

NCIA Inquiry into the Future of Voluntary Services

Working Paper 5 Outsourcing and the Voluntary Sector

Laird Ryan
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info@independentaction.net

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Foreword

This paper has been produced as part of the NCIA Inquiry into the Future of Voluntary Services. The Inquiry is specifically concerned with those voluntary 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 papers we refer to these as Voluntary Services Groups or VSGs.

It has long been NCIA's contention that the co-optive nature of these relationships has been damaging to the principles and practise of independent voluntary action. The nature and scale of the Coalition Government's political project – ideologically driven - to degrade rights, entitlements and social protections, and to privatise public services that cannot be abolished is now laid bare. This has created new imperatives for VSGs to remind themselves of their commitment to social justice and to position themselves so that they can once again be seen as champions of positive social, economic and environmental development.

Our Inquiry is a wide ranging attempt to document the failure of VSGs, and the so-called 'leadership' organisations that purport to represent them, to resist these shackles on their freedom of thought and action. But it is also an attempt to seek out the green shoots of a renaissance that will allow voluntary agencies to assert their independence and reconnect with the struggle for equality, social justice, enfranchisement and sustainability.

This paper is one of a number that has been produced through the Inquiry. It describes and summarises the scale of and direction of travel taken by the privatisation and outsourcing of public services and the ways that this has reshaped the landscape and activities of VSGs. It has been prepared for NCIA by Laird Ryan to whom we offer grateful thanks.

For more information on the NCIA Inquiry please visit our website –
www.independentaction.net.

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Outsourcing and the Voluntary Sector

"There will be ways in which outsourcers will be helped and encouraged to take cost out of the way contracts are delivered. And I make the point in terms of the carrot. It's a stated Coalition policy that we expect public services not to be delivered in-house. So there is more scope for provision by outside suppliers from civil society or the public sector."

Francis Maude, Cabinet Office Minister¹

1. Introduction and Context

This paper explores the motivations, progress and impact of the Coalition government's drive to outsource public services and how this has impacted on the voluntary sector in England. It offers a broad overview of key initiatives, service areas and headline issues that form the outsourcing agenda. It reveals how narrow, idealised perceptions of the sector by central and local government alike have brought policies that fail to deliver because they are based on false premises and an inability to engage.

The picture is, however, blurred for several reasons. There is a lack of reliable, up-to-date statistics on the voluntary sector, partly because cutbacks have reduced what is collected, but also because there is no consistent definition of the sector across the government departments and local authorities who fund or monitor its activities.² But more importantly, people and organisations across the sector have widely differing profiles and perspectives on their current and future roles. Today, there are around 180,000 registered charities in England and Wales³, but that number is dwarfed by what Hilton et al describe as 'organisations in civil society'.⁴

The trend away from grants to large, competitive contracts, and the Coalition's particular take on outsourcing, has made it 'helpful to stop thinking of the sector as an entity'.⁵ In the current climate, many paid workers and volunteers are unwilling to speak openly. Partly because of their fears, but also because outsourcing and its effects are generally too complex for good tabloid 'copy', public understanding of the issues is low.⁶ I have tried in this paper to redress this lack of consolidated information and awareness by synthesising a wide range of primary and secondary source material, supported by structured conversations with sector leaders in different parts of the country. It should also be highlighted at the start that the primary purpose of this paper is not to argue where or whether voluntary and community groups should be running public services. Rather, it seeks to identify what

¹ 'Maude for It', *Investors Chronicle* 4.08.2010 www.investorschronicle.co.uk/2011/09/15/shares/maude-for-it-aVq0Nj5QS1Tv6rJKwoM6EK/article.html

² I am deeply indebted to Ian Mocroft for his detailed advice on the availability and reliability of current statistics on the community and voluntary sector.

³ Charity Commission webpage 'About Charities: Sector Facts and Figures' www.charitycommission.gov.uk/about-the-commission/press-office/media-information-centre/about-charities-sector-facts-and-figures/

⁴ They estimate a total of 870,000 such organisations in 2007 Hilton, M., McKay, J., Crowson, N. and Mouhot, J-F. (2010) 'The Big Society': Civic Participation and the State in Modern Britain. History and Policy. www.historyandpolicy.org/papers/policy-paper-103.html

⁵ Ursula Murray's presentation to the NCIA/TUC 2012 'Outsourcing and Austerity' Conference succinctly sets out how the emergence of mega-charities under New Labour, and the existence of national bodies with widely differing outlooks, run counter to the stereotypical view of small, local, niche organisations run by unpaid volunteers.. www.independentaction.net/wp-content/uploads/2013/02/TUC_NCIA-final-report-with-MC.pdf

⁶ A 2012 Social Enterprise UK survey found that only 1 in 5 people knew that most children's homes are privately-run. Only 24% had heard of Atos, which then was responsible for £3 bn in public money. Social Enterprise UK (2012) *The Shadow State*, p.9 www.socialenterprise.org.uk/uploads/files/2012/12/the_shadow_state_3_dec1.pdf

happens when those services are outsourced and third sector organisations either bid to run them, or find themselves in new contractual or operational relationships.

No two sources agree on a precise current or projected future value for outsourced public services in England. But it is widely accepted that it is massive, growing, and enthusiastically promoted by the Coalition and the international money markets. In April 2011, Oxford Economics estimated that the then annual turnover of the outsourced market for public services was £82 bn, slightly under ¼ of total public sector spend on goods and services.⁷ A 2010 study by Seymour Pierce suggested that the outsourcing market would rise to £140 bn by 2014.⁸ But the net impact of the Coalition's outsourcing agenda – notably, the Work Programme, the Localism Act 2011, the Welfare Reform Act 2013 and the Health and Social Care Act 2012, may far outstrip that estimate. In March 2013, Outsource Magazine reported that during the previous year UK public sector outsourcing had risen by well over 50% since 2010, and comprised 80% of all public sector contracting activity in Europe, the Middle East and Africa combined.⁹ The largest contracts favour private oligopolies like G4S, Serco, Capita and Carillion, whose share of the overall allocation leapt from £9.6 bn in 2008 to £20.4 bn in 2012.¹⁰

The outsourcing of public services forms an unbroken trend since the Thatcher government introduced Compulsory Competitive Tendering in the 1980s and the Blair-Brown administrations re-branded this as Best Value. But the drivers and outcomes of outsourcing, Coalition-style, go well beyond previous methodologies and the huge sums of money involved. The July 2011 Open Public Services White Paper claimed to be ushering in a joined-up programme of increased choice, decentralisation, accountability and fair access to services by opening them up to more providers. These would be properly regulated, and delivered at the individual level (e.g., education and social care); neighbourhood level (e.g., collective services like community safety); and by commissioning local and national services that could not be devolved to individuals or communities (e.g. tax collection, prisons, and welfare to work). Delivery would be properly and openly documented, and legislation such as the Localism Act would provide scope for greater public control.¹¹

But it was clear then, and experience has now proved, that the government's enthusiasm to outsource stemmed from a very different set of motivations. Topmost of these is an ideological drive to centralise power in a small, privileged elite, demonise and dismantle the public sector and trade unions, sanctify austerity and deregulate indiscriminately: all with the objective of maximising profit-making opportunities for their private sector backers. To embed this new centralised ideology of outsourcing across the public sector, the government created a Commissioning Academy. It would 'give confidence, skills and know-how to (1500) senior professionals (to) work with procurement colleagues to deliver better and more cost effective outcomes, and (guide) them in how to create, shape and manage markets for service provision.' The Academy received its first intake in November 2013, and in a telling feedback from one of its first 'academicians', 'It is all about asking the right question and getting the answer.'¹²

⁷ Oxford Economics (2011) *The Size of the UK Outsourcing Market – Across the Public and Private Sectors*: Report for the Business Services Association, pp.6-10 www.oxforeconomics.com/publication/open/224334

⁸ Cited in Social Enterprise UK (2012) *The Shadow State: A Report about Outsourcing of Public Services*, p.13 www.socialenterprise.org.uk/uploads/files/2012/12/the_shadow_state_3_dec1.pdf

⁹ 'UK Public Sector Outsourcing Dominates the European Market' *Outsource Magazine* 28.03.2013 www.outsourcемagazine.co.uk/uk-public-sector-outsourcing-dominates-the-european-market/

¹⁰ Gill Plimmer 'Outsourcing Soars in Public Services' *Financial Times*, 31.01.2013 www.ft.com/cms/s/0/13a4e68e-6610-11e2-bb67-00144feab49a.html#axzz2vSAwY9

¹¹ A useful summary of the 2011 White Paper was prepared by SOLACE, www.solace.org.uk/library_documents/OpenPublicServicesWhitePaperBriefingNote130711_Final.pdf

¹² Civil Service Beta 'The Commissioning Academy' 15.11.2013 www.my.civilservice.gov.uk/blog/2013/11/commissioning-academy/

Yet the quality of public services at the point of delivery and the working conditions of those who deliver those services, continue to fall demonstrably. For voluntary agencies a shift from grant funding, and for all providers, the shift to large, payment-by-results contracts effectively excludes all but the oligopolies, mega-charities and social enterprises. Public accountability and social justice are at once trumped by overseas shareholder profits,¹³ commercial confidentiality and risk aversion. And as implied by the creation of an elite academy, procurement and commissioning has become an industry in itself. All too often, it delivers outcomes that, far from being cheaper and more customer oriented, are complex and time-consuming: worse still, they are predicated on a market return to shareholders rather than a social return to the vulnerable. Because the bulk of outsourced services – in terms of both monetary value and social impact – are delivered to vulnerable, hard-to-reach people, large organisations regularly underbid to win contracts. They then cherrypick the profitable, quick-win elements, and subcontract the riskier ones to the cash-strapped voluntary sector - or back, indeed, to the public sector, which nevertheless retains a legal responsibility for those services.

