

Ensuring efficiency

Some commentators say there is a Labour/Tory battle brewing about the role of charities in providing public services. If such a battle does indeed rage then it is important that the sector presents its position clearly, and in a language all sides understand. It must grasp the language of value for money and efficiency.

Too frequently the charitable sector resorts to special pleading in its dealing with government. It is true that the government often makes life difficult for charities. By doing so it is failing service users and taxpayers, and this is the crucial point.

At the end of last year, the Home Office announced that it was to appoint an independent Compact Commissioner to oversee the relationship between public bodies and charities as part of a new 'Compact Plus'. This decision was made exactly a year after acevo published research by New Philanthropy Capital (NPC) for "Surer Funding".

Among the recommendations of Surer Funding was the creation of an independent 'Champion' to preside over the process of funding reform. Such reform is necessary because the sector continues to suffer discrimination relative to commercial companies and, as a result, is forced into contracts which fail all sides — taxpayers, charities and beneficiaries.

As charities increasingly take on responsibilities for service delivery, the principles underpinning the Compact — full cost recovery, sensible risk sharing and less red tape — become more and more important. The Compact Commissioner is intended to ensure that these principles are translated into practice.

But the Compact is too conciliatory in tone. It has been founded on an unspoken principle that charities deserve to be treated differently. In Surer Funding, NPC argued that the basis for improving the relationship between charities and government funders should be greater efficiency. In 2005, the Home Office published proposals to strengthen this with the 'Compact Plus'.

In strict terms, efficiency describes a situation where one party cannot be made better off without a corresponding loss to the other party. Yet in this case, increasing efficiency means moving to funding arrangements where services improve, but neither the funder nor the charity is any worse off as a result. Efficiency gains will come about if funders become better at sharing risks and reducing the burden of red tape, allowing charities to provide higher quality and more reliable services.

In government speak, this means that taxpayers get better value for money. Such an efficiency gain is vividly illustrated by the example of Marie Curie Cancer Care's nursing contracts.

Marie Curie provides home nursing care for people in the terminal stages of cancer, under contract with primary care trusts (PCTs) around the country. The PCTs pay half the costs of care, with the remainder coming from fundraising.

Flaws in the arrangement lie in the details of the contracts. The contracts state that Marie Curie will be paid only for those nursing

services required by the primary care trusts. This appears reasonable at first glance. But it places all of the demand uncertainty on Marie Curie. The charity's rational response is to rely on agency nurses for much of the service. But, due to the lack of availability of agency nurses, the charity is unable to provide the required nursing care in about one-third of cases.

This is inefficient. Marie Curie would like to provide the service. The primary care trust would like the service to be provided. The individual suffering from cancer would like the high quality home care Marie Curie can provide. If the care is not provided, individuals often end up as emergency admissions to hospital. Furthermore, hospital beds are far more expensive than Marie Curie's nurses, meaning that the taxpayer is also worse off.

Preventing these kinds of problems is straightforward. Marie Curie should be given a funding guarantee so that it has the security to hire permanent nurses. All parties would be better off as a result. The danger of not grasping this point is that the new Commissioner, however well formulated, will look like another concession to charities. Government funders will resent being forced to change their behaviour if they perceive that they are doing so simply because they are being told that charities are somehow special.

The new Commissioner is due to be appointed by early May, with a Commission up and running by September. Once in post, the Commissioner's first job will be to investigate what powers the strengthened Compact will need. Whether this will mean plumping for financial penalties for public bodies that are found in breach of the principles, or a 'name and shame' approach, we do not yet know. Either way, before this is decided, the Commissioner has to grasp the more fundamental point: efficiency must be the lynchpin of the strengthened Compact, in which the Commissioner exists to protect the interests of the public first and foremost.

The charitable sector too would do well to heed this message. In the heat of battle, the sector must equip itself with robust arguments. If it does not, funders will continue to take advantage. It cannot rely on special pleading as a defence. Instead it must learn the language of value for money and efficiency that will appeal to policy-makers and taxpayers.

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