commissioning practice.

Baroness Jenkin of Kennington: I have a further supplementary question, in case anyone wants to answer it, but do you think it should be amended in any way to require public authorities to prioritise environmental, social and economic well-being in commissioning decisions, rather than simply requiring them to consider them? Perhaps you have already answered that.

Andrew Seager: Yes.

Jacob Tas: I would say most probably yes, but the key point is how can we make it more important. That is hard, but I agree.

Baroness Jenkin of Kennington: Perhaps getting used to it will be part of it.

Jacob Tas: Time, yes.

Baroness Barker: Would it be fair to say from your answers to the previous question that one of the big problems that has arisen with commissioning over the past 10 years or so is that commissioners have tried to commission standards that could be expected of a very small, bespoke, local, boutique shop but to pay the cost and volume of Aldi-type services? I use retail analogies just because I think people can get hold of them.

There was something in the social value Act about trying to ensure that small providers who really understood the complete importance of using local people to do it would somehow mitigate against that. Are you telling us that it is not really happening yet and that we are in the world of a few big cost and volume contractors, most of whom are in the private sector, although some are in the voluntary sector, and then it is a matter of sheer luck if anybody small and specialised ever gets to figure? Would that be fair?

Jacob Tas: I would say that most probably that is a bit too doom and gloom. It is very hard to commission for certain services. I go back to what the commissioner wants: if the local charity with local understanding is adding value—which is hard to put into numbers, but that is what they want—that is what they most probably will get and be successful in. It is very difficult to build an umbrella that captures all this. For example, I work for a national charity, but we work in communities. The work we do on the ground is very locally based, and that is part of its success: we think that people should integrate in their community and have a job and family—the works.

The risk is more that there is unsophisticated commissioning at an almost strategic level. It is almost driven by the ethos of wanting to outsource because it is cheaper or better. That is different from social value or localism. That is just, at a high level, asking how we get public services, social care, social justice or advice. I always say that if I outsource traffic light management, that is pretty straightforward; the thing needs to work, and you can allow a breakdown of half an hour in 24 hours. The same applies even for prisoner transport. But how can you capture transforming people's lives in a contract?

Baroness Barker: But your charity works in the criminal justice system. In policy terms, we have been through the whole rehabilitation revolution, so there is a pretty strong steer from central government on the commissioning process. But we are still not much nearer to getting it right.

Jacob Tas: No, disappointingly. Yes, the market has been broken open, because the probation service is now delivered through primes. I have a strategic partnership with Sodexo. We have won six CRCs, but the amount of business I am doing through the gate in prisons is now a third of what I used to do pre the probation service. I am heralded as a big success, and I was supposed to be squeezing out small charities, but I have been squeezed out myself.

I am not saying that therefore it cannot become a success, but it has been such a major event: outsourcing, or for lack of a better word changing that and the prison system. It is written on paper, but there has been an impact on people's lives and jobs, a new computer system, new buildings, a new way of working with the supply chain from charities. It will take a long time for it all to embed and generate the success that it was envisaged it would bring.

Everybody says that the wheels have not come off, but there are also critical reports where people have struggled. I am in it and I agree that the wheels have not come off, but we have also not been successful yet in implementing the model as it was envisaged.

The Chairman: They have not come off, but they might be a bit wobbly. Lady Stedman-Scott wanted to come in.

Baroness Stedman-Scott: If you took a contract that you bid for and won, you were driven to deliver the outcomes and you looked at how that successful that was, if I came along and said, "Here's the money to do what you know your clients need", would that model be more successful than the contracting model?

Jacob Tas: That is a very interesting challenge, which I will carry with me. Automatically, you need to make a margin to pay for your overheads and make the outcomes work. In Lincolnshire, for example, we had a housing project—we deliver 1,500 or 1,600 bed units in the country—for young people, care leavers. It was a children's services contract. We are used to giving housing management and support for that. We worked out that this required far more help than we get paid for, because these people need budgeting skills and help with cooking and building their lives, as people know who work with care leavers. We had to wake up to that fact and turn it around. In that sense, if I had more money I would most probably have been able far earlier to transform that mobilisation and be more successful right from the start.

It depends on each situation, but I am almost trained to decide whether I can do this and deliver the outcomes, and then I have a go at it.

The Chairman: Let us ask Mr Seager and Mr Scorer to respond to that question.

