

VSSN Conference
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**Transferring the compact principle?
Exploring the emergence of a code
of practice between the private
and third sector**

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Outline

- **Background of Compacts**
- **The compact and relationships between the sectors**
- **The changing landscape**
- **The code of practice between the private and voluntary sector**
 - **Supply Chain Design**
 - **Commitment**
 - **Conduct**
 - **Review**
- **Discussion and implications**

Background of compacts

- An innovative departure in policy introduced in the United Kingdom in 1998
- A set of normative and general principles and values agreed between government at the highest level and representative bodies within the voluntary sector
- Have been rolled out regionally and locally
and Phillips, 2001; Craig et al, 2005, Casey & Dalton 2006

The compact and relationships between the sectors

- Major power differences between large public bodies and relatively smaller charities and voluntary organisations
- landscape changing from a grant based model to one of contracts
- private sector the 'elephant in the room'
- private sector not invited to join in a compact relationship,
- the private sector did not raise objections

The changing landscape

- The economic climate was then positive with all that entailed for growth in employment and resources
- Contracts became too large for even the largest voluntary sector organisations
- Move towards 'outcome based' funding (DWP contracts)
- A need for working capital
- Prime 'private sector' bidders were to include the voluntary sector as 'partners'

Developments with Coalition

- Renewed Compact
- The dramatic cuts of funding to infrastructure bodies
- A new harsher reality with recession
- Public Services (Social Value) Act

New language terms

- Primes
- Outcome based funding
- Black box approaches

AND

- Bid Candy

Serco & NCVO

- Author involved as Academic consultant to Serco (Institute) ...unpaid !
- A series of meetings between senior Serco staff and VCS senior staff
- A meeting at the Treasury on 4 July 2012
- Presentation of Draft Code of Practice

The rationale

- “This project has been undertaken against the backdrop of ever larger and more complex public service contracts being let; contracts in which no one organization is able to provide all of the necessary services resulting in a network of organizations being convened to do so. To date, most notably in the Work Programme, the majority of prime contractors in these networks have been private sector organizations and they have typically been far larger than the often VCS organizations in their supply chains.”

NCVO Summary of consultation meeting on 4/7/2012

The code of practice between the private and voluntary sector

- **Based on Merlin Supply Chain Approach**
 - **Supply Chain Design**
 - **Commitment**
 - **Conduct**
 - **Review**

Premise of the code

- diversity of provision within public service delivery is critical
- co-operation between the private and voluntary sector can offer the best solution and the means to tailored and local service provision.
- Work programmes and Flexible New Deal have shown both the challenges and also the opportunities

Supply Chain Design -

- Prime is not incentivised to abuse its position in the supply chain
- It should not be both prime and deliverer in the same contract package area.
- Where niche provision is required that it is commercially viable
- Mechanisms should be described in advance of contract signing

Commitment

- Best practice is openness and trust
- The Prime
 - gives access to VCS sub-contractors to its own scaled back office and procurement systems and shared infrastructure
 - Shares best practice and discuss shared concerns, and has transparent mechanisms
 - provides the full IT system that provides the backbone
 - ensures compliance of that system and Prime provides sufficient documentation and support
 - has a formal system for addressing the maturity of subcontractors' commercial and other systems
 - offers several payment models to providers
 - supports VCS players in understanding the implications of contractual funding mechanism.
 - flexes cash flow
- Clear transparency among sub-contractors on key contractual terms

Conduct

- The Prime identifies where it can support small VCS players
- Prime manages the expectations of non-contracted providers
- Prime to represent the supply chain and work with commissioner
- Avoiding “bid candy and
- clarity around intentions for workshare and role
- Prime provides a clear set of KPI’s that offer transparent metrics
- A clear, universal and supportive process to work through with a provider that is failing
- Prime engages appropriately specialised subcontractors

Review

- Prime enables honest self-assessment both of its own and the overall supply chain

Discussion and implications :

Transparency

- The strong commitment to Transparency in the code was strongly endorsed by many of those present.
- Such transparency was seen as a necessary prerequisite to Trust and needed to encompass openness over how much each partner was paid and how much each contributed to performance,
- A lack of transparency was seen as likely to foster suspicion whether or not such suspicion was well founded.

Discussion and Implications: Trust

- The issue of trust drew a strong consensus (in this respect it was arguably akin to 'motherhood and apple pie').
- Exhortations of the value of trust would not in themselves suffice to engender it.
- Participants offered a number of suggestions regarding activities which might serve to bring about an environment favourable to trust. (viz exchange of Board members)

Discussion and Implications: **Role of commissioners**

- They are seen as needing to be more active in promoting networks and safeguarding the situation of VCS organisations.
- This author regards the issues of commissioner engagement as problematic as the turnover is inevitably high in an occupation which has little career structure

Discussion and Implications:

Commercial skills

- The participants acknowledged the relative disparity in commercial awareness between the sectors.
- Participants felt that there was considerable potential from building contracts from the 'bottom up' and that this meant that much more time was needed to develop procurement networks and positive relationships between Primes and VCS organisations

Discussion and Implications: **Payment terms**

- The issue of payment and terms of payment are familiar so it is scarcely surprising that comments were forthcoming about this.
- Full cost recovery has been a long standing mantra for the VCS
- smaller (typically VCS) subcontractors needed payment terms which were of shorter duration than those built into the contract between the Prime and the Government body.
- Perhaps significantly (given the presence of the Minister and senior officials at the meeting) there were no direct shots at the payment arrangements between government and Primes

What's happening next

- NCVO advise me that a slightly amended version of the code will be issued before Christmas.

Conclusion

- The area of best practice between the Primes (typically private sector) and VCS sub-contractors is one which is ripe for research and academic interest.
- Voluntary Sector Compact was criticised for its lack of legal underpinnings in the context of the current contracting environment possibly the need for codes of good behaviour are more pertinent.
- The legal complexities of large DWP contracts together with factors such as outcome based funding means that strict adherence to contract terms alone is almost inevitably going to place the VCS at a disadvantage,
- The way forward may well be freely negotiated and accepted codes of behaviour which will both explicitly and implicitly govern the way in which the parties engage with each other.

Interested in following up?

Then do contact me:-

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Please regard the paper as a 'working conference draft' though I do not mind it being cited.