For the voluntary sector, the net effect is a long-term reduction in capacity and morale. In March 2012, Third Sector reported an NCVO estimate of 70,000 voluntary sector job losses in the preceding 12 months, due in a large part to local government spending cuts, but also to outsourcing arrangements in the Work Programme¹⁴. A Guardian article in June of that year identified 97 charities that had dropped out of the Work Programme, finding it impossible to make it work.¹⁵ This haemorrhage continues. Even Tomorrow's People, the charity façade of brewing giant Diageo, with close personal and political connections to Iain Duncan Smith, withdrew from the Programme in June 2013, along with a number of other voluntary bodies.¹⁶

2. What services are being outsourced and how does the voluntary sector fit in?

The 2011 Oxford Economics study estimated that, not including the NHS, public services directly employed 1.2 million people, and was responsible for creating or supporting a further 1.1 million jobs.¹⁷ The NHS currently employs 1.7 million.¹⁸ By July 2013, almost 40% of its support services had been outsourced, some to voluntary bodies. By virtue of its scale, and the unique nature of its governance and procurement arrangements, an analysis of public health service outsourcing lies outside the scope of this paper, and is being examined in more detail by other commentators.¹⁹ But it is linked in principle and practice to what is happening in other sectors. The debate on outsourced central government services tends to focus on contractual arrangements involving private oligopolies and mega-charities, while that on local government outsourcing concentrates on the impacts for smaller, niche organisations. Both are predicated on supply chain models, where the organisations at

¹³ In 1998, overseas investors held just over 30% of shares in UK listed companies. By 2012, ONS reported that this had risen to 53.2%, and it is reasonable to suggest that the trend has continued. ONS (2013) *Ownership of UK Quoted Shares* www.ons.gov.uk/ons/rel/pnfc1/share-ownership-share-register-survey-report/2012/stb-share-ownership-2012.html

¹⁴ Wiggins, K 'Spending Cuts are 'knocking out' sector's capacity to support Big Society, NCVO head says' *Third Sector* 05.03.2012 www.thirdsector.co.uk/Infrastructure/article/1120432/Spending-cuts-knocking-out-sectors-capacity-support-big-society-NCVO-head-says/?HAYLC=RELATED

¹⁵ David Boffey 'How firms with eye on welfare budget promised to get jobless back to work' *The Guardian* 09.06.2012 <http://www.theguardian.com/politics/2012/jun/09/work-programme-welfare-jobs-private-sector>

¹⁶ The Void Blog 'More Charities Abandon Work Programme as Long Term Unemployed Continues to Soar' 12.06.2013 www.johnnyvoid.wordpress.com/2013/06/12/more-charities-abandon-work-programme/

¹⁷ Oxford Economics (2011) op. cit., p.27

¹⁸ NHS Choices website; About the NHS www.nhs.uk/NHSEngland/thenhs/about/Pages/overview.aspx

¹⁹ See, for example, Caroline Molloy 'Look who's after the NHS's first billion pound privatisation' 09.09.2013 Open Democracy <http://www.opendemocracy.net/ournhs/caroline-molloy/look-whos-after-nhss-first-billion-pound-privatisation>

the top of the chains secure an increasing financial advantage, while those on the lower echelons are prey to losing out financially and ethically, and in terms of control and autonomy for their work.

Welfare to Work

The Work Programme, a £3–5bn DWP initiative introduced in June 2011, mandates medium to long term Jobseekers' Allowance recipients to participate in a round of activities that aim to return them to employment. Run on a payment-by-results basis, it is directly managed by a number of 'primes' who, in turn, sub-contract work to smaller organisations. Many charities that were primes at the start of the Programme are now relegated to sub-contractor status within regional 'contract package areas', working to large primes, 90% of which are profit-making oligopolies like Ingeus, G4S, Serco and A4e.²⁰ Whereas in 2009 the third sector delivered an estimated 1/3 of the Labour government's welfare to work initiatives, the DWP's own current estimates suggest that this is now 1/5 at best.²¹

Contrary to the then Employment Minister Chris Grayling's claims of 'no evidence that any prime is treating specialist subcontractors as bid candy', a Third Sector visit to an anonymised sub-contractor early in 2012 revealed a very different picture.²² The role of primes in 'creaming and parking' i.e., not utilising the expertise of small, 'niche' charities,²³ or passing them only the most difficult cases in a payment-by-results regime,²⁴ has been widely and convincingly documented. So, too, is the Programme's manifest inability to achieve any of its much-vaunted objectives, spectacularly so in the case of the disabled: Disability Rights recently pointed to an 88% failure rate with people on out of work disability benefits.²⁵ Of 31,600 persons formerly on Incapacity Benefit, only 310 (0.9%) had secured more than 3 months' employment.²⁶

As an indication of the government's seemingly infinite capacity to rebrand failure as success, it is introducing Community Work Placements (Workfare) as an extension of the Work Programme. This scheme, which began at the end of April 2014, will target clients of the Programme who have been unable to find employment due to a 'lack of motivation' and/or 'work experience'. It compels them to undertake the equivalent of up to 780 hours' unpaid employment alongside 'supported job search',²⁷ including courses to promote 'mood enhancement'.²⁸ Because of the 'hard-to-reach' nature of the intended participants, (many, for example, are ex-offenders and/or have learning difficulties) the DWP, through the 'primes', is relying on voluntary organisations to front this dubious initiative. In the process, sub-contractors including the Salvation Army, Mencap and NACRO, who signed up as

²⁰ A map of the Work Programme contract package areas and their prime contractors is available at:

www.webarchive.nationalarchives.gov.uk/+/http://www.dwp.gov.uk/docs/cpa-preferred-bidders.pdf

²¹ Tony Wilson 'The 2015 Project. Tackling Long-term Unemployment: From Despair to Where?'

www.blogs.ncvo.uk/2013/08/05/tackling-long-term-unemployment-tony-wilson/

²² Wiggins, K 'Analysis: the reality of the Work Programme, *Third Sector* 13.02.2012

www.thirdsector.co.uk/Management/article/1116764/analysis-reality-work-programme/

²³ In January 2013, the BBC Panorama programme reported instances of 'parking' in relation to disabled clients

www.cesi.org.uk/social-inclusion-news/2013/jan/work-programme-solving-disability-unemployment-bbc-reports-%E2%80%98parking%E2%80%99

²⁴ Patrick Butler 'Most vulnerable Jobseekers 'too costly' for Work Programme providers' *The Guardian* 19.02.2013

www.theguardian.com/society/2013/feb/19/vulnerable-jobseekers-work-programme-providers

²⁵ BBC News 'Charity urges re-think of back to work schemes' 08.10.2013 <http://bbc.co.uk/news/business-24437424>

²⁶ Johnny Void Blog 'The tragic statistic that reveals welfare reform to be a sham' 29.09.2013

www.johnnyvoid.wordpress.com/2013/09/29/the-tragic-statistic-that-reveals-welfare-reform-to-be-a-sham/

²⁷ As the Boycott Workfare and Johnny Void websites note, this period is over two and a half times greater than the maximum community service penalty a court can impose. Boycott Workfare 13.11.2013 'Seducing the Voluntary Sector: or, Never Take Sweeties from the Men at the DWP' www.boycottworkfare.org/?p=3087

²⁸ K Day's blog 'The Joy of the Jobcentre Work Programme' provides a compelling and articulate description of what this involves. www.soisthismylifenow.blogspot.co.uk/

'Accessible Community Experts' (ACEs) have been morally compromised. This is not just by virtue of their association with organisations like A4e, but also because unpaid forced work in these agencies rides roughshod over long accepted definitions of 'volunteering'. The DWP will not publish details of which organisations are sub-contractors, on grounds of commercial confidentiality.²⁹ On 4 April 2014, the campaigning group Boycott Workfare reported that, following their week of direct action, the Salvation Army, Conservation Volunteers and YMCA would not now be offering CWP placements³⁰. To build and maintain opposition to this programme Boycott Workfare and NCIA mounted a joint initiative called 'keep volunteering voluntary', inviting voluntary groups to sign a statement on non-participation. In 3 weeks more than 250 groups had signed this statement.

Probation Services

As part of its *Transforming Rehabilitation* programme, the Ministry of Justice is outsourcing the bulk of probation work in England and Wales from the National Probation Service to private and voluntary bodies. This relates to around 225,000 low and medium risk individuals serving community sentences and those released from prison at the end of their sentence. Currently, 'independent' providers deliver only 3% of this work.³¹ The National Probation Service, which has experienced successive budget reductions, will in future be responsible for the much smaller high-risk group. The prime contracts for 21 new Super Trust areas across England and Wales, are worth an estimated £450 million a year. In December 2013, the Ministry shortlisted 31 'tier 1 providers', including A4e, Capita and Ingeus, for year 1, noting that a further 800 organisations – including 550 in the voluntary sector - 'have expressed an interest in playing a role as part of the wider supply chain'. The announcement continued: 'Providers will only be paid in full if they are successful at reducing reoffending, helping drive innovation and getting best value for hard-working taxpayers.'³²

The similarities between the Work Programme's administration (including shared geographical areas), and leadership (Chris Grayling is now Justice Secretary), make it reasonable to deduce that the problems surrounding welfare to work may well be replicated with probation 'reform'. The implications for the 'wider supply chain' are not promising. Although larger organisations like Crime Reduction Initiatives and the Shaw Trust–both of which have previously worked alongside Serco - feel that they have the capacity to deliver, and Catch 22 are minded to join the consortia, smaller charities will inevitably lose out³³.

The Howard League for Penal Reform considers the MoJ's proposals 'an ambitious political project'

²⁹ Dudman, J and Mason, R 'DWP on verge of meltdown over big welfare projects – Margaret Hodge' *The Guardian* 14.03.2014 www.theguardian.com/politics/2014/mar/14/dwp-meltdown-welfare-projects-margaret-hodge A current list of the organisations participating in Workfare, and those that have withdrawn is available at

www.wikipedia.org/wiki/List_of_British_organisations_who_have_participated_in_workfare_programmes

³⁰ Boycott Workfare 'Week of action success as workfare users step back from new punitive scheme' 04.04.2014 <http://www.boycottworkfare.org/?p=3485>

³¹ Naylor, G, Oliver, J and Gibbons, C (2012) *Outsourcing, Reform and Open Public Services* Odgers Berndson, p.9 www.odgersberndson.co.uk/gb/news-knowledge/knowledge-insight/article/outsourcing-reform-and-open-public-services-5688/

³² Ministry of Justice Press Release 'Best in the business' bidding to rehabilitate offenders' 19.12.2013 <http://www.gov.uk/government/news/best-in-the-business-bidding-to-rehabilitate-offenders> Serco and G4S did not make the list, a matter not unconnected with inefficiency and irregularities in their wider management of custodial services. In March 2014, it was reported that the two firms have, between them agreed to pay nearly £180 m plus VAT for overcharging the MoJ on tagging and prisoner escort contracts over 9 years. They are also being investigated by the Serious Fraud Office regarding their mismanagement of other custodial services contracts. www.theguardian.com/business/2014/mar/12/g4s-repay-overcharging-tagging-contracts

³³ NCIA Newsletter No.37 'Primes for Privatisation Pumped Up' February 2014 <http://ymlp.com/zlrbF4>

and that the government 'have bitten off more than they can chew'.³⁴ Clinks, the umbrella for voluntary organisations working with offenders, has a polarised membership: in 2012, over half had an income of under £40,000, with 39% operating on less than £10,000 per annum. Clinks also reported that voluntary bodies in the criminal justice system are more dependent on contract income than other parts of the sector.³⁵ Whilst Clinks has raised concerns about this privatisation, it has not stopped the organisation taking government money to promote it amongst voluntary sector providers.

In a scenario where the smallest MoJ contracts will be worth £12m per annum, many charities will end up as 'third tier' contractors, used sporadically at best for one-off services. The client base for the probation service is diverse, vulnerable and hard to reach, and those served by voluntary bodies particularly so, as befits a service area that works with people who 'don't want to be beneficiaries'. Hence, a commissioning process, based around primes and payment by formulaic results will impact badly on the rehabilitation of these ex-offenders and their local communities. This targeted assault on the public and voluntary sectors has stirred considerable opposition. In the wake of his union's recent one-day strikes, Ian Lawrence, general secretary of the National Association of Probation Officers (Napo) said: "The Coalition's plans to sell off the management of offenders to private providers so that they can make a profit from the justice system is a recklessly dangerous social experiment that presents massive risks to the safety of communities."³⁶

Social Care

This broad range of activities typifies what the voluntary sector is traditionally considered to be about. Equally, it is one of the most difficult to monitor and evaluate. Local authorities bear legal responsibility for these services, but their agendas and approaches vary from one area to another. Councils in England currently spend around £19bn per annum on adult social care³⁷ and just over £3bn on services to looked-after children.³⁸ CIPFA, the chartered body for public sector finance professionals has estimated further cuts to council budgets of 9% in 2014-15 and over 13% in 2015-16.³⁹ These will affect not just the sums available to deliver services, but also how outsourcing will be used in conjunction with the cuts, and their net social impact.

