

## THE IMPACT OF COALITION POLICIES ON SERVICE- PROVIDING VOLUNTARY ORGANISATIONS

Andy Benson and Colin Rochester  
National Coalition for Independent Action

### 1. Introduction: the NCIA Inquiry and this paper

#### What is the NCIA?

The National Coalition for Independent Action is an alliance of individuals and organisations who have come together to defend and promote the principles and practice of independent voluntary action. We view voluntary action as occupying a space within civil society that is distinct from the state and the private sector; a space in which citizens come together freely to exercise self-determining collective action. NCIA supports such action where it is intended to advance social justice, equality, liberty, freedom from want, enfranchisement, and environmental sustainability. NCIA was established in 2008 in response to the perceived co-option of independent voluntary action by government and state agencies as a way to implement their policies and plans. More recently, NCIA has added to its purpose the intention to oppose the progressive incorporation of voluntary effort within private business interests, especially in the context of public services privatisation.

#### The NCIA Inquiry into the Future of Voluntary Services

In May 2013 we launched an Inquiry into the Future of Voluntary Services. As the name implies, the Inquiry has been specifically concerned with those voluntary and community organisations that deliver *services* in local communities, especially those that accept state money for these activities. These are the groups that have been particularly affected by successive New Labour and Coalition Government policies regarding the relationship between the voluntary and statutory sectors, and attitudes and intentions towards the future of public services. In this and other Inquiry papers we refer to these as Voluntary Services Groups or VSGs.

#### What do we hope the Inquiry will achieve?

Given the huge changes that have taken place within VSGs and the landscape they occupy, we set out to collect information about the extent and nature of the impact of government policies and actions on VSGs, the services they provide and the people who use them.

We hope that the results will lead to a better understanding and explanation of what has

created these impacts and will begin to identify ways in which voluntary organisations can challenge the current direction of travel and promote a different and more positive future for VSGs, appropriate to their role as independent civil society bodies.

## **Where have we got to?**

Through a number of open meetings an Inquiry reference group was built of individuals who wished to contribute to our discussions. Many of these gave of their time freely to investigate and report on a wide range of issues that have shaped developments in the field and ways in which VSGs have responded to these. The outputs from this work will comprise 16 working papers, 15 of which are currently available to download from our [website](#). The last working paper will be available there soon. We are currently working on production of a summary report which will synthesise the evidence from this substantial body of material.

This paper draws on the fruits of the Inquiry to focus on the financial consequences for service-providing voluntary organisations of the current funding environment and the impact of them on the services they provide.

## **2. The Funding Environment**

There are three key elements in the changing funding environment for VSGs:

### **Cuts and ‘austerity’ - people and communities under pressure**

Changes in the funding environment for VSGs, since 2008 and accelerated since 2010, have been taking place against the backdrop of the largest cuts in living memory to public services and to the living standards of the poorest in our communities, with much more to come. Although our Inquiry did not focus specifically on the nature or extent of these cuts, a theme that runs through the Inquiry reports is how VSGs are confronted by the catastrophic effect that they are having.

A direct consequence is an increased demand for the services provided by VSGs, a trend set to continue, as more and more people struggle to make ends meet as the result of low paid and insecure employment; the rising cost of living; and cuts in benefits and services. This is the context – the needs of users and communities increasing and becoming more urgent – against which falls in funding going to VSGs needs to be assessed.

### **Privatisation and the outsourcing of services**

The New Labour government did much to legitimise and open the door to the privatisation of public services. The ideological commitment to free market principles has been vigorously pursued by the Coalition government and privatisation has grown hugely. The position, role and fortunes of VSGs are closely tied to the rollout of this programme, within which VSGs, with the exception of the largest charitable organisations, are viewed as minor players.

The outsourcing of public services has created a demand for commissioning and procurement regimes and practices that tightly specify both strategic and operational requirements for the discharge of services contracts. Such requirements, of course, apply to VSGs bidding for this work. But they have also been applied to other streams of funding

(especially grant funding) previously used to support VSG work that was seen as complementary to mainstream public services. These commissioning and procurement practices are now in near universal use at both local and national levels.

## **Dismantlement of the post-war welfare settlement**

Cuts in expenditure and the privatisation of public services are both elements of a wider neo-liberal programme being pursued by the Coalition government. Intrinsic in this is an end to the post-war settlement, based on universal benefits, collective responsibility for social protection, and acceptance of a major role for the state in redistribution of wealth, the maintenance of minimum standards and quality of life. In particular, a radical recasting of the welfare system involves the casting of claimants as a burden, direct cuts in living standards and the creation of destitution through benefits sanctions.

Within this paradigm VSGs are viewed as an alternative or substitute safety net, intended to fill the gaps left by cuts in public services and funded through private business (including via sub-contracting) or through quasi-business mechanisms described as 'social investment'.

## **3. The Direction of Travel**

VSGs operate in a complex landscape and there are significant variations across localities and across different field of activity. However, the evidence from the Inquiry reveals a clear *direction of travel*.

