

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

## **Working Paper 10 The State of the Voluntary Sector: Does Size Matter? Paper 2**

**Ursula Murray and Linda Milbourne**  
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## **Working paper No 10**

### **The State of the Voluntary Sector: Does Size Matter?**

#### **Paper 2**

#### **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 and the second of two that deal with the issue of size. Together these papers describe the different experiences of and outcomes for, large and smaller voluntary organisations engaged in service provision, and examines the extent to which organisational size is a factor explaining the changes we are seeing in the voluntary services landscape. These two papers have been prepared for NCIA by Ursula Murray and Linda Milbourne to whom we offer grateful thanks.

For more information on the NCIA Inquiry please visit our website – [www.independentaction.net](http://www.independentaction.net).

NCIA  
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# 1. Introduction

In Paper 1, we were concerned to avoid a merely spatial analysis in relation to size of voluntary organisations, stressing rather the relevance of mission, values, and power and politics. In this second paper, drawing on in depth interviews with 17 voluntary organisations (Table 1, p6), we explore the specific experiences of competition between large and smaller service provider organisations across different service fields of the voluntary sector.

As argued in our first paper, it is important to avoid simplifying the complexity of the changes taking place; and as we pointed out, *'big is not always bad and small is not always good'* in relation to the voluntary sector. The underlying mix of funding and organisational values still remains important. However, large, contract oriented charities that see themselves essentially as service providers, perhaps without a membership base and without local roots, are widely perceived to be flourishing in some sub-sectors. But the statistical information is not conclusive, so it is necessary to look elsewhere to gain a picture of what is happening. Thus the case material in this paper offers a different lens to assess whether government funding and social policy priorities are privileging specific kinds of growth and decline within charities and voluntary sector organisations, primarily involved in service delivery.

## 2. Our approach to this research

The overall research across both papers involved several methods of approach:

- Reviewing existing literature and publications on emerging trends in welfare services and among voluntary organisations, including financial returns and annual reports. This review is mainly contained in the first paper;
- Reviewing recent empirical and area based studies in the public domain, for example those undertaken in regions, including: in Greater Manchester<sup>1</sup> (Dayson et al, 2013), Newcastle and the North East<sup>2</sup>, Nottingham<sup>3</sup>, Birmingham<sup>4</sup> and Yorks and Humber<sup>5</sup>; and a national survey of voluntary and community sector workers<sup>6</sup>;
- Detailed empirical studies undertaken in specific local authority areas, including information drawn from surveys, focus groups and interviews;
- A series of cases drawn from interviews in specific service fields, including Criminal Justice, Mental Health and Domestic Violence, Housing and Homelessness, Children and Young People's services, and Volunteer services.

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<sup>1</sup><http://www.gmcvo.org.uk/greater-manchester-state-voluntary-sector-2013>

<sup>2</sup>[http://www.cvsnewcastle.org.uk/assets/files/representinginfluencing/our\\_research/Surviving\\_or\\_Thriving\\_Final\\_Report\\_Newcastle\\_April\\_2013.pdf](http://www.cvsnewcastle.org.uk/assets/files/representinginfluencing/our_research/Surviving_or_Thriving_Final_Report_Newcastle_April_2013.pdf)

<sup>3</sup><http://www.nottinghamcvs.co.uk/files/The%20Reality%20Cheque%20-%20NCVS%20State%20of%20the%20Sector%202013.pdf>

<sup>4</sup> Birmingham City Council (2013) *'Health of Birmingham's Third Sector'*, Report from Overview and Scrutiny Committee,

<sup>5</sup><http://www.involveyorkshirehumber.org.uk/our-work/research-and-information/third-sector-trends-survey-2013/>

<sup>6</sup><https://unison.org.uk/upload/sharepoint/On%20line%20Catalogue/21929.pdf>

It is to this last category that we now turn as the focus of Paper 2, with our broad aim remaining:

- To examine the different experiences and outcomes emerging for large and smaller voluntary organisations involved in service provision resulting from recent changes in public service programmes.

The six case studies focus on the themes arising from the interview data and seek to explore underlying meanings. However, the voluntary sector exists within a well defined political-economy context (explored in depth in related NCIA Inquiry papers) and we have aimed to connect the themes to these framing theories. There are three key broad areas of government policy which fundamentally impact on the sector at the current time. These are firstly, the extension of the 'market state'; secondly, the drive towards a 'smaller state'; and thirdly, the very wide range of social policy changes being introduced to facilitate these and impacting directly and indirectly on the growth of the 'contract culture'. After introducing these ideas, we then briefly look at the patterns of public funding of the voluntary sector to assess whether local and central government funding changes are separately linked to these broad policy directions.

### **3. Key government policies and their impact on the voluntary sector**

#### **The extension of the market state**

The creation of new 'open' public service markets and intensification of commissioning by competitive tendering has been a consistent key marker of Coalition Government policy set out initially in its *Open Public Services White Paper* (2011). Other legislation related to a series of changes in different welfare programmes – unemployment, health, housing, benefits - has likewise vigorously and repeatedly emphasised the roles of the *private and voluntary sectors* as alternative providers to the public sector. This underlying ethos is informed by a continuity of thinking with the Washington Consensus (1989) and its rationale for the growth of corporate companies in running privatised public services – that is 'let the market decide, and government get out of the way'. De-regulation, outsourcing and flexibility are integral to this new 'market economy'. Bobbitt (2002) later coined the phrase the 'market state'.

However, although the voluntary sector is consistently referenced in the context of government proposals for new centralised public service programmes, resulting changes raise the question: *which* part of the voluntary sector does the government actually have in mind? For example, when central government launched the Welfare to Work programme in 2011, it was widely claimed at the time that 300 voluntary sector projects would ultimately benefit in the award of the Welfare to Work programme (Marsden, 2011). But the failures and multiple problems facing smaller organisations who have engaged with it have now been well documented (Butler, 2011; Horton, 2013). The main beneficiaries of these new large-scale, centrally funded initiatives are corporate private public service providers. They have become the prime contractors with major and large charities as secondary support or managing delivery lower down supply chains.