Children's Care

In 2012, an APPG report estimated that of 65,000 looked-after children in England, most were in foster care, with just 7% (around 5,000) in one of 1,810 children's homes. Of these, 65% were private sector-and 24% council-run, with charities responsible for the other 11%.⁴⁰ Of the country's three largest

³⁴ 'Analysis: 'A step in the right direction' on probation service contracts' *Third Sector* 25.06.2013

<http://ymlp.com/zlbrF4www.thirdsector.co.uk/Management/article/1187238/Analysis-A-step-right-direction-probation-service-contracts/?HAYILC=RELATED>

³⁵ Clinks (2012) 'Response to the Ministry of Justice's consultation: Punishment and Reform: Effective Probation Services' www.clinks.org/sites/default/files/Clinks%20Response%20-%20Probation%20review.pdf

³⁶ NAPO news item 'Further strike action over Probation privatisation announced at Napo SGM in Birmingham' March 2014 www.napo.org.uk/about/news/news.cfm/newsid/337

³⁷ National Audit Office (2014) *Adult Social Care in England Overview* www.nao.org.uk/press-releases/adult-social-care-england-overview/

³⁸ Department of Education (2013) Statistical release: 2013-14 Planned Expenditure on Schools, Education, Children and Young People's Services by Local Authorities www.gov.uk/government/uploads/system/uploads/attachment_data/file/244055/SR35-2013.pdf

³⁹ Richard Johnstone 'DCLG funding for councils 'cut by more than 9%' *Public Finance* 20.12.2013 www.publicfinance.co.uk/news/2013/12/dclg-funding-for-councils-cut-by-more-than-9/

⁴⁰ Joint Committee into Children Who Go Missing from Care (2012) *APPG Inquiry into Children Missing from Care*, p.7 [www.gov.uk/government/uploads/system/uploads/attachment_data/file/175563/Report_-](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/175563/Report_-_)

private foster placement providers, two are private equity companies.⁴¹ These levels of private sector involvement may seem surprising. However, as £1bn is spent per annum on children's homes – 1/3 of the total allocation on care or £200,000 per child - the spectre of profiteering looms large.

Charities that once dominated this sector are no longer be able to provide a service to their quality standards, particularly for troubled children, for the sums councils now offer in their contracts. Many have either folded, or re-profiled their activities. The gap has been rapidly filled by private equity firms, like Sovereign and 3i, who engage in what Social Enterprise UK's *Shadow State* report describes as a 'perpetual motion' of takeovers and asset-stripping.⁴² They act in a manner akin to slum landlords, buying houses in cheaper, rundown areas across England, and moving children long distances from their sponsoring councils' jurisdiction. A stark illustration of how this radical variety of social engineering has changed the landscape is that whereas, in 2012, Greater London had 130 children's homes, Rochdale, with 1/40 of the capital's population, had 41.⁴³ The consequences for displaced children in institutional care can be dire. In September 2013, Ofsted reported that private care homes had a consistently higher proportion of 'inadequate' ratings than council or voluntary-run ones: two of the largest private providers, both of which registered six-figure profits in 2012, failed to meet required standards in 1/3 of their homes.⁴⁴

A parallel scenario emerged with fostering. Councils are reluctant to pay foster parents a proper wage, and most foster parents are reluctant to appear motivated by profit. Here too, private equity firms have been quick to resolve this moral dilemma in their favour, by providing placement services that are highly remunerative to their shareholders, often offshore ones. Despite its name, the National Fostering Agency, which manages services for 178 councils, is in fact the property of Graphite Capital, which bought the concern for £130m in 2012. Because fostering is a cheaper option than residential care, the private sector's economies of scale are yielding it a growing market share, while the cuts are draining local authority coffers, staff, morale and expertise. Whereas councils were still spending £731m on directly managed public sector fostering services in 2012, private agencies were now spending £515m, with voluntary providers a poor third, at £48m.⁴⁵

On 12 November 2013, Education Secretary Michael Gove announced measures to accelerate the outsourcing of these services:

*"From today, all local authorities have the freedom to delegate their functions for children in care and care leavers to third parties – a first step towards freeing up innovative and ambitious local authorities to deliver greater diversity and excellence of provision."*⁴⁶

[children who go missing from care.pdf](#) In September 2013, the DfE's Statistical First Release on looked after children reported a 2% rise to 68,110, but that the numbers in children's homes had decreased slightly.

⁴¹ Social Enterprise UK (2013) Out of the Shadows? The fall and rise of social value in public services; a progress www.gov.uk/government/publications/children-looked-after-in-england-including-adoption report, p.6 www.socialenterprise.org.uk/uploads/files/2013/10/out_of_the_shadows_report.pdf

⁴² Social Enterprise UK (2012) *The Shadow State*: a report about outsourcing public services, pp.30-31 www.socialenterprise.org.uk/uploads/files/2012/12/the_shadow_state_3_dec1.pdf

⁴³ ibid, p.33

⁴⁴ Ofsted webpage: Official Statistics children's social care inspections and outcomes www.ofsted.gov.uk/resources/official-statistics-childrens-social-care-inspections-and-outcomes

⁴⁵ Of the £515 m, a single operator, Foster Care Associates, accounted for £106m, and the two next largest private fostering businesses individually received more than all the voluntary agencies put together. Gill Plimmer 'Fostering ripe for consolidation' *Financial Times* 20.01.2013 www.ft.com/cms/s/0/060fc0ec-4b9a-11e2-b821-00144feab49a.html#axzz2wMTDL9oC

⁴⁶ DfE Press Notice Michael Gove Speech to the NSPCC: 'Getting it Right for Children in Need' 12.11.2013 www.gov.uk/government/speeches/getting-it-right-for-children-in-need-speech-to-the-nspcc

Gove's 'visionary' approach has yet to translate itself into managed overhauls like those imposed on welfare to work and custodial services. But it is clear from recent events in those sectors, and the well-documented trends in children's care, that the cuts are being used to marketize services, at the expense of their supposed grassroots beneficiaries and voluntary bodies with accumulated knowledge and expertise. The challenge is, however, growing, as numbers on the Children at Risk register jumped from 29,200 in 2008 to 45,000 in 2013.⁴⁷ There is an additional factor: as high-profile cases in Rochdale, Derby and Oxford have demonstrated, children who are moved from area to area as a cost-cutting, not welfare, measure face a higher risk of sexual exploitation.⁴⁸

Adult Social Care

This is a critical area of provision, due to an increasingly ageing population⁴⁹ and changing household structures, often described as a 'demographic time-bomb'.⁵⁰ In 2012, 1.1m adults were receiving care at home, and 380,000 were in residential establishments, the overwhelming proportion of whose care was state-funded. A further 5m were registered as caring for a friend or family member.⁵¹ This is perhaps the most telling illustration of what civil society does, and of the complex, long-term implications of top-down outsourcing.

The 2012 *Caring for our Future* White Paper sought to maximise personal independence and well-being, and prevent, control and minimise people's need for formal care through cross-sector partnership; it also sought to put people in charge of their own care and support.⁵² But the State's responses have already compromised those ideals by deepening, not alleviating, the challenges. Despite a growing need, the Coalition continues to reduce the sums of public money available. It has systematically dismantled long-established structures for service co-ordination, accountability, focus and quality assurance through the progressive marketization of care and the marginalisation of public and community-based input. The private sector now holds a controlling influence on the costs and quality of services – as a provider, employer, commissioner and political lobbyist.

In 2011, Unison calculated that the total market for adult social care was worth around £15bn per year, and expected to rise 3.1% annually, irrespective of public sector contributions.⁵³ Skills for Care estimated that, in 2012, 17,000 organisations were delivering adult care in 39,000 establishments in England. They provided 1.63m jobs –being delivered, interestingly, by 1.5m people, with a notional full-time equivalent of 1.23m. This represented a 12% increase since 2009 – a trend which, if continued, will rise to 2.6m by 2025.⁵⁴ Estimates based on these figures suggested that the private sector employed 54% of adult care staff. Only 18% were council workers, with 9% in the voluntary

⁴⁷ Paul Gallagher 'Social work bosses 'merry-go-round' puts children at greater risk' Independent on Sunday 10.11.2013 www.independent.co.uk/life-style/health-and-families/health-news/social-work-bosses-merrygoround-puts-children-at-greater-risk-8930950.html This article also noted that 1 in 3 Directors of Children's Services in English councils had left their post between July 2012 and July 2013.

⁴⁸ Alex Stevenson 'Profiting from vulnerability: 'Conflicted' private firms take over children's care' Politics.co.uk website 12.11.2013 www.politics.co.uk/news/2013/11/12/profiting-from-vulnerability-conflicted-private-firms-take-over

⁴⁹ There are currently around 10 m over 65s in the UK, a figure which is estimated to rise to 15.5 m by 2030 and 19 m by 2050. Care Quality Commission (2013) Ageing Population Event www.ageing-population-conference.co.uk/

⁵⁰ The King's Fund estimates that by 2033, 11.3 m people in England (41% of all households) will be living alone www.kingsfund.org.uk/time-to-think-differently/trends/demography/changing-families

⁵¹ HM Government (2012) *Caring for our future: reforming care and support*. Department of Health White Paper, p.8 www.gov.uk/government/uploads/system/uploads/attachment_data/file/136422/White-Paper-Caring-for-our-future-reforming-care-and-support-PDF-1580K.pdf

⁵² ibid, p.3

⁵³ Cuts in Social Care, Unison Local Government Report, February 2011

⁵⁴ Skills for Care *The size and structure of the adult social care sector and workforce in England*, September 2013, p.1 www.skillsforcare.org.uk/Document-library/NMDS-SC-workforce-intelligence-and-innovation/Research/Size-and-structure-2013-vweb2.pdf

sector. The remainder were divided between the NHS and Direct Payments recipients.⁵⁵

As with children's care, private equity firms are coming to dominate the fragmented adult care sector. It also has complex ownership and investment structures, often only brought to light by spectacular failures, such as that of the £1bn debt-ridden Southern Cross group in 2011, and its takeover by other private companies, themselves saddled with major liabilities⁵⁶. There is evidence that the private sector, once established, uses its monopoly to exact higher fees, despite reduced public expenditure. A 2014 Age Concern report indicated that service users in care homes were paying £588 more per year in real terms in 2012-13 than 2 years previously.⁵⁷ Yet standards of provision appear to have dropped, with clients feeling more at risk. An NHS survey of 63,000 care home residents, published in January 2013, revealed that 1 in 3 feared physical abuse or harm – a figure that exceeded 50% in some local authority areas.⁵⁸

The situation with private agency home care is scarcely better. Because staffing accounts for 80% of care costs, savings are generally made by cutting workforce numbers, pay and conditions. 83% of care workers are female, mostly low wage earners with family responsibilities. They are usually paid on a 'task and tick' basis, i.e., by the minute and not the hour, and in relation to the number of client visits made, not the travel time between these.⁵⁹ This places care workers in the invidious position of having to choose between providing lonely and vulnerable clients with care visits that meet their individual needs and fulfilling their payment-by-results contract. As has been widely documented, most are forced to take the second option, with visits of under 15 minutes becoming the norm.⁶⁰ In August 2013, a report prepared for the Low Pay Commission indicated that 56% of domiciliary workers (and 80% of those in the private sector) were on zero hours contracts, and that a growing number of voluntary sector providers were now also choosing or being forced to take that route⁶¹. It also argued that these contracts were edging small charities out of the market, in favour of large, private suppliers⁶².

