

## Voluntary action under threat: what privatisation means for charities and community groups

**National Coalition for Independent Action (NCIA) is a network of individuals and organisations who believe there is a need to defend independent voluntary and community activity. This paper aims to help NCIA activists to analyse the government's agenda of privatisation by gathering together evidence about the role of commissioning, localism and 'big society'.**

### 1. THE POLICY BACKGROUND

Before the change of government in May 2010, voluntary and community organisations were already finding it difficult to respond to increased need for their services because of the recession. They are now having to contend with billions of pounds of government funding cuts.

Cuts to public services are an ideological decision, not a necessity. Economists including Nobel Prize winner Paul Krugman and former World Bank chief economist Joseph E Stiglitz have shown that cuts will be damaging to the growth of the economy.<sup>1</sup> The ideology behind the cuts is a commitment to the reduction or complete removal of the universal and equal right to healthcare, welfare benefits, education and other services. The combined effects of the government's cuts and its 'localism' agenda (of which the idea of 'big society' is part) will be reduced public and community services. A pattern is emerging which shows that the less privileged you are, the more the cuts will affect your life.<sup>2</sup> We are returning to an earlier time in British history, when poor people relied on the charity of the rich where they could get it.

### 2. COMMISSIONING: THE DESTRUCTION OF THE VOLUNTARY SECTOR

Commissioning is used to mean the process whereby funders, usually statutory authorities, from local to European, pay for services from organisations, mostly through contracts. Many voluntary sector activities that used to be funded through grants are now commissioned.<sup>3</sup> Voluntary sector organisations compete with each other and often also with the private sector to get the contract. For a local service, an organisation based in that community could be competing with a national or international organisation. Whereas with grant funding the organisation could put forward a proposal to deliver a service based on need it had identified, with commissioning the statutory authority decides what it wants the service to be and specifies resources available, outcomes expected and often, how the service or activity should be delivered. The most important consideration in comparing different possible providers for a commissioned service is usually cost.



1 John Medhurst and Enrico Tortolano, 'PCS on Privatisation', Public and Commercial Services Union, 2010: [http://www.pcs.org.uk/en/news\\_and\\_events/facts-about-civil-and-public-services/the-truth-about-privatisation.cfm](http://www.pcs.org.uk/en/news_and_events/facts-about-civil-and-public-services/the-truth-about-privatisation.cfm)

2 NCVO, 'The Big Society – the Evidence Base', July 2010, p11/20: [http://www.ncvo-vol.org.uk/sites/default/files/The\\_Big\\_Society\\_-\\_the\\_evidence\\_base\\_0.pdf](http://www.ncvo-vol.org.uk/sites/default/files/The_Big_Society_-_the_evidence_base_0.pdf)

3 For example, Birmingham Council announced at the beginning of 2010 that all of its youth services, which were previously grant funded, would move to commissioning. See *Children and Young People Now* 'Fears grow over loss of grants' 16 February 2010: <http://www.cypnow.co.uk/inDepth/ByDiscipline/Youth-Work/983925/Fears-grow-loss-grants/>

Commissioning began in the 1980s and was intended to make delivery of public services operate more like a market place. The current government intends to accelerate further the process of privatisation of public services through initiatives like the 'free schools' model and GP commissioning in the NHS.<sup>4</sup> Its *Open Public Services* white paper expresses its vision for virtually all public services to be open to delivery by the voluntary and community sector and the private sector.<sup>5</sup>

The push towards privatisation of public services is not because this delivers the best service or the best value for money.<sup>6</sup> The TUC reports that 'research by economists at Imperial College shows that, following the introduction of competition in the NHS in the 1990s, under a system that allowed hospitals to negotiate prices, there was a fall in clinical quality'.<sup>7</sup> The policy is the result of the government's ideological commitment to market principles and of lobbying from companies who stand to gain.