Similarly, the current privatisation of the Criminal Justice Sector (CSJ) illustrates how certain kinds of large charity providers are the sought-after partners in developing these new, central government driven private public services. For example, Crime Reduction Initiatives (CRI) and St Giles are the declared partners of Igneus, currently bidding to become one of the Company Rehabilitation Companies (MoJ, 2013) which will replace the Probation Service in June 2014. Similar large charities also feature strongly in analysis of which voluntary sector organisations receive most central government funding via the Justice system (Garside et al 2013), or those that have been willing to engage in contracts linked to supervising and sanctioning offenders. This is significantly different to how voluntary organisations have traditionally concentrated on supplementary services, and on advocacy and penal reform (Hucklesby and Corcoran, 2013).

Finally, the growing crisis around the funding of social care has prompted suggestions that if they win the next election in 2015, the Conservatives will transfer responsibility for social care from local government to the Department of Health (Whiteman, 2014). This is ostensibly to resolve the now impossible financial burden on local authorities. But if such a transfer were to happen, it is easy to see how it could trigger similar large scale outsourcing of social care services to corporates in the ways described. This has already been prefigured by the Troubled Families programme and by the outsourcing of Devon and Doncaster Children's Services and policy proposals to consider the outsourcing of child protection (Butler, 2014). This would have widespread implications for the future of the medium and localised voluntary sector.

## **A 'smaller state'**

The second key strand of Coalition government thinking, interlinked with the idea of the market state, is that of the 'smaller state'. Both are motors in the dismantling of the Welfare State. It is evident that the government regards the current reduction in the size of the state as permanent. Although only 46% of the cuts identified as necessary to remove the budget deficit have so far been implemented, a commitment to the ideology of a 'smaller state', extending well beyond the current neo-liberal austerity politics, has been clearly set out by the Prime Minister, David Cameron (2013). His advocacy of 'a leaner more efficient state' suggests that it will well outlast any cuts to address the deficit (Watts, 2013).

The 'smaller state' is focused on the local and social state, rather than any curtailment of the central and surveillance state. A key factor in this overall process is the severity of the cuts to local government which have been disproportionate compared to those of central government departments and are twice the level of those affecting government as a whole (Betts, 2013). Overall, local councils will have lost on average 43% of their budgets in real terms between 2010 and 2015/16 (Betts, 2013). There are fears that by then councils in many areas will not be able to meet all their statutory responsibilities (LGA, 2013) at a time when social care costs, for example, are rising sharply. In parallel, it is the most deprived local authorities and communities, in locations such as Liverpool and Newcastle, and those most dependent on public resources, which have faced the highest level of cuts. The ten worst hit areas averaged 25% cuts each year, between 2010 and 2015 (Watt, 2014). Within London too, there is a huge disparity between poorer and better off localities with, for example, the L.B of Haringey experiencing thirteen times the level of cuts compared to those of the L.B of Richmond (Ramesh, 2012).

## Wider social policy shifts

It is also important to acknowledge the impact of many other social policy shifts being played out indirectly through the competitive contract culture and which are also reshaping the voluntary sector. The punitive benefit caps in housing and social welfare are impacting on social housing in multiple ways. The extension of Personal Budgets is undermining collective funding of social and support activities, traditionally provided via local grants to voluntary sector bodies. Changes in public health and social care are integrating local NHS and local authority commissioning processes and the financial pressures have generated the requirement of 'one lead provider'. This in turn pushes the costs of collaboration in a consortium 'below the radar' so that the costs of engaging with partners remain out of sight and publicly unacknowledged. This compounds the ways that risks for contract outcomes and payment by results have also been pushed down the supply chains. Finally, the 'spinning out' of public sector services as new 'mutuals', the promotion of social enterprise and related entrepreneurial culture encouraging new small businesses into the welfare ring, are all challenging the accepted understanding of what constitutes local voluntary sector activity.

### The relevance of local v central government funding of the voluntary sector

How does government policy around the 'market state' and the 'smaller state' impact on the voluntary sector? In trying to unpick this, it is helpful to grasp more precisely how central and local government funding is allocated. At the same time, it is important to remember how large parts of the voluntary sector are still much more reliant on non-state sources of funding and that this is particularly linked to size. The recently published, *NCVO UK Civil Society Almanac 2014*, with commentaries, such as by Hillier (2014), provides detailed information on funding by size of organisation (see Appendix 1).

This *NCVO UK Civil Society Almanac 2014* shows how the main recipients of public funding are the major and large registered charities. Organisational size appears to be directly correlated with both the amount and relative importance of statutory income generated:

- *Major* organisations received £7.0b in statutory contracts and grants, (i.e. 50% of public funding goes to this sub-group of 533 organisations);
- *large* organisations received £4.3b (i.e. 31% goes to 4270 organisations);
- *medium sized* organisations received £2.2b (i.e. 16% goes to 21,257 organisations);
- and *small* and *micro* organisations – almost 139,000 in number – receive only 3% of total statutory income.

On average:

- *major* organisations received 39% of their income from the state;
- *large* organizations received 35%;
- *medium sized* organisations received 22%;

- *small* and *micro* organisations received 17% and 4% from government sources respectively. (Definitions of size can be found on p.6 and also in Appendix 1).

The *Almanac* shows that in 2010/11 just over half the public sector funding to the voluntary sector (£7b / 51%) was coming via local government and just under half (£6b / 44%) was coming via central government with the remainder being EU (£0.8b). Major, large and medium sized voluntary organisations received a similar proportion of funding from central government (i.e. 40%-45%); and there was no significant shift detectable in the balance of central to local government funding patterns over the previous year.

