

FROM TRANSACTIONS TO CHANGEMAKING

RETHINKING PARTNERSHIPS BETWEEN THE PUBLIC AND PRIVATE SECTORS

EXECUTIVE SUMMARY

This report provides a new voice to the debate on the role of the private sector in the delivery of public services. While the current debate remains unhelpfully polarised along party lines, we argue that partnerships between the public and private sectors must fundamentally change – from an approach that is primarily transactional in nature, to one that is changemaking.¹

THE CURRENT DEBATE: A PREOCCUPATION WITH THE MEANS OF DELIVERY OVER HIGH QUALITY OUTCOMES

The role of the private sector in public service delivery has been overshadowed by recent high-profile failings, including the collapse of Carillion. But while this could provide the impetus for a radical rethink, the national political debate is stuck in the past. The Conservative Government seems to prefer a ‘business as usual’ approach, with an increase in overall government spend on outsourcing,² while the Labour Party advocates taking everything back ‘in-house’. Both approaches focus on the means of delivery rather than the ends – and neither really addresses the fundamental challenge facing public services: rising demand.

¹ ‘Changemaking’ is a term adopted in NLGN’s (2017) A changemaking vision for local government. It is used to identify the culture shift required to reinvent public services and raise social impact, underpinned by three core values: creativity, collaboration and self-determination.

² Arvato (2018). UK Quarterly Outsourcing Index. Available at: <https://www.arvato.com/uk/insights/outsourcing-index.html>



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THE NEED FOR CHANGE

AN INCREASINGLY COMPLEX WORLD

Sitting behind rising demand is an increasingly complex world in which partnerships between the public and private sectors must adapt. Modern phenomena such as an ageing population, new technology, and changing citizen expectations contribute to demand pressures and add further complexity to the mix. Meanwhile, austerity has driven down real terms resources for public services to keep pace with demand.

A DECLINE IN APPETITE FOR PARTNERSHIPS BETWEEN THE PUBLIC AND PRIVATE SECTORS

New analysis for this report reveals that the preference towards outsourcing may be on the wane. NLGN’s Leadership Index asked leaders, chief executives and mayors about their plans to outsource over the next two years. While nearly half indicated no change (46 per cent), a significant minority (39 per cent) indicated that they would outsource less, with only 15 per cent saying they would outsource more.³

³ See appendix. NLGN Leadership Index is a survey of leaders, chief executives, and council mayors of local authorities across the UK. It asks their level of confidence in key service areas and wider indicators of community wellbeing. The NLGN Leadership Index survey (August 2018) was sent to 767 leaders, chief executives and council mayors. It was open between 7 June and 2 July 2018.

CHANGEMAKING PARTNERSHIPS IN PRACTICE: FIVE GUIDING PRINCIPLES

Our research highlighted five key barriers to progressive partnership working. In response, we have identified five corresponding guiding principles for a renewed 'changemaking' approach:

TERRITORIAL → COLLABORATIVE

Siloed working within and between sectors can often lead to a preoccupation with contract management and offloading risk rather than forging a genuine partnership.

A collaborative partnership is underpinned by a clear understanding of where responsibilities and risks lie, drawing on the distinct strengths and capacities of each partner. This might involve investment in client-side capacity or public sector bodies banding together to co-commission services.

PROCESS-DRIVEN → CREATIVE

A culture that encourages prescriptive and unimaginative ways of working limits opportunities to trial new approaches and models of delivery.

A creative partnership necessitates a shift in mindset towards a problem-solving approach. Practical routes to creativity include empowering the procurement profession in the public sector and encouraging a diversity of approaches to partnership working.

RIGID → ADAPTABLE

Contracts that are too rigid can tie partners to arrangements that do not work or are no longer

fit for purpose when circumstances change. Adaptability flows from an understanding that different phases of projects will have distinct requirements and that these may change, particularly within a complex service delivery landscape. Opportunities to adapt may be facilitated by dividing complex projects into discrete phases or introducing break clauses into contracts.

