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Preventing Crises – social impact options, levelling-up and community resilience.

This month we heard from the Government that their new lead for Civil Society (the DCMS Minister) says the Civil society is very important to 'levelling up'. I agree – the following are thoughts on how and why the Government and associated agencies/commissioners may wish to engage in/understand better the Civil Society. Suggestions are made in terms of what that could look like practically to show broader social and economic value of prevention of future societal needs by using the available policy direction of alternate financing (social impact investing).

1. The reasoning behind why the Civil Society agenda is so important to Government

1.1 Background: The Civil Society/VCSE [voluntary, community and social enterprise]/non-profit/third sector has a rich, unique history (stretching back over 200 years, predominantly starting in the Victorian philanthropy era) in the UK. The sector is varied and wide – but at its heart there are common themes that bind it together, namely: it campaigns for/delivers services across a range of related fields to relieve deprivation in health, social care, employment, justice, education and housing (to name a few themes). It employs over half a million people (which is an important economic consideration in itself) and a further million engage through volunteering their time and energy. The Civil Society and the social Impact value it delivers can be defined as 'a positive/sustainable change in an area which benefits the whole community in both social and economic terms' (see www.gov.uk/guidance/social-impact-bonds, Gov website 2018) as well as in the Social Value Act [SVA] White Paper approved as legislation in 2012, and Civil Society Strategy – Building a Future that Works for Everyone, 2018).

The Civil Society, VCSE and Social Impact products could be a match made in heaven but that is not sufficiently evident at scale since [SVA] inception 9 years ago. Some modest developments (there are c. 100 social impact projects live or going live in the UK) and emerging practices now exist making it possible to research the area regarding the strategic nature of its impact and influence at this important time for the Civil Society/VCSE sector (in a post-Covid world). However, right now, the VCSE sector is receiving less investment through traditional grants/funding for their good causes, - nearly a fifth (18%) of all charities/non-profit enterprises have ceased trading/merged in the last 5 years. This is because: a) commissioners/grant-makers have less funds to invest via traditional commissioning (specification/tender routes, grants, benefactions), b) [compounding a)] as public and charitable funds become tighter (after 10-12 years of significant austerity in the UK, and the impact of Covid), commissioners struggle to fund anything other than the highest-criteria-of-need crisis services, and c) commissioners and grant-makers may want to see more financial risk transfer through use of the SVA (Social Value Act, 2012) and payment-by-result type arrangements, but so far they have not been welcomed or achieved whole-heartedly because of perceived complexity.

The result is that many early intervention/preventative services as defined by a public health model of early intervention, which are a central part (66%+) of the VCSE provision/offer, are reducing. Which counter-intuitively over time places even higher demand on 'last-resort'/critical statutory public services such as A&E/mandatory safeguarding/policing/social care in Local Authorities/prisons/NHS inpatient beds, etc, which are failing to manage or meet rising demand even with, in part, the funding (now diverted from traditional VCSE activity) being funnelled their way (example: for the first time last in the last 3 years all acute NHS Trusts failed to meet their core A&E wait-time target, reoffending rates are at an all-time high, and mental health need in adolescents have the longest wait-times for care). For policy reasons (including emerging from

pandemic – to ‘level-up’, ‘build back better’) and demand out-stripping capacity reasons, this is an important time, especially when traditional sources of VCSE funding, notably grants, gifts and public contracts, are reducing, and when competition for those funds across all sectors and between VCSE bodies is increasing. There is a need (and often a compelling desire) to seek alternative investment sources for improved efficacy. The opportunities potentially created by the SVA/Office of Civil Society (OCS) (i.e. Social Impact Bonds/Products) that can underpin prevention/an early-intervention (a public health) approach [see GOLAB website which lists all 100 UK SIBs in play since 2012, of which over 80 are prevention based] offers a really credible routeway. This route is most likely to happen if Government support is whole-hearted, and best practice, outcomes and learning are crystallised to assist this process and the process itself is much simpler to apply.