However, the *Almanac 2014* figures are based on sampling figures drawn from 2010/11 Annual Reports submitted by charities. So this information is crucially from *before* the impact of the 2010 Coalition Government's austerity budgets and does not tell us what has happened since. Figures referred to in earlier sections show that cuts have progressively deepened over the past three years and the *Almanac* has revised projected declines accordingly (Hillier, 2014). However, as noted above, it is not simply overall cuts which are important but the disproportionate losses. As highlighted previously, local government finances have been cut much more severely than those of central government, in ways consistent with the 'smaller state' policy position. A different pattern in the levels of funding between central and local government elements of voluntary sector funding may therefore also be emerging, as a reflection of smaller local state policies. This raises several key questions about probable winners and losers in the context of size and links with large national bodies.

Firstly, have those voluntary sector organisations which are more dependent on local government funding seen a higher rate of decline or closure over the past three years and thus become victims of the 'smaller state' policy? Secondly, have the large and major voluntary sector organisations been the key beneficiaries of the drive post 2010 towards 'market state' thinking, which lies behind the central government driven privatised public services initiatives, such as Welfare to Work and Transforming Rehabilitation Programme? If this is the case, it would offer one explanation for the increased growth of larger organisations as highlighted in our Paper 1. However, statistical analyses of the past three years are lagging behind information emerging from local area studies. Even if they were available, the uneven patterns of growth and decline among different size charities and the multiple factors involved are likely to elude any simple story, and this is confirmed by Backus and Clifford's (2013) study of earlier trends. Therefore it is to the case studies from different service fields that we now turn to shed light on patterns among more recent changes.

## **4. The Case Studies**

### **The structure of the case studies**

What follow are six case studies of five specific service fields, plus an overview on the experience of commissioning. In these studies, we encountered multiple changes taking place. For this paper we have focused on capturing the dynamics of competition between smaller and larger voluntary sector organisations. The case studies signal some of the processes going on and shed light on how and why markets are being created in the specific

service fields. They reveal the intensity of competition and the way contracts and tendering activities now dominate this part of the sector. Later in the paper we explore the emerging themes and patterns, linking these back to the discourse around size, which appears to be both a symptom and a cause of change in the voluntary sector.

The case studies cover:

- A. Mental Health and Domestic Violence
- B. Housing and Homelessness
- C. Criminal Justice
- D. Children and Young People's services
- E. Local infrastructure and volunteer services
- F. Commissioning

**Table 1: List of interviews by case study and by size (Note: all names of organisations and respondents have been anonymised).**

**Definitions of Size: (See Appendix 1)**

*Micro: Less than £10,000*

*Small: £10,000 to £100,000*

*Medium: £100,000 to £1m*

*Large: £1m to £10*

*Major: More than £10m*

Case study	Service Field		Organisation	Interviewee	Size
<b>A</b>	<b>Domestic Violence /Mental health</b>	1	<i>Domestic Violence</i>	Patricia	Medium
		2	<i>Refuge support</i>	Elaine	Large
		3	<i>Local MIND</i>	Jaya	Medium
<b>B</b>	<b>Homelessness and Housing</b>	4	<i>Young and Homeless</i>	Sharon	Major
		5	<i>Homeless Shelters</i>	Graham	Major
		6	<i>Community Housing Association</i>	Marlene	Medium
<b>C</b>	<b>Criminal Justice Sector</b>	7	<i>Supporting Divided Families</i>	Myra and Jen	Medium
		8	<i>Live justice</i>	Hugh	Small
		9	<i>Former prisoners</i>	Mark	Small
<b>D</b>	<b>Children and Young people</b>	10	<i>Support for All (SFA)</i>	Janice	Large
		11	<i>Wharton CVS</i>	Chris	Medium
		12	<i>Visions</i>	Deena	Small SE
		13	<i>Horizons</i>	Julie/Cora	Small
<b>E</b>	<b>Local infrastructure and volunteer services</b>	14	<i>Pathways</i>	Becca	Major
		15	<i>Basborough VC</i>	Anna/Steve	Small
		16	<i>East London Settlement</i>	Marion	Large
<b>F</b>	<b>Commissioning</b>	17	LA Commissioner	Lawrence	N/A
			Voluntary sector		

## Case Study A: Domestic Violence and Mental Health

For several decades, both domestic violence and mental health have been fields where user driven initiatives have been prominent. Women's Aid and MIND have been synonymous with independent local projects but also supported by national federated structures with strong campaigning voices. Over the last decade the introduction of competitive tendering has substantially changed this pattern. It is a story which highlights the stress on medium sized organisations which have typically been dependent on local government/ NHS contracts, and are now faced by a new market which exposes them to competition from 'larger' charities. We interviewed two project workers from medium/large domestic violence projects together with the director of a local MIND medium sized project. The case study points to a particularly predatory role by housing associations. Also revealed is the current intensity of competition, albeit interspersed with islands of solidarity and collectivity.

### Domestic violence projects

National funding of women's refuges had been campaigned for by Women's Aid but Patricia from *Domestic Violence* thought that its introduction by government, via the Supporting People Programme for housing related support services for vulnerable people (SSP) in 2007, had proved damaging. Coinciding with the advent of austerity budgets it had facilitated cuts to services, the stripping out of the specialist elements of women's aid services and the introduction of competitive commissioning. Under this funding regime housing rent voids had become key, which meant refuges could no longer keep emergency bed spaces, whereas in the past this would have been structured into the costs. She felt that services were now more akin to a social services hostel with three workers replaced by one for whom *'collecting the rent was the key task'*.