Andrew Seager: It is not a one size fits all. I do not want you to think I am sitting on the fence, but the answer is probably somewhere in the middle: commissioners having an idea what they are looking for and suppliers having an idea of what they want to deliver, and a meeting of minds in the middle to decide what the right answer is.

In my mind is the example of setting up and establishing Pension Wise, following the pension freedoms announcement by the Chancellor. We knew we wanted to achieve, we knew that there was an advice need, and we co-designed behind the scenes with Treasury and other delivery partners what the service should look like. So there was no blank paper for what we were about to do; there was a high-level strategic intention of what we wanted to achieve, and we managed to work out the how—what worked—together with the funder.

I would caveat that by saying that sometimes, with the smaller more hyper-local project, saying "Here's a sum of money. What can we do?" is quite refreshing and challenging and comes back to the earlier point about innovation. Sometimes with that you can see some really exciting ideas that you had not thought of in the first place. If you went to the market with something really rigid, you would lose that beneficial approach.

The Chairman: Do you have any response to that, Mr Scorer?

Dan Scorer: Resources are clearly a huge issue: the amount and the schedule of resourcing. The other issue is timescale. Looking at employment support, a current issue is that many programmes are designed to get people into work within 12 months. Clearly, if you are dealing with people who are further away from the labour market who you think you can make significant progress within that time, you face two issues. One is that you will not get payment within that time. The other is that if you do not get someone in work within 12 months, you get nothing at all. So timescale is the other key issue.

Q195 **Baroness Stedman-Scott:** There are two parts to my question. First, should commissioning be reformed to promote better integration of services? This is sometimes referred to as whole-systems commissioning. Does there need to be a more general review of public sector commissioning to consider other systematic reforms?

Dan Scorer: I would say yes. There are a number of reasons for that. The experience of people with learning disability and disabled people of the way services are commissioned and delivered for them is often that it is fragmented and does not co-ordinate well. A number of programmes are now taking place that are critical.

One is the Transforming Care programme, which started after the Winterbourne View abuse scandal. That is about getting people with learning disability out of institutional settings and supporting them into the community. That obviously requires a huge amount of co-ordination between health services and local authority social services, which in many areas has not existed previously. It requires the pooling of budgets to remove the risk of disputes about who is paying for what when people may be moving out of an NHS-funded service and back into a local authority-funded service in the community. Clearly, we do not want arguments based on commissioning or funding streams to hold people back from getting the support they need to live their lives in the way that they choose, but that is happening at the moment.

Andrew Seager: I agree with Dan. Fundamentally, we are here to help individuals, and individuals do not fit into neat little funding streams or boxes. Without integration, you commission vertically on those various points and not bottom upwards about what an individual needs.

Again, I stress that that takes skill and investment in time on the part of the charity sector and commissioners to get that right, but I am optimistic about opportunities such as devolution, which are a chance almost to tear up the rulebook and say, "Right. How will we make this work to get better outcomes for individuals and communities?"

Jacob Tas: I agree that whole-system commissioning around the individual, the family, the person would be beneficial, instead of through education, health or the police, for example. I was a bit disappointed about the troubled families outcome report, because that was an example of where we tried to focus our services on certain families. That has not reaped all the benefits that were envisaged. I would definitely support whole-system commissioning.

I have already talked about systemic reforms. Do not think that public sector commissioning can be done only by civil servants or by corporates with some support from charities. Why not think about outsourcing to charities, NGOs or social enterprises—whatever we call ourselves as service delivery charities? My difficulty with the word "charity" is that there are so many different charities—160,000. Some are campaigning, some are run entirely on voluntary income and some are run by volunteers, but we call them all charities.

The Chairman: The Committee also wrestles with that, as you can imagine.

Q196 **Baroness Stedman-Scott:** Mr Seager, you are going to get your moment now on devolution. How might devolution change the commissioning environment, and what opportunities does this present for the integration and joining up of service delivery?

Andrew Seager: To build on my previous point, I think that devolution is a great opportunity that we should all seize. We have been doing a lot of work with Manchester Citizens Advice, which has come together to work with the new combined authority in Manchester to look at new services. Lots of service areas are of interest, but health and social care is a real opportunity within devolved packages. We already deliver services from over 690 health settings, recognising that advice has a role within health to think about the individual and solve some of these problems. It is a great opportunity to re-examine services in the local area to get a better outcome for clients. It is still early days. We, looking at ourselves—it is not just about commissioners—have been focusing on making sure that we can be clear on what our offer is to the new combined authorities. The combined authorities have been getting their own houses in order and thinking about how they work together. There is a great deal of potential.