### **The market doesn't select the best service**

Research by the Greater Manchester Centre for Voluntary Organisations found that 'commissioners do not have good awareness of the voluntary sector market'.<sup>8</sup> If one bidder was cutting corners to save money to the point of being dangerous to people, it would not be the commissioner's job to pick up on it. The report finds that where commissioning does occur based on an understanding of local needs, with costs calculated accurately so that the organisation delivering the service doesn't end up out of pocket, it is usually because this has been initiated by and fought for by local community and voluntary sector organisations.

Research by Adur Voluntary Action and NCIA found that unless consideration of other factors is deliberately built in, the market model of selecting a service can be random, ignoring common sense, history and personal relationships which are important to the success of a service: 'Tendering specifications and processes have not placed a value on local experience, local focus or degree of 'embedded-ness' within local communities.'<sup>9</sup>

- 4 *The Guardian*, 'Free schools', 2010-11: <http://www.guardian.co.uk/education/free-schools>  
*BBC website*, 'Free schools could be set up in shops and houses - Gove', 18 June 2010: <http://www.bbc.co.uk/news/10345302>
- The Guardian*, 'Mutual decision: better healthcare or the end of the NHS?' 18 November 2010: <http://www.guardian.co.uk/society/2010/nov/18/mutual-decision-healthcare-end-nhs>
- Pulse*, 'Sainsbury's offers GPs free premises as it launches national network of practices', 25 November 2010: <http://www.pulsetoday.co.uk/story.asp?storycode=4127854>
- 5 Cabinet Office, 'Call for evidence on public service reform', 2010: [http://www.hm-treasury.gov.uk/d/callforevidence\\_publicservicereform.pdf](http://www.hm-treasury.gov.uk/d/callforevidence_publicservicereform.pdf)
- 6 Research has shown that a state-controlled NHS is the only way to deliver healthcare that is not based on ability to pay, and is also the most cost-effective way of doing so. See Randeep Ramesh, 'NHS fares best on free access to healthcare', *Guardian*, 19 November 2010; Seamus Milne, 'The corporate grip on public life is a threat to democracy', *Guardian*, 17 November 2010.
- 7 Letter to *The Times*, 17 January 2011, from the health unions the BMA, RCN, Unison, Unite, RCM and CSP, quoted at <http://www.touchstoneblog.org.uk/2011/01/nhs-reforms-%E2%80%99Cextremely-risky-and-potentially-disastrous%E2%80%9D/>
- 8 GMCVO, 'Commissioning: Possible', November 2008.

Contracts are re-tendered every few years, perhaps even annually, threatening continuity of service: lessons learned over a long period of working in the area or with the relevant user group are lost every time a new (probably cheaper) provider takes over.<sup>10</sup> Groups that work with vulnerable people, or on unpopular issues like immigration, find it difficult to survive in a market place because they cannot charge for their service or get large donations. Smaller organisations cannot compete with large ones in delivering the lowest 'unit cost'.<sup>11</sup> The substantial resources required to submit tenders are often unavailable to them.

### **Commissioning is people getting what the government says they should get, not the service they need**

In the commissioning model, a service will be funded if it fits the priorities of the commissioners. Brand new or innovative work is too high risk for a market-based system and too hard to cost and evaluate. While grants supported the principle behind an organisation's existence, sometimes providing core funding for office and staffing without specifying activities, commissioning is project-specific. The loss of support for the broader philosophy of an organisation can mean the loss of its ability to respond flexibly to changing local need.

The rigid monitoring of most commissioned services and the growing practice of 'payment by results' (meaning the organisation will get paid according to successes achieved, such as number of unemployed people put into jobs) discourage holistic or preventative services which have less clear or immediate outcomes. Long-term thinking and planning are impossible because contracts are short with no guarantee of renewal and government priorities and funding systems are always changing.