Commissioning and competitive tendering of Women's Aid had begun in 2007 leading to four west London Women's Aid projects merging with Hestia. Patricia referred to *'the predatory role of Hestia'* (a registered charity with no member base, an original core housing function and a turnover currently of over of £17m) which had grown rapidly as their competitor in the domestic violence and mental health sector over the past decade. It now ran domestic violence services in 11 London Boroughs, but also specialist services for children, mental health and some offender rehabilitation services. Hestia's initial entry into the sector had arisen because one Women's Aid project in west London had felt it was too small to compete and was led, via consultancy support, into a relationship with Hestia. Outside of London, Patricia thought that women's refuges had diversified their funding and the Supporting People funding was thus only a part. Advocacy was important and there was more energy reflected in the fact that people involved in Women's Aid would travel long distances to meet up. Never the less, a regional housing association won a tender against three women's aid projects in Devon.

Elaine from *Refuge Support* described how in trying to counter Hestia's growth, other independent projects had successfully developed, including Solace and Eaves. Small women's aid projects in three north London boroughs had come together to form Solace in 2007 and this group now ran refuges in five London boroughs and provided services in nine others, retaining the high level of specialist support they deemed necessary to work with survivors of domestic violence. Yet Solace has no specialist teams of staff bidding for contracts unlike Hestia, whose turnover is four times larger. However, from its small consortia origins, Solace is winning and sustaining contracts with its specialist niche services.

Asked what she thought drove Hestia's growth, in Elaine's view it was *'a mix of survivalism and a predatory stance'*. The quality assurance framework linked to the SPP was also seen as key. She argued Hestia had been able to thrive because *'they were very good at evidencing the limited*

*quality standards and outcomes specified*'. This represented a 'tesco-isation' of the service and society's acceptance of low social care standards. She was critical of local authorities who commissioned 'a one-size-fits-all service' whereas she felt it was crucial to commission the values of the people delivering it, pointing out that when Hestia took over a project, the staff were TUPE'd over but because their values were not shared, this created huge resistance and gave rise to a pattern of rapid staff turnover.

### **Poppy Project and other new projects**

The *Poppy Project* was an innovative women's trafficking project built up from nothing by Eaves. But in 2011 a new £6 million Home Office contract opened it up to competition. The contract was won by the Salvation Army (Ishkanian, 2014), who then sought to sub-let parts of the contract to Hestia and others. Patricia said *'it was difficult to get your mind around shutting down an innovative project'* and she had heard *'rumours that they had changed the criteria after the bids were in, to include male victims'*. Overall she thought *'it was an attack on women and an absence of recognition or understanding of the different needs of women'*. Elaine however, thought the decision *'had politics at the back of it'* and was prompted by their director returning an OBE. But also added *'perhaps they were not as prepared as they needed to be ...they just didn't anticipate the competition ...you need to prepare really well to win...you have to work as a business'*. A major charity in this field stressed the complexity of recent contract compliance requirements, and that this, not frontline delivery, moves services outside the capacity of smaller providers.

New approaches to domestic violence had also been initiated, such as Standing Alone Together and Co-ordinated Action Against Domestic Abuse (CAADA) with a focus on advocacy and inter-agency work in the Criminal Justice System. Their specialist training skills in Multi Agency Risk Assessments and Domestic Homicide Reviews have attracted new sources of grant funding and success with contracts. But adopting a social enterprise model had prompted worries for some that funding could shift away from direct support work for refugees provoking tensions between trustees/'old guard' supporters and workers. But the emphasis on quality bids had paid off. They had won one central London Court contract where a 60%- 40% split in the tender evaluation had operated in favour of a quality stance allowing specialist knowledge to be valued. But in another north London Court, 'cost' was 100%, and as Patricia noted *'what's the point, why be a cog, when time and skill are so reduced'*.

### **Local MIND**

As director of a local MIND, Jaya was responsible for its local turnover of £300k / 3FTE staff and affiliation to MIND nationally, with its turnover of £30m and a focus on campaigning. With no dedicated staff to undertake tenders, she herself was responsible for putting in bids or making decisions on whether to become a lead provider organisation, otherwise it was *'all paddling under the water, unfunded and unrecognised'*. Contract funding was primarily through local joint NHS - local authority sources but Jaya thought commissioners were *'not fit for purpose'*. Bids involved other MIND groups or partnering with other charities which could be problematic. New areas of work being considered included the Criminal Justice / Rehabilitation contracts, which she was trying to involve other local MIND branches in bidding for.

There was a very high level of anxiety about the level of competition anticipated. As well as advocacy, her counselling service was about to be tendered and survival was reliant on winning the contracts. Potential competitors operating in their territory included One Housing Association, ReTHINK (formerly Scope), MENCAP and Richmond Fellowship. Up against housing associations, she felt there was now an urgent need for a London wide MIND organiser with business skills to prevent the loss of contracts so as to defend itself at a local level. She also noted how the interagency sharing by the voluntary sector locally now no longer existed and thought the local CVS was also now too corporate.

## Case Study B: Homelessness and Housing

The two national charities that we interviewed (both major organisations but one twice the size of the other) had long track records in providing services to homeless people. Both were now engaged in fierce competition for contracts particularly with housing associations. This sector study therefore also includes a case example of a housing association. This gives an insight into the growing impact of these large and highly commercialised housing associations. Many are now in direct competition against local voluntary sector organisations and charities across a broad spectrum of contracts from mental health to support services including homelessness. Cuts in housing budgets and benefit caps are generating intense pressures to diversify with charity mergers, such as the recent St Mungo's with Broadway.

### Young and Homeless

As an organisation, Sharon commented that they preferred to work on their own but the reality was that they had to work in partnership more and more to compete and this could be difficult. They had been used as 'bid candy' by a lead partner inviting them in to win a contract using their innovative examples, *'but before the ink was dry we were informed that the housing association will now be doing part of the work you are doing currently'*. But elsewhere they had successfully developed a 'niche product' and won a large contract in the south east against a large number of current providers including some very large charities. The local authority had been unhappy with the existing service and wanted only one provider with added value from bringing different services together. *'It was ideal for us'* she said.