Clearly, it is only possible within the scope of this paper to give an overall flavour of how changes in the outsourcing of social care are impacting on the voluntary sector. A succinct and persuasive overview, however, been offered by Moriarty and Manthorpe. They focus on the responses of voluntary sector

⁵⁵ Ibid, p.17 These are only estimates, as the Care Quality Commission (CQC) no longer record separate information for public, private and voluntary providers. Those not in the public sector are now listed as 'independent'.

⁵⁶ Lakhani, N and Whittell, R 'Who owns the care homes – and why are they so in debt?' *The Independent* 05.11.2012 www.independent.co.uk/news/uk/home-news/who-owns-the-care-homes-and-why-are-they-so-in-debt-8281273.html

⁵⁷ Age Concern *Care in Crisis* 2014 Report www.ageuk.org.uk/Documents/EN-GB/Campaigns/CIC/Care_in_Crisis_report_2014.pdf?epslanguage=en-GB?dtrk%3Dtrue

⁵⁸ Jo Macfarlane 'Scandal of neglect in Britain's care homes: NHS survey of 63,000 elderly residents reveals one in three are living in fear of abuse' www.dailymail.co.uk/news/article-2257703/Scandal-neglect-Britains-care-homes-NHS-survey-63-000-elderly-residents-reveals-living-fear-abuse.html#ixzz2wQCCXIO5 The article, not surprisingly, failed to mention that a majority of the homes in question were privately-run.

⁵⁹ Unite submission to the Kingsmill Review on exploitation in the care sector www.centrallobby.politicshome.com/fileadmin/epolitix/stakeholders/Unite_submission_to_the_Kingsmill_Review_of_Exploitation_in_the_Care_Sector_January_2014.pdf

⁶⁰ 'Disgraceful short care visits on rise says charity' BBC News Report 07.10.2013 www.bbc.co.uk/news/uk-24424785

⁶¹ In August 2013, Mark Beatson reported in the Chartered Institute of Personnel Development's blog that 34% of voluntary sector employers were using zero hours contracts 'Zero hours working – and what we know we don't know' 20.08.2013 http://www.cipd.co.uk/blogs/cipdbloggers/b/mark_beatson/archive/2013/08/22/zero-hours-working.aspx

⁶² Ioulia Bessa et al 'The National Minimum Wage, earnings and hours in the domiciliary care sector' University of Leeds Report for the Low Pay Commission February 2013 pp.35-36

www.gov.uk/government/uploads/system/uploads/attachment_data/file/227614/LPC - Final_Leeds_University_Report - 26_February_2013SM2.pdf During my research for this paper, two interviewees, both CEOs of small voluntary organisations providing domiciliary care in regions outside London, told me that they were now reluctantly offering zero-hours contracts to staff.

care workers to local authority procurement and commissioning procedures and their outcomes.⁶³ They highlight the spectre of ‘Californication’, where cash-strapped councils cannot deliver their statutory responsibilities and, like the eponymous US state, ‘offshore’ their responsibilities.⁶⁴

Much depends on how commissioners manage the tendering process. In principle, greater integration and rationalisation should improve service delivery: many councils, until the cuts, funded carer support in an ad hoc way, leading to wastage and duplication. But outsourcing has not brought improvement. Moriarty and Manthorpe found that smaller voluntary organisations have either been unable to cope with commissioning, or unwilling to submit themselves to its ‘straightjacket’ approach. They also found that outsourcing, in the words of one interviewee, ‘caused huge competition between the sector, (and) a lot of ill feeling, because people have to be commercially sensitive – a situation that led to failed bids and withdrawal from the process.⁶⁵

On 26 March 2014 the Care Bill, which built on the proposals in the White Paper, completed its third reading in the Commons, and went to the Lords for amendments before receiving Royal Assent. Among its many measures is a cap (currently £72,000) on the amount people will have to pay for their care. But, as with other ‘carrots’ in the Coalition’s programme, this is rendered meaningless by the ‘sticks’ - notably, complex and rigorous means-testing testing and severe, ongoing cuts in public funding that do not even begin to keep pace with demographic pressures.⁶⁶ What was an opportunity to make social care equitable, affordable and community-based stands to become another mechanism for charities to be edged out by large, profit-oriented monopolies.

The prospect, then, is of a dual market in social care, with privately run care homes and homecare on the one hand; and the voluntary sector providing carers’ support and befriending information on the other⁶⁷. Another trend – something that, because it is ‘unmarketable’ and hence difficult to quantify, is being outsourced by default to the smaller, less-regulated, and poorly-resourced parts of the sector – is a rapidly-growing level of unmet personal care need⁶⁸. In 2011, Forder and Fernandez calculated that around 800,000 people in England came within that category.⁶⁹ An ONS paper prepared in the same year showed that 2/3 of people who needed help with dressing got no support.⁷⁰ The true figure is much higher, as the number of over 65s in England rose by over 1m between 2005 and 2013 and that of social care recipients fell by around 26% over the same period.

This, undeniably, is due to cost-cutting: 95% of councils reduced the number of older people receiving

⁶³ J Moriarty and J Manthorpe (2013) ‘Fragmentation & competition; voluntary organisations’ experiences of support for family carers’ Presentation to the Voluntary Sector & Volunteering Conference 2013
www.kcl.ac.uk/sspp/kpi/scwru/pubs/2013/conf/moriarty11sep13.pdf

⁶⁴ The term originates from a National Local Government Network research paper ‘Future Councils: Life after the Cuts’, which attempts to construct a series of alternative future scenarios of governance www.nlgn.org.uk/public/wp-content/uploads/Future-Councils.pdf

⁶⁵ Moriarty and Manthorpe (2013) pp.9-18

⁶⁶ Andy Kay ‘Care Bill: There is Still Work to be Done’ *The Guardian* 10.03.2014 www.theguardian.com/social-care-network/2014/mar/10/care-bill-still-work

⁶⁷ Moriarty and Manthorpe (2013), p.18 raise this as a distinct prospect, based on ongoing trends.

⁶⁸ Examples include faith communities, which vary considerably in size, capacity, charity status and accountability, and the extent to which their voluntary support is driven by doctrine. They also include many of the 870,000 groups that fall within Hilton et al.’s ‘civil society’ definition, informal social networks and extended families.

⁶⁹ Julien Forder and José-Luis Fernandez (2011) *The Cost of Social Care for Older People: the importance of unit cost growth* PSSRU analysis for Age UK Cited in Age UK (2014), op.cit., p.11 www.ageuk.org.uk/Documents/EN-GB/For-professionals/Research/The%20cost%20of%20social%20care%20for%20older%20people.pdf?dtrk=true

⁷⁰ Athina Vlachantoni, Richard Shaw, Rosalind Willis, Maria Evandrou, Jane Falkingham and Rebekah Luff, *Measuring Unmet need for Social Care Amongst Older People* Population Trends nr 145 Autumn 2011 Office for National Statistics, p.15
www.ons.gov.uk/ons/rel/population-trends-rd/population-trends/no-145-autumn-2011/index.html

support between 2005 and 2013, in 1/3 of instances by over 40%.⁷¹ Age UK report several legal challenges to public service commissioners due to the cuts.⁷² But as the costs of making these challenges can only be afforded by the largest operators, and the net effect is even less public funding for social care, this makes the survival of smaller voluntary organisations more difficult. It is also likely that the ‘joined-up commissioning’ proposals in the Care Bill will lead to more cost cutting and legal dispute.⁷³

Youth Services

This is an area of service provision where government and third sector bodies have traditionally played different, but complementary, roles. For many decades, councils have owned and managed premises and facilities, such as community centres and playing fields, and employed in-house youth work teams. Until recently, the public sector had been the main provider of information, advice and guidance to young people. Connexions, created in 2000 as a national advice service for young persons, was transferred to local authorities in 2008. There was a widespread belief that the agency’s role was never clear to people at the grassroots, and many councils decided not to retain local Connexions services⁷⁴. In 2012, the Coalition re-established a National Careers Service, working directly with schools, and left the decision for providing wider support services to individual councils⁷⁵. There remains, however, a major challenge of supporting young people not in education, employment or training (NEETs), which although acute across the country, is a particular issue for communities in the most economically disadvantaged areas.

In August 2011, *Children and Young People Now* reported that, despite the Coalition’s wish to outsource youth services as a cost-cutting measure, 90 out of 152 councils in England wanted to retain these in-house. Although an Ofsted report earlier that year had criticised local authorities for not making sufficient use of the voluntary and community sector, only a small proportion were actively seeking to commission youth services, due to problems in identifying effective models. Like most ‘Cinderella’ services, they offer few profit-making opportunities for predatory big players. But there were, nevertheless, signs that many local authorities were considering social enterprises, youth mutuals, or outsourcing their entire service to another provider.⁷⁶

Since then, the onset of more severe council cuts has produced a range of outsourcing-related outcomes. Between 2008 and 2010, the Newcastle-upon-Tyne-based Patchwork project operated as a coalition of nine neighbourhood-based initiatives offering ‘positive activities’ and targeted work for the city’s hardest to reach NEETs. In 2011, the cuts-hit City Council tendered out its ‘positive activities’ funding. The Patchwork coalition made a consortium bid, based on their local knowledge, expertise and pre-existing infrastructure. However, the contract was awarded in April 2012 to a consortium headed by Barnardos, a national body with no prior track record in the areas covered. Despite a local

⁷¹ José-Luis Fernandez, Tom Snell and Gerald Wistow *Changes in the Pattern of Social Care Provision in England 2005-06 to 20012-13* Personal Social Services Research Unit Discussion Paper 2867, University of Kent/London School of Economics, pp.16-21
www.pssru.ac.uk/archive/pdf/dp2867.pdf

⁷² Age UK (2014) op.cit, p.15

⁷³ ‘Social care reforms could trigger deluge of legal disputes, MPs warn’ The Guardian 19.03.2013
www.theguardian.com/uk/2013/mar/19/social-care-reforms-legal-disputes

⁷⁴ Anne Bawden ‘Connexions faces disconnection’ The Guardian 15.05.2007
<http://www.theguardian.com/education/2007/may/15/furthereducation.children>

⁷⁵ Joe Lepper ‘Launch of National Careers service ignites fears over youth support’ Children and Young People Now 5.04.2012
<http://www.cypnow.co.uk/cyp/news/1072810/launch-national-careers-service-reignites-fears-youth-support>

⁷⁶ Andy Hillier ‘Councils to keep most youth services in-house’ Children and Young People Now 23.08.2011
<http://www.cypnow.co.uk/cyp/news/1049538/councils-youth-services-house>

petition, the winning consortium had still not begun to deliver its services in August of that year. As a result, the Barnardo's-led group had to admit their inability to deliver. They asked the Council to re-advertise the contract, and that the whole procurement process for neighbourhood services be reconsidered within that contract. This led to the break-up of the losing local consortium, two of whose members bid for and secured the contracts. But these were for sums far less than required to maintain a quality service, and came at the permanent loss of local partnerships and good relationships⁷⁷. Barnardo's withdrawal from the Newcastle positive activities initiative, and subsequent reluctance to tender for similar 'niche' work, clearly illustrate how the size and 'presence' of mega-charities do not easily or credibly translate into the qualities that small, locally-based charities have built up over many years.