### **The market damages organisations and the people working in them**

Privatisation leads to cutting corners: the quality of services and the conditions for employees suffer as organisations have to be as cheap as possible to win the tender. Charities which have a tradition of valuing their employees and offering them good terms and conditions might find themselves competing with other charities or private sector organisations which have reduced these entitlements to make their service cheaper. The outsourcing of services previously delivered by government agencies with a strong history of unionisation to protect employees is likely to reduce collective bargaining power, as departments are broken up into smaller units with differing terms

- 9 Adur Voluntary Action / NCIA, 'The Local State and Voluntary Action in West Sussex', 2010: <http://www.adurva.org/Downloads/West%20Sussex%20report%20-%20final.pdf>
- 10 As 9.
- 11 NAVCA response to the 2010 green paper 'Modernising Commissioning': 'There is a real risk that the extension of payment by results could exclude smaller voluntary organisations and community groups from entering the market, as they do not have the working capital to continue operating whilst they await payment.'

and conditions and no automatic union recognition. People working for low wages are most commonly found in the private sector (followed by the voluntary sector, and most rarely in the state sector).<sup>12</sup> The switching of contracts between providers means that staff can be moved between them, suffering insecurity and a loss of connection to their organisation and their work.

### **Commissioning threatens the independence of charities and community groups**

A defining feature of voluntary sector organisations is their ability to act as an external point of pressure to hold the state and the market to account. The more they get drawn into delivering public services, the less they will be able to question and comment on government policy and to act independently from it. The Baring Foundation's submission to the previous government's Inquiry on Commissioning Public Services from the Third Sector said that commissioning forms 'a significant threat to the sector's independence'.<sup>13</sup>

### **The market cannot replace the voluntary sector**

The government wants to institutionalise the idea that the preferred way to fund traditionally charitable activity is through 'social enterprise'<sup>14</sup> methods: loans and income generation through contracts, charging or trading, rather than grants or other public subsidies.<sup>15</sup> These are the first steps towards ending government support for voluntary action completely.

People who work for charities usually do so because they are interested in the issues, not because they want to run a business to make profits for shareholders, or do slick marketing to persuade people to want something or prefer them over another provider. Their ethos is based on working together with similar organisations, cross-referring and sharing ideas, not competing. This model provides the best service to their users.<sup>16</sup> The Carnegie Commission of Inquiry into the Future of Civil Society reported that 'voluntary and community organisations are in danger of losing their distinctiveness by mimicking business practices and values'.<sup>17</sup>

12 Almond and Kendall, *Low Pay in the UK*, p45, quoted by Daniel Dorling in *Injustice*, Policy Press, 2010, p98.

13 The Baring Foundation, 'Submission to the Inquiry on Commissioning Public Services from the Third Sector Public Administration Select Committee', March 2007: <http://www.baringfoundation.org.uk/PASCsubmission.pdf>

14 The term 'social enterprise' is what you make it: there is no legal entity called social enterprise. This allows a wide range of agencies to describe themselves in this way: co-operative shops in rural villages, consultancy firms 'making a difference', residential care homes, and the multi-million pound Welsh Water which pays its Chair £150,000 a year.

15 The NHS white paper 'Equity and Excellence: Liberating the NHS', July 2010, states that the government aims to create 'the largest social enterprise sector in the world'.

16 NAVCA response to 'Modernising Commissioning' green paper, 2010: 'Charities are required to be independent of government and are accountable primarily to their stakeholders, who are often disadvantaged communities. The funding and grant making economy within which they grow and develop operates differently from other economies and commissioners need to take into account the impact of market approaches'.

17 Carnegie UK Trust, 'Making Good Society, Final Report to the Commission of Inquiry into the Future of Civil Society in the UK and Ireland', 2010, p28.