Their key competitors were seen as larger housing associations who were *'sophisticated and predatory and very confident and have moved into our territory'*. In response to this the organisation was in the process of centralising their tendering with a specialist worker, seeing this as the only way to survive. Sharon took a more benign view of public accountability which she saw as *'keeping us challenged'* and felt many projects were *'given an easy ride by Trusts and corporates and there's not enough scrutiny in search of better outcomes'*. Asked why tendering mattered to them, Sharon argued that the particular risk if they lost contracts would be *'to lose our position of influence at the table'*. If not working directly with the client group they *'would in effect become just another Youth Charity'*. The organisation believed it *'can do the basics better and bring in other things, and invent new models'* and they wanted to *'shape discussion'*. Dependence on government funding was not seen as inherently bad, quoting very good projects but she saw large organisations like Crime Reduction Initiatives (CRI), with no roots in the sector and having grown very rapidly via contracts, as a threat to the ethos of the sector. Similarly any association with an A4E type of organisation would raise *'deep unease'*.

### Homeless Shelters

This second and much larger organisation avoided partnership and had an approach of 'going it alone' and bringing in added value through its volunteer base, although Graham, a manager, stressed this was not directly in terms of a financial subsidy. The agency has a centralised department bidding for contracts, and won and lost contracts across the national scene. They did little sub contracting. Local organisations, from Graham's perspective, were viewed as having an advantage as *'they have got an in with the Council and can speak to the local'*. He was critical of the way procurement had meant *'the loss of an excellent third sector capacity to think outside the box'* and how since the mid 2000s *'inter agency work was now just polite talk'*. But away from this, collaboration still thrived elsewhere around night shelters. He thought this was *'an awful period'* with LA funding getting tighter and tighter and the single homeless being *'squeezed out and*

*marginalised*’ by strict local residency timescales. Uncertainty around welfare also inhibited their capital investment in buildings. There was he felt, a need to publicise the data more effectively on the growth of homelessness and they wanted to address this.

### **Community Housing Association**

As a small local organisation, Marlene said they remained supportive of local voluntary sector groups and most housing associations were still local like themselves, although it was now a challenge to remain independent. She described the pressures, as housing funding had become increasingly unstable and the competition from corporates increased. Cuts to sheltered housing funding meant this was now more like retirement flats although there was actually an ageing population with growing support needs around dementia. Caps on benefits also posed real problems for funding support services with *‘specialist staff being replaced by care workers with no skills and on minimum wages’* and *‘everything stretched very thin’*. She also noted how women in work and on the cusp of benefits were now very hard hit if they needed refuge accommodation. On the specific proposals for withdrawing benefits from under 25s, Marlene thought this would be unworkable. The ‘exemption for family breakdown’ would be very difficult to be evidenced. In her view it wouldn’t ‘fly’ but if it was pushed through, the consequences would, she thought, be horrific with young people sleeping out and even dying on the streets. But just the rhetoric had created uncertainty.

Overall the pressure to develop new income streams was now intense, and as a small housing association they were diversifying by, for example, selling their emergency call service in the wider neighbourhood. Marlene described how large housing organisations, such as Stoneham Services (part of the Home Group Housing Association which manages 55,000 properties nationally and has a turnover of £328m) or the G15 Housing Associations in London were all now competing for a broad spectrum of other local contracts: for homelessness, mental health, social care, domestic violence and ex offenders – all traditionally undertaken to a large degree by local voluntary organisations and charities. But large housing associations with distant roots in the third sector now had sophisticated commercial arms with little connection to a voluntary sector ethos, and were more akin to corporates. Marlene described how, her association did their own tender bids with a little help from a design agency. But the pattern developing with larger associations was to bid on anything and everything using professional bid writers. If successful, they would then buy in a team to run a new service where they hadn’t had the relevant skills.

But finally on a more optimistic note, Marlene thought that the transfer of public health to local government had been a very positive step and was pulling together new consortia of interests across boundaries and encouraging interagency work.

## Case Study C: Criminal Justice Sector

Funding of service delivery in the justice sector is radically shifting to a highly centralised national government tendering regime which has created a new and expanding market in justice related services, and in which commissioning itself is being outsourced to the private sector contractors. The outsourcing of the Probation Service and the launch of the proposed 'Community Rehabilitation Companies' has been delayed to June 1<sup>st</sup> 2014 but 30 potential bidders and bidding partners were announced at the end of December 2013. There will be 21 tier 1 providers for this £400 million *Transforming Rehabilitation Programme*. All this is forging ahead despite some negative challenges on the Peterborough pilot (see for example, BBC4, 2014).

CRI (turnover £79m) and St Giles Trust (£5m) are both specified as partners with Igneus amongst the 30 'preferred providers' for the £400m Community Rehabilitation Companies. Other organisations with voluntary sector links also listed as partners with these providers include The Shaw Trust (turnover £100m), Catch 22 (£60m), Turning Point (£75m); Developing Initiatives Supporting Communities (DISC); The Cyrenians; Groundwork NE; Mental Health Concern; Spectrum Community Health CIC; Mercia Community Action, Rehabilitation for Addicted Prisoners Trust (RAPt). In the meantime A *Rehabilitation Social Action Fund* of £2.4m was announced in February 2014 which again included CRI and St Giles Trust.

We interviewed three organisations: a medium sized organisation which had successfully grown and then dramatically lost contracts to a major charity; plus two small advocacy and support projects reliant on grants, trusts and donations. All three organisations manifested a common disillusionment with sector changes and the voluntary sector's participation in it, seeing it as compounded by poor political leadership of the sector.

### Supporting Divided Families

This longstanding medium sized organisation experienced the very negative impact of the expansion of competition, seeing innovative ideas and development work, nurtured over many years, disappear overnight as a consequence of the creation of a market in services. Myra (CEO) and Jen (a trustee) thought there had been a massive increase in competition since 2010 and their members '*didn't talk about anything other than how to win contracts*'. It was now all a world away from the voluntary sector old idea of developing a new service to meet a need with the notion of it eventually being mainstreamed and then moving on to meet a new need.