It is to avoid situations like this, with all the long-term social and financial implications, that most councils try to retain specialised youth services in-house. But because the legal obligations for councils to spend money are very weak and are being widely ignored, many local authorities facing harsh cuts seek to divest themselves of less problematic areas of provision and secure better value for money over those that they keep. Some councils, using the Localism Act's GPoC, which gives them the ability to form trading arms, are now creating youth mutuals as spin-outs. The big challenge in so doing is that these organisations will be staff-led, but to achieve their aims on the ground they have to make young people feel engaged and empowered – a characteristic that, as Kevin Ford implies, tends not to be part of a council's DNA.⁷⁸

In 2014, two local authorities, Kensington and Chelsea and Knowsley, were the first to take the mutual route. In commending the 'freeing' of its youth services from the London Borough's control in January of that year, and the wholesale transfer of its staff to Epic Community Interest Company under a five year contract, Cabinet Office Minister Francis Maude said:

*"Hard working taxpayers expect nothing less (than better services), and to meet these challenges we need to break down the old binary choice between in-house and outsourced delivery and establish more innovative models for delivering services."*⁷⁹

Despite this ringing Coalition endorsement, a BBC report in March 2014 showed that Kensington and Chelsea had cut its youth service expenditure by 78% over the preceding two years, the highest proportion for any local authority in England – a figure that, despite the council's subsequent attempts at rebutting the BBC's revelations, cannot be wholly explained by mutualisation.⁸⁰

Unlike Kensington and Chelsea, which is staff-led, Knowsley Youth Mutual, launched in April 2014, is owned equally by former council staff and young people. The new body is governed by an executive board and a representative board whose numerical memberships both reflect that balance.⁸¹ But, as with all boards, much will depend on the relative influence of individual directors. It will also have to balance the drive to secure investment funds with the needs and expressed wishes of young people in

⁷⁷ Michael Bell 'From co-operation to competition and fragmentation' 22.11.2012 NCIA blog

<http://www.independentaction.net/2012/11/22/from-co-operation-to-competition-and-fragmentation/>

⁷⁸ Kevin Ford 'Youth service mutuals: the new way for councils to get value for money' The Guardian 15.05.2013

<http://www.theguardian.com/social-enterprise-network/2013/may/15/youth-service-mutuals-value-money>

⁷⁹ Royal Borough of Kensington and Chelsea Press Report 'The feeling's mutual: exciting times for Royal Borough's youth service' 14.01.2014 <http://www.rbkc.gov.uk/pressrelease/pressrelease.aspx?id=4640>

⁸⁰ Tom Barton and Tom Edgington 'Youth services spending down by one third' BBC News Report 25.03.2014

<http://www.bbc.co.uk/news/uk-26714184>

⁸¹ Laura McCurdle 'Youth service mutual to be governed by young people' Children and Young People Now 16.04.2014 <http://www.cypnow.co.uk/cyp/news/1143490/youth-service-mutual-governed-people>

what is a particularly disadvantaged part of Merseyside.

For most councils though, the approach to the cuts has been more piecemeal, through a mixture of downsizing, centre closures, redundancies and overtures to voluntary and community organisations to take over the running of some youth services. Croydon⁸², North Lincolnshire⁸³ and Staffordshire⁸⁴ are typical examples of a pattern that is repeating itself across the country, where the sums being trimmed from youth work are disproportionately higher than the average for council services in general and likely to be repeated in succeeding years with further rounds of cuts. In that scenario, unplanned, uneven and insufficiently scoped outsourcing to a variety of bodies is likely to replicate many of the problems detailed in the Newcastle case above, with mega-charities reluctant to make inroads, and the relationships between smaller ones increasingly strained as they compete for scarce resources.

Libraries

Another context for innovation, Coalition-style, that sees a highly-visible public service effectively revert to 19th century governance arrangements, is the outsourcing of libraries to voluntary groups. Since the start of the digital revolution, councils have been reducing what they spend on libraries, but the cuts have accentuated the momentum of consolidation and closure. Across the country, campaign groups have sought to prevent the disappearance of this ‘signature’ feature of public services to communities. Volunteer-run libraries, not surprisingly, is an idea that the Coalition fully supports: to Coalition politicians, they are a vindication of the ‘Big Society’.⁸⁵

In January 2013 the Arts Council published a suite of papers prepared by Locality on what it termed ‘community-led’ libraries.⁸⁶ One of these featured ten case studies of libraries outsourced to voluntary control which, it suggested, maintained the same levels of service. No two libraries, however, have similar management or service delivery arrangements. The report also acknowledged, however, that volunteer-run libraries may not work well in communities that need them the most, but offered no possible solutions.⁸⁷ Research for a 2012 campaign to stop Old Trafford Library becoming volunteer-run found that 67 out of 77 such libraries then operating in England were in rural or small town settings.⁸⁸ As a riposte to Locality, the Women’s Institute produced their own report, also based on case studies. It identified “confusion about legal obligations and training, and an unfair and unrealistic weight of responsibility as (volunteers) take on the running of a valued community service”.⁸⁹

A particular difficulty is that modern libraries have to be much more than warehouses, where

⁸² Laura McCardle ‘Charities set to take over youth services in Croydon’ Children and Young People Now, 09.01.2014
http://www.cypnow.co.uk/cyp/news/1141411/council-enlists-charities-deliver-youth-services?WT.rss_f=News&WT.rss_a=Charities+set+to+take+over+youth+services+in+Croydon

⁸³ Grimsby Telegraph ‘Six youth centres in North East Lincolnshire face the axe as council aims to save £920,000 18.03.2014
<http://www.grimsbytelegraph.co.uk/youth-centres-North-East-Lincolnshire-face-axe/story-20822884-detail/story.html>

⁸⁴ The Sentinel ‘Protests fail to stop youth club cuts in Staffordshire’ 20.03.2014 <http://www.stokesentinel.co.uk/Protests-fail-stop-youth-club-cuts-Staffordshire/story-20832422-detail/story.html>

⁸⁵ Gov.uk’s ‘Create a community library’ page www.gov.uk/government/get-involved/take-part/create-a-community-library which, although entitled ‘Find out how you can help support local libraries, including taking on ownership and management’ is in reality a list of generalisations.

⁸⁶ Locality (2013) *Community Libraries: 10 Case Studies* Report prepared for the Arts Council
www.artscouncil.org.uk/media/uploads/pdf/Community_libraries_research_case_studies.pdf

⁸⁷ Ibid, p.29

⁸⁸ Hands Off Old Trafford Library: Submission to Libraries Consultation March 2012
www.hootlibrary.files.wordpress.com/2012/03/hootlibrary_consultation_final1.pdf

⁸⁹ Charlotte Williams ‘Library volunteers will be left without effective support, says WI’ The Bookseller 14.01.2013
www.thebookseller.com/news/library-volunteers-left-without-effective-support-says-wi.html

volunteers record the movement of books: they require a pool of paid staff with relevant professional skills, and proper links to the wider public library network. As with any community asset, particularly where land and buildings are also community-owned, it calls for multi-skilled, high-level expertise. Where local authorities have outsourced libraries to unpaid staff, the outcomes have been less idyllic in practice than the enthusiastic publicity of the Coalition, Locality and the Arts Council suggests.⁹⁰ A blog by an unpaid manager in one of Dorset's 10 'community-led' libraries tells of the difficulties experienced in providing a satisfactory, volunteer-run service.⁹¹

As with the other public services examined in this paper, the phenomenon of profiteering and 'cherry picking' is not entirely absent. At a time when the overall marketing and sale of books has increasingly become the preserve of monopolies (witness the disappearance of high street bookshops and the rise of Amazon⁹²), it is not surprising that private companies should also have libraries in their sights. In 2011, it was reported that LSSI, an American firm that ran 13 public libraries across the USA, had set itself a target to manage 8 UK local authority libraries by the end of that year and to capture 15% of the market within 5 years.⁹³ Although LSSI established a UK headquarters in Southwark, their ambitions have not materialised: despite engaging in preliminary discussions with Suffolk CC and entering procurement processes in Croydon and Wandsworth, these were not pursued further.⁹⁴

But oligopolies have not been inactive. The campaigning blog, Public Libraries News, in its round-up of 2013, tempered its relief that the 61 UK library closures that year were fewer than the 201 for 2011/12, with the fact the Carillion now run library services in Croydon, Ealing, Harrow and Hounslow, having purchased them from Laing in October. This was possibly the first time in British history that a private company had sold the contract for library services to another. Shortly afterwards, Carillon announced large-scale job losses, ostensibly in the interests of efficiency, but more likely in the interests of its shareholders.⁹⁵

Community Rights and Assets: the Face of False Localism

The Localism Act also encourages outsourcing through new Community 'rights': to Challenge (for the delivery of services); to Bid (for Assets of Community Value - ASVs); and to Build (local facilities and amenities). It also provides for constituted Neighbourhood Forums to prepare and – through local referendums – approve statutory Neighbourhood Plans and Development Orders.⁹⁶

⁹⁰ The November 2013 editorial in *Public Libraries News* makes the point that "no-one in authority wants to call them volunteer libraries. (And I've never seen the word 'unpaid'.") www.publiclibrariesnews.com/2013/10/no-consistency-of-service-volunteer-libraries-and-luton.html

⁹¹ www.publiclibrariesnews.com/campaigning/volunteer-run-libraries/practicalities/the-reality-is-very-different-a-volunteer-library-manager-speaks

⁹² Nicholas Clee, in 'How I learned to stop worrying and love Amazon' New Statesman 03.01.2014, reports that Amazon now accounts for as many sales of hard-copy books as all the UK's terrestrial bookshops put together, and 90% of the country's e-book sales. <http://www.newstatesman.com/culture/2013/12/how-i-learned-stop-worrying-and-love-amazon>

⁹³ Andrew Grice and Kunil Dutta 'Cameron's Big Society relaunch runs into big trouble' *The Independent* 15.02.2011 <http://www.independent.co.uk/news/uk/politics/camerons-big-society-relaunch-runs-into-big-trouble-2215053.html>

⁹⁴ A Freedom of Information request to Suffolk CC revealed this at www.whatdotheyknow.com/request/communication_between_suffolk_co, while a local resident, noting the abandoned Croydon and Wandsworth procurement on LSSI's Facebook page, www.facebook.com/LSSIinfo, asks, "Was there not enough profit in it for you?" LSSI's website however, now lists 85 libraries that it manages in the USA <http://www.lssi.com/communities/communities-list/>

⁹⁵ 'Top UK Public Library Trends of 2013' *Public Libraries News* December 2013 <http://www.publiclibrariesnews.com/2013/12/top-uk-public-library-trends-of-2013.html>

⁹⁶ Gov.uk 'Giving People More Power Over What Happens in their Neighbourhood' www.gov.uk/government/policies/giving-people-more-power-over-what-happens-in-their-neighbourhood In practice, however, only residents of 'precepted' parish councils – which all lie outside England's cities - are in a position to even consider preparing neighbourhood plans and orders under the Act.