**Overall, the environment for service-providing voluntary organisations is increasingly difficult and hostile - for the extent and quality of the services they provide; for the people for whom they provide services and undertake activities; and for own independence and self-determination in these matters.**

**This is the result of many factors, perhaps the most forceful of which have been the availability of finance and funding , and the terms under which such funding is made available.**

## **4. Loss of funding and changes to the conditions and expectations of funding**

### **Grants to contracts**

Historically, grant aid to VSGs has been the principal mechanism used for state support. In very many local areas grants programmes have been cut significantly, if not entirely, and, where retained, often confined to small grants to support small community group activity.

The use of contracts to mediate state support to VSGs has mostly replaced grant aid. Though this tendency dates back to the 1980s its use has consistently accelerated and is now regarded as the norm for funding relationships. Underlying the shift from grants to contracts is a shift in assumptions; from one that sees state funding as a way of supporting VSG's own plans and priorities to one that see VSGs as a means of delivering state plans and priorities.

## **The impact of cuts**

Since the crash of 2008 and the introduction of widespread cuts in public expenditure this shift in relationship has been accompanied by reductions in funding and, in many cases, by increased contract demands through changed specifications – more for less. At the same time, the cuts have forced state agencies to concentrate resources on core statutory functions to the detriment of programmes previously seen as innovative or complementary to direct state provision, such as early intervention work. Many VSGs have, therefore, found themselves confronted by:

- Tightly prescribed and managed terms and conditions of funding;
- Reductions in the levels of funding available; and
- Requirements to work on issues and in ways that assist statutory agencies to fulfil their legal duties.

## **Crisis responses**

The cumulative effect of these changes has now created a situation in which many VSGs, and most especially small and medium-sized locally-based VSGs, are struggling to stay afloat and maintain levels and quality of services to their users. Such precarious sustainability is exactly what is not needed to provide consistent and effective services and support to vulnerable people and communities.

In response, some VSGs have looked elsewhere for support – general donations or trust and foundation support – but this has been generally inadequate. Others have moved in the direction of social enterprise and social investment looking for trading opportunities and adopting business practices as a source of income generation. Others again have felt they have no alternative but to join the market and bid for the only governmental funding left for the provision of contracted-out or privatised public services. And within the latter category there are a growing number of VSGs who find sub-contracting to profit-making private business acceptable. Many other VSGs have been forced to cut their services, or close their doors altogether.

## **5. The key role of commissioning and procurement**

The engine of these changes has been the commissioning and procurement practices that have arisen at national and local levels. At a strategic level, the assumptions driving commissioning have diminished voluntary sector input into service planning and needs assessment, and replaced collaborative with competitive relationships both between VSGs and between VSGs and statutory agencies, destroying trust relationships on all sides.

The widespread use of inappropriate and ineffective procurement processes has largely extinguished the core funding needed for VSGs to sustain the infrastructure needed for organisational integrity. They also stifle innovative and experimental approaches, consistently favour large, often national, organisations, encourage sub-contracting, and involve awesome – and completely unfunded - transaction costs beyond the capacity of many locally-based VSGs.

For users the impact is felt in that costs are driven down to levels that make the provision of

good quality service delivery impossible; the performance-managed services available are less able to adapt to the specific needs of users; and the room to exercise expressive behaviours historically associated with VSGs is reduced or eliminated.

## **6. Winners and losers**

It is clear that the forces and factors pressing on voluntary and community groups are changing the ecology of the whole sector and in this there is a growing gap between the 'winners' and the 'losers' as described below

### **Large and small agencies**

Larger VSGs have always commanded the bulk of income to the sector and continue to do so. They are not only better equipped to compete for increasingly large-scale government contracts but are also more successful in attracting private donations and income from commercial sources. Many larger charities have moved into service provision in local areas in direct competition with often long established small or medium size voluntary groups.

The losers are these small and medium size groups – as highlighted in section 4 - that have suffered most from reduced resources and increased pressure on their local services. They face increasing competition from three kinds of rival organisations - private sector companies which have identified new opportunities for profit; new entrepreneurs badged as non-profit but keenly competitive in their approach to contracting; and some of the largest charities. Repeated surveys have shown how these groups are experiencing redundancies, falling income, contract income not covering costs and use of reserves to stay afloat. With the loss of local groups comes the loss of local knowledge, networks and degrees of embedded-ness within local communities, benefits that cannot be easily replaced.

### **Community and black and minority ethnic groups**

Community groups too are adversely affected by these changes. Many of these groups provide activities, based on mutuality, that in others' hands would be described as 'services'. They are at a disadvantage when it comes to accessing available forms of funding. And while the smallest of these organisations – those heavily reliant on volunteers – are seen as 'too small to fail' they are also under pressure. The loss of small-scale discretionary grants, other cuts in local authority expenditure, and loss of funding to local infrastructure bodies and 'community anchors', has had damaging effects.