The organisation had first lost a help line service which they had developed over a decade and had managed the provider. It had all been evaluated as a '*massive success*' leading to its adoption as a government funded service. But this was then quickly followed by a decision for the service to be tendered. They then had lost the tender to their own provider who failed to factor in all the crucial back up services long provided by *Supporting Divided Families* with a consequent deterioration of the service.

In a second contract experience, they had bid for grants to promote multi-agency approaches to prisoner support and were successful in securing nearly £1m across several contracts, but which had now ended. Myra pointed out how one of the contracts had been linked to a Strategic Partnership led by a major charity. Subsequently, when this central government department went out to tender for an infrastructure support service to work with prisoners families (precisely the role that *Supporting Divided Families* had been doing for many years....), this major organisation then won. In

Myra's view, instead of building on a known and validated service the thinking behind this award was shaped by the notion that competition was simply a desirable good in itself, and thus became the overall aim of the tender. She recalled how *'the civil servants considered it to have been a wonderful development'* but in so doing they had *'simply ignored the potential to develop our small, friendly, flexible alternative'*. She had pointed out to civil servants *'what you have done is to merely set up a competition between us'*.

Reflecting further on why their own tender bid failed, Myra thought she had misunderstood what this tender was about. They had thought straightforwardly in terms of improving the quality of an existing infrastructure organisation like their own, rather than merely demonstrating a capacity to package and attract competing new providers. But she now grasped that the civil servants had been tasked primarily to develop a bidding process. It is also noteworthy that the major charity which won had also been seconded to central government around the time this thinking was being developed. She thought that, potentially, they would have been privy to internal discussion on the particular nature and scope of such a contract. Myra and Jen described how senior civil servants tasked to implement a competition ideology with little or no knowledge of the service, were totally insulated from the consequent impact on the poor quality of service outcomes of their decisions. Now a smaller organisation themselves, they had, successfully secured new grants.

### **Live Justice / Former Prisoners**

These two small advocacy, information and support projects both had CEOs who had decided to rely on grants, trusts and membership fees. Hugh the CEO of *Live Justice* described how they were a hub for developing good practice, information sharing and training. It was, he said, a very collaborative world and a *'safe space'* to talk openly. There is no money to be made from it and commented that *'left to the market there would be no provision at all'*. They had built excellent interagency relationships including with local commissioners. Hugh described what was happening in the wider justice sector to the Probation Service as very *'depressing'*. In his view the relational culture which underpinned the best working practices was being destroyed.

Asked about the role of the voluntary sector in facilitating or resisting this shift, he recalled a regular meeting of charities and public bodies in the sector where the chair had gone round the table asking each of them to comment. Only a handful of people had spoken out against privatising the Probation Service and he added that the mainly small/ medium charities present *'seemed to be rubbing their hands with glee'*. It was he said *'desperately sad'* and he thought this prevailing attitude stemmed from *'naivety'*. He was also especially critical of larger charities like NACRO (£80m) who now merely described themselves as *'a provider of choice'*.

Mark the CEO of *Former Prisoners* described how management had positioned the charity as an advocacy group in the voluntary sector tradition of *'filling a gap'*. He commented that as yet no market had been created and they were therefore not on the radar of larger charities. They had wrestled with how to differentiate themselves from the work that sub contracting involves and find *'the right thing to do'*. He considered that to become a sub contractor would be fundamentally to change the nature of their work. They were now developing new roles and typically needing to develop new skills. It was a case of *'falling accidentally into these arrangements'* - often the case when identifying and responding afresh to unmet needs.

## Case Study D: Children and Young People's services

The four examples below illustrate different aspects of children and young people's services: an example of a large federated charity; a CVS actively engaged in pursuing contracts; a small social enterprise; and a longstanding youth work provider. They represent different approaches, not only linked to size but also in values and ethos and the extent to which they are state, market or community facing. Since 2011, significant policy changes opening up competition have attracted more private contractors – large and small – and scaling-up and packaging of contracts means that corporates and also major charities are now managing a growing share of provision.

For a decade under New Labour (1997-2010), children and young people's services received significant investment, with schemes such as Sure Start, multi-purpose children's centres and youth participation schemes. Local strategic planning bodies were set up to improve quality among diverse providers, and overall growth generated significant expansion in voluntary sector provision. Large charities, such as Barnardos, Action for Children and the Children's Society increased their share and influence in later years, taking over management of local authority children's centres and youth projects. However, increasing professionalisation also affected services, re-shaping informal childcare, play and drop-in youth provision. Since the Coalition Government took power from 2010, funding losses in non-statutory provision have escalated, affecting multiple services: Sure Start was discontinued; youth work decimated; and fees increased for childcare, after-school and holiday schemes, debarring disadvantaged young people and families.

### **Support for ALL (SFA): supporting young and older carers**

*Support for All (SFA)* is a local branch of large federated charity providing support to young (and older) carers. It is a well-embedded, large voluntary organisation in a deprived area and had been 'state facing' for a considerable period. It had grown considerably, benefiting from varied initiatives to support vulnerable young people and families. Janice, the CEO, saw their part of the sector as fairly secure for a further year because of local policies to date. However, she saw '*dangers down the road in 2015*' because of ways that severe cuts and government programmes were being addressed locally. The new emphasis was on cost rather than quality, and she feared digging into reserves to maintain services. Raising funds was a big priority.

Janice maintained a firm local focus, though *SFA* benefited from good support on strategy and bids from its national office. She had engaged in several local partnerships to ensure access to new larger contracts, such as with the Children's Society but seemed less aware of tendering processes developing around social care and the potential risks of corporate contractors or new entrants taking over. But she did express worries about the recent 'packaging' of contracts for young people's services, describing how it had forced out numerous small community groups, and she felt it was shaking up local services unnecessarily. She believed new ideas were needed but was anxious about losing good local expertise and groups that *SFA* worked alongside, enabling them to reach vulnerable families they might otherwise miss.