1.2 Government’s potential interest in Civil Society: At the moment Civil Society policy and Government direction sits in DCMS – is this too distant from ‘levelling up’ ideas? Many regard DCMS as too peripheral and without influence, but given the employed numbers and key service provision profile this needs closer linking to the whole of Government (certainly with DCLG, DNSC, etc). The vision was well described in the (Cabinet) Ministerially announced 2018 strategy refresh but Brexit and Covid have side-lined it somewhat. As the CBI would contest (and did in June 2021 report), we need to research and investigate why and how the commercial/enterprise sector (90% of UK GDP sits there, not with Government) will invest and how and why the public sector will underwrite (pay on outcome delivery) social impact investment specifically into the Civil Society/VCSE sector through a methodology that is beneficial to all and wider societal growth – i.e. delivers social impact. The benefit to the VCSE is that they gain funding to carry on their valuable work which takes pressure off statutory public services. The benefit to commercial investors is they gain reputation enhancement and deliver Corporate Social Responsibility (CSR) objectives, and gain [SITR] tax relief..

A Government serious about levelling-up should evaluate the best route/method for all parties (the VCSE service providers, the commercial investment bodies/brokers and the public sector underwriters repaying the investment based on the delivery of specified outcomes that are in principle saving funds in the medium term [SROI – Social Return On Investment made]), to enable social impact investment on a wider and larger scale through a simpler methodology/routeway set within a clear policy framework that promotes best practice and greater replication for wider application. Use of the SVA and direction from the Government OCS (see refreshed Office of Civil Society Strategy issued Summer 2018) as guiding direction will serve as a policy framework for investigation compared against more traditional (non-social impact method) specification and tender contracts set by many/most public sector commissioners which do not deliver innovation or transformation. There needs to be consideration of different academic theories related to policy work here with regard how this research can potentially provide an enabling framework to open-up a new SVA/Office of Civil Society (OCS) policy opportunity for the VCSE sector in this area. Wider considerations around this should be reviewed and contribute to the framework (i.e. 1. policy entrepreneurs, and 2. the roles of actors (coproduction) versus institutions in policy change, and 3. the growth of devolved Combined Authorities/Metro Mayors who can move forward more easily.

This evaluation will be an original and unique contribution to knowledge in this area because it will take the growing phenomena of social impact products (ushered in via the SVA and OCS) as instruments of transformation/innovation and look at how this can effectively address not only the VCSE’s needs but also investors’ and underwriters’ needs by looking at the best practice from the 100 Social impact products/bonds in play now (and the next 30 in the pipeline up to 2022/3) (see GOLAB website for a complete database of live projects: <https://golab.bsg.ox.ac.uk/knowledge/project-database/>) and placing this within a best practice analysis for more projects.

1.3 Why Social Impact Products? To properly think about preventing and tackling rising health, social care, justice, housing unmet needs in our communities (especially those disproportionately impacted by Covid), it is worth understanding what worries service commissioners/public funders (health, central/local government, employment, education and justice commissioners) who are set the task to procure the right services. Without doubt what worries them is how to stay in budget, how to meet rising needs within reducing funds, how to be innovative and achieve real social impact that is sustainable enough to make longer term lasting beneficial change?

One can understand that rising youth unemployment, rising social housing demand, reoffending increase, rising social/health care needs and directly corresponding cuts in central and local government spending will mean public funds only go so far and inevitably towards the defined highest access criteria priorities (crises), emergencies and the statutory-obliged/highest risk services (services which public commissioners are legally obliged to procure). This way, commissioners stay in budget (or nearer to it). But, there is a serious problem brewing - cutting spending on preventative services, rehabilitative services, and other services that are not compulsory (statute-required), means in the medium term unmet early intervention needs actually grow and they become more intense until they are (or the individual is) critical and they flood the priority service thresholds. In other words, it is not a wise strategy to stop funding local VCSE schemes that support social/behaviour change, to stop work on up-stream prevention, to disincentivise opportunity for self-determination, human learning - because these services actually reduce or stop long-term future use of critical public services which is a key ultimate goal of social impact (i.e. economic and social gain, community resilience, etc).