BME groups in particular appear to be suffering disproportionately. These communities have poorer health, are more likely to be in poverty, with difficulties in accessing services; they have long been marginalised in terms of policy; and they are disadvantaged by the view that 'multiculturalism has failed', one effect of which has been to concentrate resources in so-called 'mainstream providers'.

### **Exceptions to the rule**

This is not the picture everywhere. There are some larger charities that have not chosen to exploit the market opportunities open to them; some smaller VSGs that are managing to

operate successfully in the new environment; some community groups that still receive valuable support from their local authority. It is perhaps by focussing on these exceptions that we can learn how best VSGs can be supported to re-establish their appropriate role.

## **7. The impact on paid staff and volunteers**

### **Paid staff**

With respect to paid staff, the move to outsourcing combined with cuts to budgets has put pressure on VSGs to conform to procurement expectations of low cost, high volume proposals. Where VSGs have been successful this has commonly pushed them into reviewing terms and conditions. Effects include lowering pay at the bottom whilst increasing it at the top, the casualisation of contracts including widespread use of zero-hours contracts, the exploitation of weaker employment rights and heavy-handed managerialism. Trades union membership is low within VSGs and workplace union activity can be weak or incompetent.

### **Volunteers and volunteering**

Dominant ideas about volunteering have moved away from self help, community development and campaigning to the 'workplace model' that sees volunteers as unpaid workers. This shift has dramatically accelerated as a consequence of contracting, professionalisation and managerialism. This means loss of access to volunteering for some and loss of opportunities for personal development and employment for others. Overall there is less of a focus on helping the volunteers as a rationale for using them. The more subservient role seen for volunteers also drives a wedge between VSGs and those people and groups involved in activism and campaigning.

## **8. Discouraging dissent**

Another theme that runs through our Inquiry reports is the alarming extent to which VSG's critical voice has been silenced. This role – of advocacy, campaigning, opposing excesses, abuses and injustices and holding powerful interests to account – is a vital, perhaps the vital role of radical voluntary action. The general atmosphere that discourages criticism of authority is reinforced through dependency on funding, formal contract arrangements which include silencing clauses, informal bullying and threatening behaviour, and progressive integration and incorporation into statutory service frameworks. All of this is contributing to a loss of ability on the part of VSGs to think, act and speak independently.

## **9. The role of sector 'leadership' organisations**

### **At national level**

At national level, the bodies regarded as leading and representing VSGs and the wider voluntary and community sector have failed to stimulate or organise any significant opposition to the cuts to services for poor people and disadvantaged communities, and direct cuts to these people's living standards, especially through the benefits system.

With respect to the changing fortunes of VSGs dealing with these societal effects, the leadership bodies have explicitly or implicitly, in at least one case secretly, supported the privatisation of public services and the implications of this for VSGs. With respect to contracts and the funding environment, they have argued both for a 'level playing field', to enable VSGs to pick up a greater share of contracts, and for closer sub-contracting relationships with private sector global corporations. Criticisms of procurement practices, funding mechanisms, such as 'payment-by-results' contracts, and contract management arrangements have been confined to technical issues or matters of process.

## Locally

At local level too, amongst local infrastructure groups, especially Councils for Voluntary Services (but with a few exceptions), the driving factors have been to accept the changes forced upon VSGs. This includes cuts and competitive behaviours, the promotion of business practices and relationships (including sub-contracting), and subservience to damaging and inappropriate commissioning and procurement regimes. There have also been largely ineffectual efforts to defend smaller agencies through 'consortia' or similar joint working relationships.

At all levels the claims of social enterprise and social investment as a viable alternative to publically funded services have been embraced. Indeed the entire landscape has again been rebranded as the 'voluntary, community and social enterprise sector'.

## 10. Summary and conclusions

The changes that have been highlighted and evidenced by our Inquiry indicate that heavy damage has been done to VSGs and there are few signs that this direction of travel will not continue. VSGs are facing increased demand on their services at a time when both the amount of funding available to them has reduced and the conditions attached to that funding have become more restrictive. Dependence on state funding under these conditions undermines not just their financial viability but also their identity and *raison d'être*. Some large national charities may have the means to access alternative and additional sources of funding, but this is not the case for the vast bulk of locally-based VSGs. Likewise encouragement to become more businesslike through adoption of social enterprise and social investment models is not proving to be a viable alternative to this funding gap. Overall the results are the loss of many important and complementary services, the creation of clone VSGs offering standardised services to commissioner's specifications and a diminishing appetite for criticism of or opposition to these changes.

Understanding what is happening to this important part of independent voluntary action lies in seeing the position of VSGs within the bigger picture – with respect to public services, social protection and the hegemony of market principles. Resistance to these forces is not futile but, within the voluntary and community sector, the need to defend the proper and appropriate role for service provision by voluntary groups has to be linked to wider campaigns for a positive alternative to the neo-liberal agenda.

23/11/14

[andy@independentaction.net](mailto:andy@independentaction.net)

[colin@practicalwisdomr2z.co.uk](mailto:colin@practicalwisdomr2z.co.uk)