She also referred to one 'partner' she'd been involved with as problematic, being intensely competitive and focused on maximising resources extracted from contracts. This jarred with her, as *SFA*'s practice in maintaining 'NJC conditions' for staff contrasted with many VSGs where workers were grossly underpaid or some were on very 'shaky' contracts.

### **Wharton CVS: co-ordinating youth and children's services contracts**

Wharton CVS was one of 35 (from 150) bidders to win one of the 40 large youth provider contracts. Chris, responsible for youth projects, was optimistic about gaining this, together with a £300,000 contract to coordinate the Healthwatch panel. His market facing image contrasted with the more community facing messages on the CVS website. He seemed unworried that the CVS and other larger organisations had effectively driven out various small VSGs and said that *'voluntary organisations need to improve how they articulate their work in bids and sell themselves better to funders.'* He added that groups needed a drastic change in expectations; but in mitigation stressed that some of these smaller VSGs would deliver CVS-run work through sub-contracts.

Chris' role was split between that of competitive resource gatherer, contract manager and wider CVS support but he seemed undaunted by the potential conflicts of interest in competing with small VSGs that otherwise the CVS might be advising. He seemed to regard top-slicing management costs and the CVS' shift in emphasis from its traditional role as inevitable.

The CVS was also collaborating to compete, and its ability to involve clusters of smaller organisations with different skills offered advantages. Chris also focused on partnership work with large charities, including the Children's Society, the Newgate Trust and PSLA, referring to *'being players at the same table'* and a large bid in process for young people's mental health.

Chris viewed VSGs as becoming more divided: those competing to stay in the new service environment; those less able to change and likely to *'fall by the wayside'*; and the very small community groups that would *'do much as they had always done'* based on volunteers. This picture seemed insular, ignoring the numerous small VSGs losing funding; and massive unmet needs that voluntary groups were struggling with, described by other respondents in the area.

### **Visions: small new social enterprise aiming to provide youth services**

Deena had recently established *Visions* - a new 'social' enterprise. She had some experience of voluntary youth work but described her business experience as guiding her approach and differentiating *Visions* from the existing voluntary sector. She felt this gave her a competitive edge – being able to offer a 'can do' perspective, telling *'a story funders want to hear'*. She was clearly market facing and saw recent changes as opportunities, not threats, and the shake-up in contracts as *'open doors'* and a chance for her *'business'* to succeed.

Deena had gained one of the 35 packaged youth contracts in Wharton and would work across multiple centres previously occupied by other providers – now intended for use as community 'assets'. She admitted limited knowledge of some of the localities. There were also diverse religious and cultural centres where youth work was previously delivered, and it was unclear how this would work with the kind of 'uniform' contract Deena had taken on and whether she could use these premises. It might mean finding new locations but raised questions about whether some 'hard to reach' young people targeted for services would be lost along the way.

Deena described *'buying into'* the new climate, explaining that *'you do what you need to do to get on'*, and felt that presenting the *'right narrative for current times, speaking the 'funders' language'* were key to her success. But she also identified the reluctance of longstanding providers, like a young women's health project - now part of her brief - to collaborate with her.

She discussed *'lines she wouldn't cross'*, very much justified by these 'business' principles: *'If it's not the right business fit you won't go with it; you only partner in projects which make good business sense'*. But her business 'model' was opportunistic, instrumental and short-term: managing contracts, extracting costs for herself and administrative work, and taking on part-time and zero hours workers as needed to deliver the services required by contracts.

### **Horizons: small community based youth education provider**

*Horizons* in Rushley, a fairly deprived area, has a long history of work with disengaged young people out of school and in youth justice. In recent years it has struggled with performance demands from different local authority departments, seemingly pulling their work in different directions. It finally re-negotiated a more flexible contract with the local Youth Offending Service, re-emphasising a specialist focus on young people at risk or in trouble with the law.

Because of their 'niche' or specialist expertise, *Horizons* has come under repeated pressure to increase capacity but rejected expansion that would significantly change their ethos of: *'a small community base where young people feel they belong'*. Explaining their decisions, Julie, the co-ordinator said, *'there's such strong pressure towards big is best...but there's always ...catches... and you end up not doing what you're good at.'* Cora, a trustee also described earlier resistance to being *'sucked into'* a Home Office project involving unrealistic expectations of young people moving from crime-related activities into training or work, and exposing *Horizons* to significant risks. As Cora said, *'chasing the money, survival at any price isn't right'*.

*Horizons* is resolutely community facing, resisting what Cora described as the *'unthinking drive towards capacity and diversification'* which *'ups competitive spirit but loses sight of the main goals'*. She feels resistance has helped *Horizons* to sustain a clear purpose and activities – *'bucking mainstream trends'*. But staff and trustees are currently anxious about levels of funding cuts, rising demands and costs, and the possibility of ending up in a chain under a large contractor. Their position in youth justice is now more precarious because of the direction, scaling up and homogenisation of MoJ programmes and *Horizons* is considering reconnecting its future with the local authority, where youth projects built on 'co-production' models are being given a high political profile. These models are still experimental but as Cora said, *'they at least offer a chance of positive alternative provision, rather than cave in to the inevitable'*.

## Case Study E: Local infrastructure and volunteer services

Over the last few years local CVS and Volunteer Centre services have shrunk, been combined and merged with services across a wider area. Some local authorities have moved from direct funding of existing CVS and volunteer centres to tendering infrastructure support functions. This has raised questions about the loss of good local resource networks and mechanisms for a local 'voluntary sector' or 'volunteer' voice.

Our three examples below illustrate contrasting cases of how large and small organisations now compete to provide localised voluntary sector services. The first example illustrates the takeover by a major charity of a contract for local volunteer services. It highlights how the loss of the local CVS network and volunteer centre to a large externally based charity has led to dissatisfaction about how overall services have been impoverished. The second example describes how a Local Authority continues to support the CVS and Volunteer Centre service, with the existing infrastructure organisation helping to identify services needed and effectively brokering the 'supply' side. And the third example is of a Settlement struggling to provide more independent local co-ordination for VSGs against growing competition where a CVS or Volunteer Centre no longer exists.