CLOSED-DOOR → ACCOUNTABLE

A closed-door culture excludes the public from scrutinising decisions and can show a disregard for the public interest.

High levels of transparency and accountability improve the quality of outcomes and restore public trust. Practical routes to greater accountability include meaningful public engagement in design, delivery and evaluation; and greater data disclosure to enable the monitoring and evaluation of spend.

LINEAR → PLACE-BASED

Poor partnerships can be narrow and centralised in their approach. There can be a lack of integration with the wider assets and resources in places.

Place-based partnerships generate long-term benefit in the communities in which they operate. Practical routes to delivery include a renewed approach to social value, moving towards genuine social impact; the active involvement of elected members; and commissioners encouraging a diverse mix of providers – where possible including local small and medium-sized enterprises (SMEs).

POLICY RECOMMENDATIONS

We identify a series of policy recommendations, which call for cross-sectoral action to support these five fundamental shifts towards changemaking partnerships.

PUBLIC SECTOR

- **REPLACE SOCIAL VALUE WITH A STRONGER MEASURE OF SOCIAL IMPACT:** Be prepared to drive long-term change rather than focus on avoiding short-term costs. Social impact objectives must be measurable, made public, based on consultation where feasible and built into the contract management of partnerships.
- **MAINSTREAM PROCUREMENT INTO CORE STRATEGIES:** Procurement should align closely to wider council and commissioning goals.
- **INVOLVE THE PUBLIC IN MEANINGFUL WAYS:** Community steering groups should operate across the design, delivery and evaluation of many projects and services.

PRIVATE SECTOR

- **APPROACH PARTNERSHIPS WITH THE PUBLIC SECTOR AS A SHARED ENDEAVOUR, NOT A SINGLE PRODUCT OR SERVICE:** This includes taking a problem-solving approach to partnership working that draws on the skills, assets and capacity of each partner. This collaborative approach could be supported through cross-sector secondments within larger contracts.
- **ACCEPT ACCOUNTABILITY TO THE PUBLIC:** An accountability code of conduct should govern practice and include full data disclosure and open booking accounting on large public sector contracts of £1 million and over.

- **INTRODUCE A SOCIAL RESPONSIBILITY ACCREDITATION SYSTEM:** All firms bidding for public sector contracts of £200,000 or more should commit to a social responsibility accreditation scheme. For example, this could be similar to B Corporation status,⁴ a business certification that considers environmental and social outcomes beyond the immediate impact of their operations. The accreditation should not be led by the private sector – the public sector and government should consult and determine how the scheme would be governed and managed.

GOVERNMENT

- **IMMEDIATELY UNDERTAKE A SUBSTANTIVE REVIEW INTO THE STEPS NEEDED TO PROVIDE GREATER TRANSPARENCY ON PRIVATELY OUTSOURCED CONTRACTS:** The review should establish a framework for the creation of a world-class data infrastructure framework that would boost transparency across procurement spend with the private sector and ensure that public money is rigorously accounted for.
- **INTRODUCE A COMPULSORY TRAINING SCHEME FOR PROCUREMENT PROFESSIONALS:** This must include training on social impact and should be supported by interdisciplinary working opportunities and sharing of best practice.
- **RECOGNISE THAT PARTNERSHIPS BETWEEN THE PUBLIC AND PRIVATE SECTORS ARE NOT A SOLUTION TO AUSTERITY:** Government must invest in the capacity of the public sector to manage increasing demand. The public sector must have the skills and resources to manage a diverse ecosystem of provision.

⁴ Delves, A. (2018). What are B Corps, and how do you become one? Available at: <https://www.simplybusiness.co.uk/knowledge/articles/2018/02/what-is-a-b-corp-all-you-need-to-know-about-b-corp-certification/> [Accessed July 2018]

CONCLUSIONS

Public service provision needs to be capable of responding to reducing resources, rising demand and shifting citizen expectations. A new approach to partnership between the public and the private sector would see a shift from transactional modes of operating to a changemaking approach – one which is collaborative, creative, adaptable, accountable and rooted in place.