By way of a sweetener to local groups, the Coalition, through the Department for Communities and Local Government (DCLG), has made a total of £52m available in grants and other financial support to progress these initiatives. £17m is earmarked for helping community groups exercise the Right to Bid for ASVs, such as valued buildings or spaces. A further £17.4m is for Right to Build schemes, that can bypass the normal requirements for planning permission. £10m is available in 'My Community Rights' grant funding to encourage local groups to exercise one or more of these rights and pursue asset transfers. This includes money to prepare pre-feasibility and feasibility studies in advance of making a bid, as well as part-repayable service delivery grants⁹⁷. The fund is operated on the Coalition's behalf by the SIB Group, a joint venture of the charity Adventure Capital Fund and its social enterprise, the Social Investment Business, through what SIB's website describes as an 'engaged investor' approach⁹⁸. The government-subsidised My Community Rights website, run by its franchisee, Locality, presents these cash offers in terms of heroic enthusiasm⁹⁹.

When these new regulations came into force, there were widespread concerns that the Right to Challenge in particular would give scope for oligopolies like Serco to make 'expressions of interest' to councils, or use compliant community and voluntary organisations as a front for 'Trojan Horse' challenges to run public assets.¹⁰⁰ Yet despite these incentives for local groups to take charge of their neighbourhoods, few such initiatives have so far seen the light of day. Exceptions include the designation of the Ivy House pub in Nunhead as an ASV, through the efforts of an upper-middle-class pressure group,¹⁰¹ and LB Lambeth's decision in February 2014 to list the undercroft at South Bank as an ASV for skaters.¹⁰²

This is largely because challenges made under the Localism Act are subject to long and complex procurement procedures, which are beyond the capacity of most community groups, and in respect of assets or powers that are too 'niche' for the oligopolies. In contrast with the blandishments in the My Community Rights homepage for local groups to take up these new opportunities, a forensic search of the website reveals an embarrassing lack of case studies where community-led projects have secured the promised funding and progressed significantly to completion.¹⁰³ As expressed in the blog of a major law firm whose business focuses on public and third sector clients, it is really a 'community right to very little at all'.¹⁰⁴

⁹⁷ My Community Rights grants page 'Looking to run or take over a local service?' <http://mycommunityrights.org.uk/community-right-to-challenge/grants/#>

⁹⁸ SIB Group 'Engaged Investment' <http://www.sibgroup.org.uk/engaged-investment/>. SIB are also contracted to operate the Office for Civil Society's £10m Investment and Contract Readiness Fund, enabling 'ambitious' social ventures to access new forms of investment and compete for public service contracts.

⁹⁹ These include phrases such as "The local area is in your hands!", "You now have much more control over your community." "Take control over local services and budgets in your neighbourhood." and "Think you can do it better? Take over a local service such as education advice." <http://mycommunityrights.org.uk/>

¹⁰⁰ See, for instance, Dan Sumners' blog 'The community right to challenge will open the door to private profit' 17.03.2011 <http://www.dansumners.co.uk/the-community-right-to-challenge-will-open-the-door-to-private-profit/>

¹⁰¹ About the Ivy House www.ivyhouseunhead.com/about.php

¹⁰² Long Live South Bank 'Lambeth upholds South Bank Undercroft as Asset of Community Value' www.llsb.com/press-release-lambeth-council-upholds-southbank-undercroft-as-asset-of-community-value/

¹⁰³ As a telling indication of Locality's limited success in outsourcing planning powers to local communities, My Community Rights reports that a consultancy has devised an online 'mapping tool' for the Fortune Green and West Hampstead Neighbourhood Forum to 'make it easy for busy young professionals to have their say on the (area's Neighbourhood) Plan'. <http://mycommunityrights.org.uk/case-studies/fortune-green-west-hampstead-neighbourhood-forum/>

¹⁰⁴ Anthony Collins Newsroom 'Community right to very little at all' 08.05.2012

<http://newsroom.anthonycollins.com/ebriefings/community-right-to-very-little-at-all/>

Total Outsourcing: Barnet Today, Your Council Tomorrow?

The Localism Act 2011 gave councils a ‘General Power of Competence’ (GPoC), effectively giving them the same legal powers to act as private individuals.¹⁰⁵ In theory, this allows them to engage in ‘innovative’ ways when discharging their legal responsibilities. One is the wholesale outsourcing of front and back service functions. – a step that several councils are working to introduce, either as an ideological commitment, or as a short-term, ‘easy-win’ solution to meet funding shortfalls. This, however, merely enshrines in law a practice that several councils have been employing for some time, often with unfortunate results for all but their ‘strategic partners’. A trailblazer for this new direction in localist, total outsourcing has been LB Barnet. Because that council’s policies and their effects have been so widely documented, it is useful to summarise what has happened there as an indication of what could well happen elsewhere. As Chancellor George Osborne indicated in February 2014, 60% of public sector cuts are still to come.¹⁰⁶

In November 2010, Conservative-led LB Barnet launched the ‘One Barnet’ programme, to create what its website describes as a ‘truly citizen-centric council’. It is based on ‘a new relationship with citizens’, a ‘relentless drive for efficiency’ and ‘a one public sector’ approach.¹⁰⁷ Confusingly, for a programme marketed around the concept of one-ness, the council published two separate contract notices in the Official Journal of the European Union to outsource 70% of its functions to a ‘strategic partner’. These contracts were divided respectively between Development and Regulatory Services (building control, land charges, environmental health, strategic planning and regeneration, registration of births, marriages and deaths, trading standards, highways strategy and network management); and New Support and Customer Services (customer services, estates, finance, human resources, information services, procurement and revenue and benefits, as well as Hendon Cemetery and Crematoria).¹⁰⁸

In December 2012 the council awarded its £130m Development and Regulatory Services contract to Capita. In January 2013, Capita was also due to receive the £350m New Support and Customer Contract, along with its partner BT.¹⁰⁹ Before the second contract was ratified, a disabled local resident, Maria Nash, with support from the Barnet Alliance for Public Services and a range of other organisations, trade unions and individuals, issued judicial review proceedings against the council. This was partly based on her view that private sector organisations could not meet the public service ethos in their delivery, and thus lead to a serious deterioration in quality, and partly on grounds of the council’s failure to consult.¹¹⁰ In 2013, however, the High Court and subsequently the Court of Appeal ruled that, irrespective of any concerns about consultation, the judicial review was out of time, and that the council had not breached its public service ethos. LB Barnet and its strategic partners proceeded to sign the second contract: both are binding for ten years, irrespective of any future

¹⁰⁵ A good summary of the GPoC is contained in ‘The Localism Act 2011: a General Power of Competence’ a briefing paper for the Local Government Association www.local.gov.uk/c/document_library/get_file?uuid=74358665-d402-47e0-ac44-bf0b4d199d2d&groupId=10180

¹⁰⁶ Andrew Marszal ‘Public Service Cuts Still to Come’ *Daily Telegraph* 05.02.2014

www.telegraph.co.uk/news/politics/georgeosborne/10618948/George-Osborne-warned-hugely-challenging-public-service-cuts-still-to-come.html

¹⁰⁷ LB Barnet One Barnet Transformation Programme Homepage

www.barnet.gov.uk/info/920056/one_barnet_transformation_programme/904/one_barnet_transformation_programme

¹⁰⁸ Bevan Brittan briefing ‘Outsourcing challenge by Barnet resident for failure to consult’

www.bevanbrittan.com/articles/Pages/Barnetoutsourcingchallenge.aspx

¹⁰⁹ Hannah Fearn ‘The One Barnet campaign shows local democracy is alive and well’ *The Guardian* 09.08.2013

www.theguardian.com/local-government-network/2013/aug/09/one-barnet-decision-democracy-alive-and-well

¹¹⁰ The story of their campaign is set out on their website www.barnetalliance.org/

election results. This test case gives other local authorities the green light to follow suit.¹¹¹

Claims by the council leader Peter Cornelius that One Barnet will save taxpayers £165m over ten years now appear exaggerated, with revelations that the authority had made advance payments of over £30m to Capita during the judicial review period.¹¹² This, however, was only part of £82.9m that Capita and four other external providers had received in the financial year to 31 December 2013 under the One Barnet programme.¹¹³ As Alan White and Kate Belgrave report, this apparently cavalier attitude to outsourcing public services is not new. LB Barnet previously lost disputes with a contractor that upgraded the borough's care homes and a sister organisation to which former council care staff were transferred, at a combined cost to the taxpayer of over £10m. In March 2013 Barnet made a substantial payment to Capita for emergency IT services, without a due tender process, when its outsourced supplier went into administration.¹¹⁴

There is a much wider pattern. In 2006, Capita entered into a contract with Birmingham City Council to provide a range of outsourced services, including IT, call centres and revenue collection. Originally set at around £55m per year, the costs spiralled, and it is estimated that the contact has now netted Capita almost £1bn. This is greater than the sum the council must now save to meet government cuts and an increased demand for social services.¹¹⁵ There has been widespread criticism of Capita on grounds of poor service and overcharging. It was only following a mass petition that the council agreed in January 2014 to publish the terms of its contract with Capita, albeit with commercially sensitive details redacted. Birmingham CC announced that it was 'working with Capita' to negotiate a £20m per annum reduction.¹¹⁶ By way of a delicious irony, the £125m by which the council was having to cut its 2014-15 budget almost mirrored its reputed annual £120m contract fee to Capita.¹¹⁷

Whether entered into for reasons of ideology, efficiency or both, the outcome of total outsourcing is a major loss to democracy, the public purse and civil society. Because their private contractors have first call on their money, councils and other public bodies have less available to support communities. This pattern of outsourcing disadvantages voluntary sector organisations. The cuts compound the problem. This is critical everywhere, but particularly in the most deprived areas, where the number of voluntary organisations per head is almost 3 times as high as the least deprived ones, and where those organisations were almost 4 times as likely to have the public sector as their main source of income.¹¹⁸

The precarious state of their resources can be illustrated by comparing two studies into the state of the sector. The first, undertaken in 2011 in Derbyshire, revealed that 39% had insufficient reserves to cover 3 months' expenditure; 24% had not enough to cover 1 month; and 18% had no reserves at all.