Many service commissioners feel they would like to do more to really deliver sustainable longer term change rather than just deal with priority floods/crises where people connect with services too late, too distressed and take much longer to get back on their feet. These commissioners cannot get ahead of themselves and seem destined to only deal with the neediest clients and patch them up to re-present again and again (it's like hospital A&E services quite literally – i.e. Revolving Door).

Early intervention (promoted by Public Health England) and services showing coproduction of health and social care services in an integrated way show great impact results. VCSE coproduction with the public sector, using local non-profit enterprises and integrated services in health and social care is a useful model, however sustainable funding is reducing and often not available to continue such models of prevention. Economic and social value, community growth is ditched to deal with immediate crises.

There is a need to think about how commissioners can get ahead of the wave and permanently change growing demand for services that specifically focus on people with a complexity of need that turn up frequently (and recurrently) in high-cost critical services. There is potentially a way to resolve this issue and start to invest to save and maintain services that are more than the legally obliged, to plan longer term and to work in a more strategic way. The principle to hold in one's mind to achieve this is 'social impact' logic and a wider use of social impact products and the use of the SVA engaging the commercial and public sectors as parallel investors/commissioners. All sectors (commercial, public and VCSE) need to play ball together and will if it is packaged in the right way. Between them the sectors will have more funds at their disposal and together they will be best placed to do good things (especially as Social Investment Tax Relief can make it reasonably inexpensive for commercial companies to invest). Reputations for all are enhanced too because integrated and sustainable social impact outcomes are achieved alongside savings.

The Government Outcomes Lab (GOLAB, Blavatnik School, University of Oxford) and Manchester Metropolitan University's Performance Evaluation Research Unit (PERU) and others are attempting to promote innovative models in this area (i.e. such as legal firm's BWB LLP work on Bold Procurement/Commissioning), and this should continue and be compared to the more pure (people-based benefitting) social impact products that the SVA is starting to see emerge through the existing 100 impact schemes/bonds in play (and another 30 in the pipeline).

At a local regional level all sectors/partners could coalesce/integrate more where prevention, working ahead of the curve, is required to deliver social impact (see Hebb T, 2014). Local partners can with others provide an excellent infrastructure body (a consortium special purpose vehicle) which can develop shared information systems, training, and integrated case management. This becomes even more powerful when the [Social Value Act](#) [SVA] is played into the mix. The SVA aims to transform the way money is spent on local services. It does this by requiring the people in charge of putting in place our services (commissioners) to think about more than just how to design these services and who will provide them. Under the Act, public authorities/commissioners must consider how the services could have an even further reaching impact on the local community. To directly quote (in opening preamble chapter 3, section 1):

If an authority proposes to procure the provision of services, it must comply with these requirements:

(a) how what is proposed to be procured might improve the economic, social and environmental well-being of the area, and

(b) how, in conducting the process of procurement, it might act with a view to securing that improvement.

There has been some but limited SVA progress in the way commissioners think but everyone feels more needs to happen. How do commissioners deliver more real social change, prevention, more social value? All sectors should show more can be done using the SVA at a time when the voluntary, community and social enterprise (VCSE) sector is really suffering because of spending austerity. Many charities describe how their traditional contracts and grants are drying up and they are fiercely competing for any funds (i.e. a 'race to the bottom' is created as prices are slashed making delivery and real change less likely). Once these VCSE organisations disappear it is unlikely they will return, - if we are not careful it will be a permanent loss of social value. The potential for the loss of the VCSE permanently and the deconstruction of Civil Society is a real prospect. The obvious and good work on community issues, creating social value and sustainable social enterprise needs to be protected. The NCVO in their annual Civil Society Almanac shows a growing divide between the haves and the have nots in the VCSE sector.