Many users of services will not trust an organisation they see either as aligned with government or profit-making: the independent charitable identity is a strong draw for them as well as for staff.<sup>18</sup> In a report about housing associations for the Baring Foundation, Andrew Purkis found that, by delivering contracts for government, housing associations had sacrificed their independence, their ability to provide user satisfaction and choice and to empower users, their ability to be respected by and work flexibly with other organisations, and their ability to campaign.<sup>19</sup> He argues that there are lessons to be learned from this example for the rest of the voluntary sector: 'By positioning the sector as an implement of government policy...government risks destroying the very attributes it values in the sector.'<sup>20</sup>

## **3. LOCALISM AND 'BIG SOCIETY'**

The main elements of the 'big society' are: a small grants fund on about the same scale as the previous government's Grassroots Grants programme; a training programme for local community organisers; a National Citizen's Service to put 16 year olds on volunteering programmes; a 'big society' day to celebrate volunteering; private sector mentors for groups of people wanting to set up co-operatives and mutuals to take over local services; and the 'big society' bank – money from dormant bank accounts which will be used to provide loans to social enterprises (the involvement of the banks in this scheme has been in return for promises by the government that it will not increase their regulation<sup>21</sup>).

### **Localism means fragmented services**

The 'big society' plans are linked to the government's Localism Bill. Voters will be able to challenge how council services are run, force them to be tendered out and overrule planning decisions. Much has been made of the possibility of services coming under community control. However the 'right to challenge' included in the bill is specifically intended to open up the 'public service market'. In the absence of any genuine 'enabling and encouraging'<sup>22</sup> of communities to take on services (in fact the reverse is happening as local charities and community provision are being decimated by cuts<sup>23</sup>), it is the large corporate charities and the private sector which are taking on this role. *The Independent* reports that 'LSSI, a firm which manages 13 public libraries across

18 'Commissioning: Possible', as 8.

19 Andrew Purkis, 'Housing Associations in England and the Future of Voluntary Organisations', Baring Foundation, June 2010.

20 Matthew Smerdon, 'Allies not Servants', Baring Foundation, November 2006, quoted by Andrew Purkis, as 19.

21 Sky news blog: <http://blogs.news.sky.com/kleinman/Post:c63232fc-e28f-4e11-a04f-943ab67c641b>

22 David Cameron said in his speech launching the 'big society' that it would be about government 'enabling and encouraging people to come together to solve their problems and make life better'. Conservative Party website, 2010: [http://www.conservatives.com/News/News\\_stories/2010/03/Plans\\_announced\\_to\\_help\\_build\\_a\\_Big\\_Society.aspx](http://www.conservatives.com/News/News_stories/2010/03/Plans_announced_to_help_build_a_Big_Society.aspx)

23 Dame Elisabeth Hoodless, the former chief executive of CSV, Britain's largest volunteering charity, said, 'there are a lot of very worthwhile programmes - for example volunteers working in child protection as promoted by the minister for children - which are now under threat of closure...It's about one hand not appreciating what the other hand's doing.' *Today Programme*, Radio 4, 7 February 2011: <http://www.bbc.co.uk/news/uk-politics-12378974>

the US, has set itself a target to manage libraries in eight British local authorities by the end of the year and to capture 15 per cent of the market within five years'.<sup>24</sup>

### **Volunteering means doing as you're told**

Getting involved in a local group to improve your community is different from taking responsibility for a social enterprise and bidding for contracts. Matt Scott, of the Community Sector Coalition, says: 'Real devolution of power by communities would go beyond the opportunity to call for a referendum...or take over the running of a building...if localism were to happen from the grassroots upwards we would see a rich diversity of informal community action, which inevitably takes years and costs money. The more likely scenario is that local community action will continue to decline, as always happens at times of economic hardship because the rational choice is to use one's time to seek paid work, not to volunteer.'<sup>25</sup> Historically, vibrant community activity (as well as lower levels of inequality and a healthier population) have been seen most in times of high government investment in local public services.<sup>26</sup> Public provision creates spin-off voluntary sector provision and informal community activity: libraries, educational institutions and community centres funded by the state provide focus for people to gather and work together.