¹¹¹ Helen Randall 'The Legal Questions Raised by One Barnet' *Law Society Review* 30.09.2013 www.lawgazette.co.uk/law/practice-points/the-legal-questions-raised-by-one-barnet/5037912.article

¹¹² Broken Barnet Blogspot www.brokenbarnet.blogspot.co.uk/2013/10/broken-barnet-plc-bank-that-like-to-say.html

¹¹³ Mr Reasonable blog '£82.9 million in 9 months: the bill One Barnet' 21.01.2014

www.reasonablenewbarnet.blogspot.co.uk/2014/01/829-million-in-9-months-bill-one-barnet.html

¹¹⁴ Alan White and Kate Belgrave 'Nine spectacular council outsourcing failures' *New Statesman* 29.08.2013

www.newstatesman.com/uk-politics/2013/08/nine-spectacular-council-outsourcing-failures

¹¹⁵ The Chamberlain Files 'Cash-strapped' Birmingham City Council paid Capita £1 billion in just six years' 03.10.2013

www.thechamberlainfiles.com/cash-strapped-birmingham-city-council-paid-capita-1-billion-in-just-six-years/

¹¹⁶ BBC News 'Birmingham City Council Capita deal details to be published' 31.01.2014 www.bbc.co.uk/news/uk-england-birmingham-25976912

¹¹⁷ David Bailey 'Birmingham council must make Capita contract open or risk concealing cuts' *The Guardian* 06.01.2014

www.theguardian.com/local-government-network/2014/jan/06/birmingham-council-capita-contract-open-cuts

¹¹⁸ Heather Buckingham 'On Place and Justice: Distribution Matters' Saving Humans Blog, Institute of Advanced Studies, University of Birmingham December 2013 www.savinghumans.org/2013/12/10/on-place-and-justice-distribution-matters/

Around 2/3 were largely dependent on public funds.¹¹⁹ The second, published in November 2013, surveyed 240 voluntary and community groups in London. 51% reported a decrease in their funding, and around a quarter had closed services during the previous year. 53% had met their obligations by using free reserves. Only 28% had more than 3 months' expenditure in free reserves at the end of 2013-13, while 14% had none.¹²⁰

3. A View from the Grassroots

To understand in more depth how outsourcing is changing the face of England's third sector, I conducted a series of 12 structured interviews with 'lead' workers between January and March 2014. Although far from being a 'statistically significant' sample,¹²¹ the interviewees come from a broad cross-section of infrastructure and specialist organisations, serving a mix of geographical and thematic communities. All network extensively, some on a national level. While only some have been directly involved in commissioning or delivering outsourced services, they do have a detailed experience and understanding of what this means within and beyond their areas, through day-to-day working with colleagues and partner organisations.

Despite their varied backgrounds, several recurring themes emerged. A universal comment was that outsourcing is not being advanced with the chief aim of achieving more community-focused, responsive, equitable or sustainable services, but as an adjunct to the cuts, with the voluntary sector seen, where relevant, as a low-cost delivery option. From that angle, it was impossible for any of the interviewees to see 'outsourcing' and 'austerity' as anything other than interchangeable terms. Although organisations in disadvantaged areas like Merseyside and the Black Country are suffering due to disproportionately high cuts in council funding,¹²² organisations in ostensibly more affluent areas like West Sussex are losing out because public services are being outsourced to large 'primes' in the private and charity sectors.

A related concern is that central and local government alike do not engage sufficiently with the sector to develop a common view of what communities' strengths and identities are, how they think and act, their values, aspirations, and so on. Instead of working systematically to agree and achieve 'asset based' solutions, councils have too often – following consultation exercises and under the guise of 'smarter thinking'¹²³ – replicated the top-down, compartmentalised, approaches of Whitehall departments. These include commissioning large, payment-by-results contracts, where voluntary sector primes sub-contract to other bodies in the sector to private firms.

Most interviewees observed that while a culture of competition and commercial confidentiality were defining features of private sector bodies, this was not practical or desirable for most voluntary and community organisations. More than once, the phrase 'transactional relationships' was cited to

¹¹⁹ Chris Dayson, Will Eadson, Jan Gilbertson and Sarah Pearson (2011) 'Making a Difference: Research on the Voluntary and Community Sector in Derbyshire' Centre for Regional and Social Research, Sheffield Hallam University, pp.16-23

www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/making-difference-vcs-derbyshire%20.pdf

¹²⁰ LVSC 'The Big Squeeze 2013: a Fragile State' phase 5, 2013, p.2 www.lvsc.org.uk/media/132319/bigsqueeze-final-smaller.pdf

¹²¹ Besides those whose comments are summarised here, a further ten that I approached refused to participate, citing concerns about possible losses of funding or existing partnerships. As three of the twelve who were interviewed asked that their views be anonymised, I felt that it would be unfair to single out any of the comments reproduced here to any individual.

¹²² Marc Waddington 'Government cuts leave Merseyside worst hit in the country' *Liverpool Echo* 19.12.2013.

www.liverpoolecho.co.uk/news/liverpool-news/government-cuts-leave-merseyside-worst-6433422

¹²³ The case of One Barnet has already been noted here. In January 2013, the "Wigan Deal" was launched as a cuts-focused council initiative, branded as a 'new contract with residents'. It seeks to save money by outsourcing assets such as libraries, swimming pools and an 'innovative' community-based social care project www.wigan.gov.uk/News/Articles/2014/January/Wigan-Deal-budget.aspx

describe how an outsourcing culture based on cuts was imposing new, commoditized rules of engagement. This was especially true for smaller, niche charities that previously relied on grants, with low incomes and ratios of paid staff to volunteers.

Interviewees also pointed out, sometimes forcefully, that larger charities may well have the experience and resources to make winning bids for outsourced services, but are not always so effective when it comes to delivery. A case in point is social care, where primes subcontract work to charities supporting groups that are hard-to-reach or have complex needs (for example, sections of the BME and LGBT communities), but where the per capita funding and performance criteria are set uniformly and in a top-down manner. There was also a strong awareness of how outsourcing places new bureaucratic burdens on subcontractors, many of whom were previously unfamiliar with the IT-based project management systems that have been firmly established in large organisations for more than two decades.

Taken together, these pressures oblige smaller bodies to embark on unpalatable ‘innovations’ in an effort to stay afloat. Examples include dipping into their limited reserves, imposing zero-hours contracts on staff, asking unpaid volunteers to take on additional obligations that they feel morally unable to refuse, and in many cases, prioritising core services around a narrower spectrum of people in need. Because these organisations generally lack the capacity of their larger counterparts to plan for contingencies and share the burden, the implications for poorer services, reputational damage and burnout or resignation among staff and volunteers are clear. As one chief executive put it, “Under the previous (i.e., pre-outsourcing) arrangements, it was ‘Hobson’s Choice’ for organisations like ours. Now they’ve replaced it with ‘Sophie’s Choice’.”

Interviewees also noted that the supply chain model of commercial outsourcing cannot not be easily adapted to the landscape in which voluntary bodies have traditionally operated. It requires the rapid synthesis of an irregular – often unmappable – tapestry of organisational cultures and management systems, with all their associated rivalries, personality differences, and varying levels of competence and accountability. Furthermore, large-scale contracts, usually based around geographical areas, posed difficulties for organisations supporting ‘thematic’, under-represented or sparsely-distributed communities.

Three interviewees told how the setting-up of centralised contact and referral systems had led to confusion among clients of their respective organisations, inaccurate recording, delayed or failed case-handling, and loss of time and money by all concerned. This exacerbated the problems engendered during the initial commissioning process, and created a distance between individuals and charities that had previously been on friendly terms and worked closely together. Whereas, under local authority management, the reporting lines and avenues for redress (if not entirely satisfactory) had been reasonably clear, the new supply chain was far harder to navigate for clients and case-workers alike. One interviewee observed that the transparency requirements for a community organisation delivering an outsourced public service are less rigorous in law and less enforceable in practice than for a public body, and in many respects akin to those for a private supplier.

My discussions also revealed the extent to which outsourcing places greater pressure on infrastructure bodies. The CEOs who were willing to speak referred to their longstanding role as visible, independent, common reference points for information, support, networking and advocacy. They pinpointed how outsourcing threatened that role, not just by reduced funding, but through the divergent ways in which infrastructure bodies were engaging with the new forms of contractual

relationship.¹²⁴ In many areas, the CVS is likely to be a council's first port of call when it decides to outsource local services. The CVS may then find itself delegated to facilitate community consultations, convene reference groups, bring together consortia, and act as a go-between within and beyond the sector when conflicts and misunderstandings arise. While some CVSs – to their credit – have the capacity and profile to retain their independence and a sense of leadership for their local sector in these circumstances, this is not always so. A large number have either been forced to close or significantly downsize their operations.¹²⁵ In other cases, following the example of national bodies like ACEVO, there has been a tendency to tone down their opposition to commissioning processes, or to embrace what are euphemistically termed 'innovative cross-sector partnerships'.

If a council has not cultivated strong and productive relationships across the local sector before the cuts, there will be a temptation to cut corners with commissioning. It may limit the timescale and scope for planning, design and consultation. It may take a cavalier approach in determining which organisations and individuals are worthy of inviting to the feast. Interviewees used phrases such as 'the usual suspects', 'gatherings of the great and the good', and in one case, 'there should be no outsourcing without crowdsourcing' to explain how councils in three different unitary authority areas had handled the process. Infrastructure bodies and their lead representatives have therefore had to tread an uneasy tightrope to avoid – on the one hand – being seen by the community as an arm of the state, and on the other, as a one-stop shop for councils to 'sign up the sector'.

A frequently overlooked influence on how voluntary and community bodies cope with outsourcing is their style of governance. The selection, calibre, and powers of an organisation's trustees have a considerable bearing on its overall outlook, capacity to engage and long-term resilience.¹²⁶ One interviewee discussed the problems that third sector bodies encounter in recruiting and retaining trustees with the right backgrounds, expertise and motivations, and who are able to commit the necessary time and energy. She pointed out that in less advantaged areas, where the needs addressed by voluntary organisations are greatest and growing, there is a disproportionate dearth of suitable candidates. This is critical now that funding is contract-based, where more efficient day-to-day bidding and project management techniques are needed, and where networking skills are key to building partnerships. Of overriding importance is to have trustees who can confront the mix of moral, financial and other dilemmas posed by outsourcing, and yet keep their organisation's existence and core principles intact.

4. What next? Is there another way?

At a Fabian Society seminar in February 2014, Jon Trickett, Labour's Shadow Minister with responsibility for procurement, attacked what he described as 'some of the central ideological assumptions of the Tory approach' to outsourcing. Using well-publicised examples of failure and fraud by oligopolies such as Serco and G4S, he cited transaction costs, post-tender contractual variations, retention of risk by the taxpayer, plus loss of accountability and a public service ethos as undesirable

¹²⁴ The most recent NCVO figures (compiled in January 2014 with out-of-date data) show that the total income of 829 identified infrastructure organisations in England went down from around £800m in 2010-11 to £690m in 2011-12.

www.blogs.ncvo.org.uk/2014/01/21/latest-data-on-infrastructure-organisations/. My recent discussions with sector CEOs in researching for this paper suggest an even sharper reduction of funding in the intervening period. Some infrastructure organisations have closed entirely, or – as was the case in Suffolk – merged into a single body.

¹²⁵ See, for example LVSC's Alison Blackwood 'What's happening to funding of support services in London?'