On the point about charities having the resource to be able to engage effectively within the combined authorities, we are a diverse sector; we are not always the easiest sector to talk to and we do not have a single voice. I can imagine that the combined authorities have a bit of a task on their hands to make sure that they talk to the right people at the right level to get a better deal. But I think that there is a really great opportunity.

Jacob Tas: I have a bit of a different view, just to help the debate. I may still be scarred by the massive programme of transforming rehabilitation. I understand that devolution might be an opportunity to fund individuals and their needs, but I think it will throw everything up in the air again. Accountability will be unclear and there will be lots of new rules. Let us make sure that the return on investment is as big as anticipated to take us through that time of upheaval and lack of clarity. Conceptually I agree, but it is an enormous change, so why not make what is working now work better?

Dan Scorer: I think that devolution presents huge opportunities to improve the integration and planning of services that people with a learning disability and their families rely on. To give another example, London is taking on responsibility for employment support. That is another area of devolution where we will hopefully see a greater focus on meeting the needs of people in local areas and working with providers who can specialise in meeting those needs.

Q197 **The Chairman:** Thank you. I have a last question for you, which we have asked everyone who has given evidence to us. If you could suggest one recommendation that this Committee could make in its report to the Government, what would it be? I will be strict and say that you may have only one.

Dan Scorer: Our recommendation would be to ensure that commissioning practice focuses on the needs of individuals from their lived experience and works with organisations that can meet their specific needs.

Andrew Seager: I would turn it on its head and think about commissioning as investing in an area rather than buying in an area. To come back to Lady Barker’s shop analogy, if you were to make a financial investment, you would look around and think about what the right opportunities were for you and how things might perform in the future. It is not the same as going to Prêt and buying a sandwich, which is a very transactional service.

On the investment point, we should invest in commissioners. It is a challenging job. Commissioners should be suitably qualified and supported, especially because in these tighter fiscal times a number of them have moved. An ongoing programme of development and investment in this as a valued career, for want of a better phrase, is really important.

Jacob Tas: Our recommendation would be to focus on non-time-limited commissioning—so no more a year, three years or five years. It is important to work with partners, quality-control them and move people in and out depending on how well they are doing.

Q198 **Lord Harries of Pentregarth:** You have had no warning of this question, which I will ask, if I may, but I wonder what help, if any, you have received from business, either locally or nationally, for the structures of your work, the way you operate, your efficiency and your digitalisation? If you need help, where do you go? So there are two parts to that question.

Dan Scorer: We work with a number of corporate partners. Our fundraising colleagues hold a number of important relationships, which span a lot of different areas. In the past, we have asked companies to advise us on specific areas of policy and service development—for example, employment support, where we have looked to work with them around developing our offer and what they are looking for from us. We have also worked with a number of organisations on our systems and procedures in order to benefit from their experience and insights. We have a number of strong relationships with businesses, which are supporting us with continual improvement.

Andrew Seager: I echo Dan's experience. We have adopted the same approach. At a governance level, we have trustees with commercial experience who can bring that level of strategic challenge both nationally, with our board, and locally, with our local citizens advice boards.

Jacob Tas: A year ago, we integrated with a college in Totton close to Southampton, where we work closely with businesses on the skills that they need in order to get their involvement so that what we do with our young people leads to a job for them. We have hardly any voluntary income, which I want to change. My partnerships with corporates, for example, are not as yours—I am jealously looking to my right. That is to be developed. But I echo the point about trustee support. We also get pro bono support through our network when there are issues or strategic questions from management consultants. It is definitely something that we can do better and more of. That generates another question, which is that this should be led by the charity rather than by the corporates. Lots of corporates want to help with certain things, but we should be clear on what we need and then look for who can provide it.

The Chairman: Thank you very much for your answers to that question and, indeed, for all your answers to the questions that we have put to you this afternoon. It has been very helpful to us and we thank you for your attendance. Do not forget that, if you want to add anything, we would be very happy to receive it in writing.