### **A level playing field means ignoring inequality**

One of the aims of the 'big society' is to build 'a fairer, richer, safer Britain, where opportunity is more equal and poverty is abolished'.<sup>27</sup> However, the proposals ignore the effects of existing, and ever-growing, economic inequality in society.<sup>28</sup> The New Economics Foundation said: 'If change is created at the local level only, it will not survive in a system where inequality is endemic. There need to be structural changes to the economy, to prevent the concentration of wealth and power in a few hands, leaving others with little or none.'<sup>29</sup>

### **Freedom means not criticising the government**

The 2008 Conservative Party green paper *A Stronger Society* quoted the architect of the welfare state, William Beveridge: 'People and organisations are...more "vigorous and abundant" when given the freedom to act on their own initiative rather than when ordered

from above.'<sup>30</sup> It is difficult to see how cuts to their independent sources of funding and the exhortation to deliver services determined by the government will help community groups and organisations to do this. Pressure groups, trade unions and other networks that are engaging people and supporting them to take independent action together are not just absent from the 'big society' picture, they are being attacked.<sup>31</sup>

By declining to highlight the ideologically noxious thinking behind the 'big society,' voluntary organisations are colluding in their own demise, allowing the government to turn all activity that used to be called 'charity,' 'voluntary' or 'civil society' into business. The 'big society' is certainly lazy and cynical policy-making (if good things happen the government will claim credit for having 'enabled' people to do things for themselves, if they don't it will be the fault of people for not being enterprising enough and expecting the state to fix their problems), but it is also much worse than that. Matt Scott said: 'If someone wanted to set the sector back not just decades but into the Victorian era they could not do better.'<sup>32</sup>

It is not just individual groups and services which are in danger of disappearing as part of the 'big society,' privatisation and cuts. It is the recognition of and support for a whole sphere of human activity: the space in which people are free to do things, large or small, not because the government promotes them or because they will generate profit, but to change the world.

## **JOIN THE ACTION**

If you would like to know more about NCIA and get involved, please have a look at our website:

[www.independentaction.net](http://www.independentaction.net)

You can sign up to our newsletter there and find more of our policy papers.

Contact us at: [info@independentaction.net](mailto:info@independentaction.net) if you have a story to tell about independent action or would like to be interviewed for one of our projects.

24 *The Independent*, 'Cameron's big society relaunch runs into big trouble', 15 February 2011: <http://www.independent.co.uk/news/uk/politics/camersons-big-society-relaunch-runs-into-big-trouble-2215053.html>

25 Matt Scott, Community Sector Coalition, 2010: [http://cscdirector.blogspot.com/2011\\_01\\_01\\_archive.html](http://cscdirector.blogspot.com/2011_01_01_archive.html)

26 See Simon Szreter, 'A central role for local government? The example of late Victorian Britain', 2002: <http://www.historyandpolicy.org/papers/policy-paper-01.html>

27 David Cameron, as 22.

28 Andrew Climo, CEO of Community Leaders, said: 'At present the Government has not designed or implemented any policy that can be seen to address poverty in any profound way: higher taxes, significantly reduced public services and joblessness are having a major impact in raising the incidence of poverty.' NWCAN e bulletin, March 2011.

29 New Economics Foundation, 'Ten Big Questions about the Big Society', June 2010: <http://www.neweconomics.org/publications/ten-big-questions-about-the-big-society>

30 Quoted in 'A Stronger Society: Voluntary Action in the 21st Century', Conservative Party green paper, 2008.

31 TUCG, 'Unions vow to fight fundamental attack on trade unionism', 6 October 2010: 'The Trade Union Co-ordinating Group today denounced the CBI's recommendations for 'modernising' the laws relating to industrial action as an attack on trade unionism which if enacted would undermine the fundamental human rights of workers.' [http://www.fburegion6.co.uk/index.php?option=com\\_content&view=article&id=625:unions-vows-to-fight-fundamental-attack-on-trade-unionism&catid=1:latest-news&Itemid=50](http://www.fburegion6.co.uk/index.php?option=com_content&view=article&id=625:unions-vows-to-fight-fundamental-attack-on-trade-unionism&catid=1:latest-news&Itemid=50)

32 Matt Scott, Community Sector Coalition: [http://cscdirector.blogspot.com/2011\\_01\\_01\\_archive.html](http://cscdirector.blogspot.com/2011_01_01_archive.html)