<http://www.londonfunders.org.uk/sites/default/files/images/ABlackwood020312.pdf>

¹²⁶ Ian Joseph 'How to recruit top trustee talent' *The Guardian* 13.01.2013 offers a good synopsis of the challenges and pitfalls involved in medium to large voluntary organisations. www.theguardian.com/voluntary-sector-network/2013/jan/13/charities-recruit-trustee-talent

consequences. He argued that ‘Labour in office will work alongside users to drive up standards of service’, and that his party ‘will need to do better at ensuring that those who benefit from large public contracts contribute fairly to the tax that makes such contracts possible’. Jon Trickett also referred to a 2011 survey, showing that over half on English councils were insourcing previously-outsourced services, on the grounds that this constituted better value for money.¹²⁷

Does this portend the end of outsourcing as an instrument of public policy? Far from it. Jon Trickett’s presentation skirted over the minor matter that it was the Blair-Brown administrations’ own large-scale public service outsourcing initiatives that gave the Coalition a fair wind to progress their privatisation agenda with vigour. As David Walker observes, it was Labour who awarded Atos its medical assessment contract. Importantly, Jon Trickett makes no mention of contracting out services to voluntary and community bodies, nor that public concerns about accountability and transaction costs apply just as much to charities as they do to private contractors¹²⁸. Neither does his line of attack challenge the fashionable assertion that public sector-controlled services and bureaucracy always go hand in hand, or that competition is an essential spur to service improvement. And, given the in-out-in-out experience of youth services in Cheshire¹²⁹, and ongoing cuts, the statistics on councils taking work areas back in-house may well be misleading.

The argument, so far, would seem to be more on the grounds that outsourcing, Coalition-style, is wrong because it is less cost-effective for the taxpayer than outsourcing, Labour-style. Even the Centre for Social Justice, a think tank not noted for left-wing opinions, has voiced a more pointed set of concerns about how the government’s outsourcing agenda favours private companies over voluntary organisations. The Centre’s recent research shows that English charities with annual incomes of under £100,000 now receive only 3.5% of total voluntary sector income, as opposed to 5.4% in 2006. Yet mega-charities, with incomes of over £5m per annum, constituting just 1.2% of sector organisations, currently attract 69% of total income. Councils now award a smaller proportion of contracts to voluntary bodies than previously. The latter experience conflicts of ‘ethos and approach’ and pay and conditions problems, due to transfers of outsourced council staff.¹³⁰

But, like Labour’s current cohort of policymakers, Iain Duncan Smith’s protégés fail to recognise the elephant in the room: austerity. All organisations need to reflect, re-define and re-assign roles in the interests of securing the greater good; and, from that perspective, outsourcing is one of several options within an integrated, agreed solution. But this should be achieved in a spirit of honesty, engagement and appropriateness. The resources currently available to support public services in the UK are scarce, and government policy is geared to making them scarcer still, particularly to those communities and sectors of activity in greatest need of those services.

It is therefore difficult to see how a more effective and equitable allocation of social benefits can be achieved by outsourcing the delivery of more and more key services to a motley hierarchy of bodies: particularly so when those hierarchies are headed by monopolies geared to shareholder profit, high CEO salaries, status and market share. Worse still, these primes – some of them classed as being in the

¹²⁷ Jon Trickett ‘Public sector outsourcing: putting people first’ Fabian Society seminar, 20.02.2014 www.fabians.org.uk/public-service-outsourcing-putting-people-first/

¹²⁸ David Walker ‘Public service outsourcing: an incomplete doctrine’ 13.03.2014 www.fabians.org.uk/public-service-outsourcing-an-incomplete-doctrine/

¹²⁹ Matthew Taylor ‘Cheshire West and Chester Council’s executive has voted to outsource youth work’ Northwich Guardian 12.07.2013 www.northwichguardian.co.uk/news/10545019.CWAC_agree_to_outsource_youth_work/

¹³⁰ The Centre for Social Justice (2013) *Something’s Got to Give: the State of Britain’s Voluntary and Community Sector, Breakthrough Britain II Report December 2013 pp. 14-16* www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20reports/CSJ_Voluntary_Sector_Report_WEB_20.12.pdf

voluntary sector, but whose cultures are barely distinguishable from those of large, private enterprises – impose their ethos on the rest of the supply chain.

This paper has focused on how the rapidly-changing scenario of public service outsourcing has impacted on the voluntary and community sector. As demonstrated in the numerous speeches and press releases previously cited, the Coalition and the Labour Party alike trumpet the outsourcing of service delivery to third sector bodies as a cornerstone of their wider agendas - not just the 'Big Society'. But the reality is that only mega-charities are in any position to enter and hold their own in this increasingly marketized landscape. The impacts shown in each and every one of the service areas discussed above are overwhelmingly the by-products of privatisation, thinly disguised as outsourcing.

We have seen how primes take advantage of commissioning processes to take control over a diverse range of services to an even more diverse range of recipients. We have also seen how primes 'cherrypick' easy wins, setting performance targets that impoverish and exclude subcontractors and, by implication, those who are ultimately supposed to benefit from the services. Most galling of all, despite ever-tightening austerity measures that hit the poorest hardest – and by implication, the community groups that try to support them – the outsourcing of UK public services has become a mega-business, overtly and vigorously marketed as such internationally. Even if we discount the most flagrant, newsworthy abuses (witness the respective behaviours of G4S and the unpaid 'Games Makers' at the 2012 Olympics), it is clear that outsourcing has shoehorned yet another elephant – and a rogue one at that - into the room: profiteering.

In the past two years, stories of incompetence, overcharging and – it would appear – criminality among prime contractors have regularly hit the headlines, forcing the government to claw back contract monies and (temporarily) exclude them from tendering processes. Distrust of private providers of core public services has become pervasive.¹³¹ Even to those with an aggressively free market perspective, the outcomes of outsourcing contradict any notion that it inevitably saves taxpayers' money.¹³² Risk transfer down supply chains, far from encouraging innovation, stifles it, delivering services that are not gold standard but bog standard. Ultimately, reputations suffer - of the UK private sector as an investment prospect, and – when individual charities overreach themselves - of the entire voluntary sector.

But none of this could have happened without incompetence, and worse, on the part of public sector commissioners, nationally and locally. There is hence a window of opportunity, across the political spectrum, to re-visit and systematically reform commissioning. The Institute for Government has set out a persuasive agenda for achieving this, through clear community-defined goals and co-produced outcomes embedded into public service contracts. It also argues for a more realistic balancing of risk for the social sector, through flexible, longer term contracts and organic, rather than imposed, innovation. Commissioning should foster true, trusting collaborative relationships, where strength in depth allows for changes and improvements on the basis of partners' expertise, capacity, need and commitment. In other words, it would be a learning and sharing process, not one that promotes accumulation on the one hand and exclusion on the other.¹³³

¹³¹ Matt Dykes 'Is the tide turning on public sector outsourcing?' TUC Touchstone Blog 19.07.2012

<http://touchstoneblog.org.uk/2012/07/is-the-tide-turning-on-public-sector-outsourcing>

¹³² Mark Wallace 'Serco and G4S ripped us off – the public sector must start to play hardball' The Guardian 13.03.2014

<http://www.theguardian.com/commentisfree/2014/mar/13/serco-g4s-public-sector-hardball-government-taxpayers>

¹³³ Dan Crowe, Tom Gash and Henry Kippin (2014) *Beyond Big Government Commissioning Public Services for Better Outcomes* Institute for Government report

<http://www.instituteforgovernment.org.uk/sites/default/files/publications/Beyond%20Big%20Contracts.pdf>

It also begs the question that, if the overwhelming majority of community and voluntary bodies cannot expect to win competitive tenders for public services, is not the logical conclusion that they should stop trying and focus instead on the job that only they can do – innovative and shared good practice, advocacy and campaigning? By the same token, it is necessary at this point to assert the importance of directly managed public services, not just as a safety-net for the most disadvantaged, but as a core element of a healthy, mature society that is truly a society, and of communities that are truly communities. A fatal flaw in neoliberal analysis is that it eliminates the concept of the public good and replaces it with one of individual responsibility, thus creating a self-perpetuating blame culture, where the neediest are seen as the authors of their misfortune. Yet it was the actions, not of the poor, but the very rich that brought on the policy of austerity of which outsourcing is a key delivery tool.

Equally, while we may concede that there are circumstances where outsourcing a public service may be good or necessary, privatisation, even if done in the name of efficiency, concentrates wealth in fewer and fewer hands and forces people to pay more for their basic needs.¹³⁴ Where the fundamental building blocks of society are controlled by offshore-funded oligopolies, this ‘powerunaccompanied by accountability of any kind’ gives rise to what some commentators term the ‘Deep State’, because such power is difficult to understand, analyse or encounter. It is, indeed, a deep and dire threat to democracy itself.¹³⁵

And yet it is not despitebut because of this threat that voluntary and community activists needurgently to engage more effectively with the public and private sectors alike: not just, in a negative sense, to expose and challenge abuses and fight fires on behalf of the most vulnerable, but to build relationships that are open and collaborative, and where outsourcing is based on capacity, commitment and social good. As the public sector continues to shrink, and third sector organisations find themselves entrenched in a commissioning spiral, can we detect any crumbs of comfort, or possible models for future action? Just maybe. Locally, there are small-scale approaches that, if developed further, might just change the culture.

Tameside 4 Good, in Greater Manchester, is a partnership between the local CVS, the council, a housing association and small businesses. It fosters asset-based community development through employer-supported volunteering, swapping skills, and donations of resources to community groups. Tameside Council held a series of dormant trust funds that, following approval from the Charity Commission, have now been transferred to Tameside 4 Good, which uses the money to support its work.¹³⁶ Another is Islington Giving, which seeks to reverse the spiral of local inequality through projects aimed at tackling poverty, confronting isolation and improving the status of young people. Launched in 2010, it is supported by a group of local businesses (if, in the spirit of charity that underscores this paper, we include the Islington Hilton, a finance company and a property agency in that category). Together, they fund volunteering activities and secure money from other sources. By March 2014, Islington Giving had provided ‘special help’ to 3,500 isolated individuals, ‘structured’ activities to 1,600 young persons, and helped 1,500 people in poverty access crisis intervention, debt solutions and other forms of support to health and legal problems.¹³⁷

In a wider context, the NCIA’s role in bringing together previously disparate, compartmentalised and

¹³⁴ Elizabeth Martínez and Adolfo García ‘What is Neoliberalism? A brief definition for activists’ Corpwatch website <http://www.corpwatch.org/article.php?id=376>

¹³⁵ Henry Giroux ‘Resisting the Neoliberal Revolution’ Moyers and Company Blogsite 21.02.2014 <http://billmoyers.com/2014/02/21/henry-giroux-on-resisting-the-neoliberal-revolution/>

¹³⁶ The Tameside 4 Good website, www.tameside4good.org.uk/ sets out in greater detail the governance, funding, support network and activities that come under its aegis.

¹³⁷ www.islingtongiving.org.uk/website/

under-reported data and ideas on the state of the voluntary sector should be acknowledged. The contents of this paper on outsourcing should therefore be considered and debated together with the other independent contributions to this Inquiry, and provide an informed basis for challenging accepted norms on the sector's status and future. It should also underscore the creation of alliances and relationships within and beyond the sector to work towards more equitable and sustainable forms of public service delivery.

The Author



Laird Ryan has a professional background in planning, equalities and community development: his career includes senior roles in central, regional and local government, teaching and research and CEO of a charity.

lairdryan@bignall.free-online.co.uk