To realise the ambition of the SVA (The Big Society legacy passed onto the Government's Civil Society team), the machinery set up within the Civil Society strategy of 2018 and truly transform commissioning practice, the Government should do more such as mandating for Social Value progress and promoting better value for money for the taxpayer. In other words, every commission/procurement should state how much extra value it wants to see and make it a structured part of the assessment of all new services/offers. A very transparent way of doing this would be for the government (or any commissioner using public funds) to state the usual specification requirements of volume, cost and quality of a service being tendered out, and in addition say how much should additionally flow and be ring-fenced into the hands of the local/field-related VCSE non-profit sector partners to deliver social impact. This would be so welcome by the VCSE who are currently under a lot of financial pressure and sadly going-under, merging or simply withdrawing services.

The SVA has an important link to such emerging central strategies. Without doubt central government is right to seek to plan and commission services on a larger more integrated regional scale so long as the delivery is devolved and local. It makes sense to integrate health, social care, justice, employability, housing and a range of other services around a natural geographic region and decide what's in every neighbourhood or centralised to a specialist service. If done well this will lead to greater efficiency, prevent unnecessary duplication and encourage inter-agency work. By implication the benefits to service users are they get joined-up interventions that are better coordinated for greater up-stream prevention impact. This devolved integration should follow SVA requirements and make clear those interested in the service procurements (commissioners) have to additionally set aside a value which goes to the non-profit sector and this is part of the assessment of who wins a bid and carries on to manage the expert supply chains required. This can be defined as the very essence of Social Value when this sort of large-scale integration positively encourages the non-profit supply chain consortia associated with such integrated devolution. The commissioning method above should be hard-wired into public procurement through a section of the tender invite which is scored so as to promote it [SVA].

Devolved integration and a commitment to localism is likely to see the rise of the 'one-stop-shop' service, the 'service hub', best led by the VCSE. This is financially savvy and in terms of integrated support pathways is very sensible and will be welcomed by most service users because they also see the waste of going in and out of many doors before they get anything like a real solution to what they rightly believe are their unique multi-faceted problems. An offender with an anti-social drug and alcohol problem may be assisted into employment but if they still live in the same poor accommodation as their drug dealer and their mental health/drinking problem is not dealt with at the same time then there is little chance of a truly long-term successful outcome. The 'RE-world' beckons: – reoffending, readmission to hospital, relapse, revolving-door, etc. Commissioning is often serially inefficient (not integrated) and looks at solving one problem at a time, when in reality people are complex with multiple needs requiring coordinated simultaneous responses.

2. Relevant literature:

There are organisations like NCVO, New Philanthropy Capital, Bridges Ventures/Finance, New Economic Foundation, Big Society Invests/The National Lottery and Social Finance (also consider: Lloyds Bank Foundation for England and Wales, Association of Chief Executives of Voluntary Organisations (ACEVO), Association of Charitable Foundations, Charity Finance Group, Directory of Social Change, Institute of Fundraising, Nesta, Small Charities Coalition, and 360 Giving), who have all done defined research into this area and there are increasing amounts of literature emerging across the social impact bonds/products that are currently in play. These tend to focus on specific projects, schemes or elements of social impact measurement, but do not address a consensual, replicable method to increase the amount of social investment. There have been 55 social impact projects completed in the UK to date (since around 2012/3), with a total investment value of c. £400M, and another 45 started. This is less than 2-3% of the total VCSE national service market. The social impact market will increase but slowly if there is not a clearer process and analysis of the benefits and using a simpler set of social impact products, better indexes of socio-economic benefit and a regularised, simpler method and best practice route. Most research conclude there is no clear structure or routeway or process and the Social Impact products so far developed (and showing good impact) have been individually developed without strategic review of their portability or replicability, best practice or common themes of success. At a time of high need, focus on how change (through prevention) can be delivered via Civil Society principles has never been more important to avoid a growing level of unmet need leading to more crises. www.smartsocial.org.uk