### Pathways: Volunteer services

The local authority in this affluent suburban area outsourced its CVS and volunteer services splitting the contract three ways: volunteer services; capacity building for voluntary organisations; and residual coordination of voluntary and community sector support. This was rationalised as improving efficiency and effectiveness but re-shaped the first two parts of the service into supply-led contracts, monitored by pre-defined service targets and delivered by a major charity with no previous knowledge of the area. This left the service beneficiaries – voluntary groups and volunteers – with little influence over provision, contrasting with the situation in the case example below where they had a stake in the services. Once the volunteer services were outsourced and coordinated at a distance, it also limited the nature of the service.

Becca, the new volunteer services coordinator, was employed by the major charity, *Pathways*, (with some 50 UK branches) which had little experience of infrastructure services. Becca, is located in one of its regional offices, some 10 miles from the area, and described her role as mainly administrative: managing and monitoring a data base, '*like running a dating agency*' - matching volunteers and placements, and sometimes contacting placement organisations and volunteers by telephone. She would have liked to maintain a good locally based service but *Pathways* defined her job role differently. She arranged a fortnightly meeting in a local library but few volunteers came. Volunteers and VCOs that she spoke with voiced concern about the new arrangements and were unhappy to lose the volunteer centre - a facility for meeting and sharing practice. They felt volunteer services should offer more face to face support and training for placements to work effectively. They also criticised *Pathways*' poor local knowledge, which was making attracting and retaining volunteers harder. Becca confirmed that volunteer numbers declined and said she had come under strong pressure, with veiled job threats, to '*massage*' the numbers and show the service meeting its targets; but she knew there was a significant shortfall.

Becca also cited other problems. The volunteer force was mainly older, with some younger people volunteering to gain work experience. To 'apply', new volunteers had to register online and offer a minimum time commitment of 2 to 3 days a week. Similarly, services to VSGs were primarily online and some small VSGs had poor access to effective computer systems. As Becca commented, it '*seemed a poor way to run a service, creating barriers for lots of potential users*'. With initial volunteer screening and induction also devolved to VSGs, she said her job really did little more than replicate what people could access through the national 'do-it' website.

Becca gained agreement to run more local meetings for a while and tried to introduce other initiatives but faced discouragement from superiors. When she left her job, small changes she had made dwindled again. The limited scope for creativity within her job and *Pathways'* lack of integrity in reporting compounded how she felt, that this *'service was so far from best practice, it was altogether a very negative experience'*. There was a rapid turnover of staff like her, appointed on poorly paid, temporary contracts. As she said, this *'takeover has produced a ghost service, from a thriving volunteer centre'*.

### **Basborough CVS and volunteer services**

In this suburban but socio-economically mixed area, the CVS and the Volunteer Centre (VC) receive local authority funding support: the status quo prevails, albeit with reduced budgets. The CVS and VC are organised separately but have close links. Politically, the local authority is supportive but views are mixed among commissioners, with some regarding the CVS as insufficiently focused on changes needed. Grants are vanishing and local commissioners have identified greater use of service charges and volunteers as ways to address funding gaps, *'effectively replacing paid roles'* (Anna, CEO, CVS).

Volunteer services, however, had a good press among local commissioners, and both public sector and voluntary and community organisation (VCO) respondents prioritised the need to recruit and retain volunteers, although some stressed the difficulties of recruiting volunteers during a recession. While the VC and VCOs pointed to the need to support and train volunteers better, commissioners seemed to lack knowledge about the existing scope of volunteer services or the real costs of volunteer support.

The VC's work included helping to recruit more active board members for VCOs, searching for those with specific skills, such as financial expertise. They provided an online network for sharing information and good practice but stressed that many volunteers valued the face to face and social contacts offered by their centre and the opportunity for a concrete support network. Much of their work focused on helping to match potential volunteers and needs identified by local VCOs, including sharing information about the kinds of roles expected; providing basic induction and placement advice; and problem solving if placements went wrong. They had also set up mentoring and peer support schemes amongst volunteers. The VC offered a range of free advice and resources, including for VCOs on screening, managing and supporting volunteers. Some additional services incurred charges, including some services for business.

With rising unemployment locally, the centre had encouraged VCOs to provide opportunities which might help local people into employment, supporting these with 'job advice' and employer visits; and had also made connections with local businesses to promote employer supported volunteering. Steve, the VC co-ordinator, acknowledged the need for more strategic development and was keen to promote different images of volunteering to attract more diverse volunteers. The website had been improved to present varied cases aimed at appealing to younger people, and they had run some one-off events, visits to local schools and promoted short-term volunteer opportunities. Steve regarded the VC services as working well, underpinned by promoting *'respect and value attached to voluntary contributions'*. He offered examples of professionalism and good practice, emphasising that things often worked well because of *'sharing and building on local knowledge and connections'*. But he was worried that they were under a lot of pressure to demonstrate a lot for very little. He saw *'the tide turning'*, with different models of outsourcing and demand-led services in an adjacent area.

## A 'settlement'

Marion, the manager, described how their core funding of over £0.5m was more than doubled by income from rents but they then had to bid for the wide variety of projects they supported which involved a patchwork of funding: local authority, NHS and Trust funding. They were finding themselves competing against bigger training and education charities that operated across the south east or nationally. One successful bidder had rented space in their building and there had been a flurry of collaborative activity which in her view had *'never embedded'*. As she pointed out, *'they have no local knowledge or specialist understanding about just why it is so difficult to cross the dual carriage-way to get a job, or uproot yourself from family ties and the extended family'*.

A key change in competition had been the way the Council's voluntary services teams had been floated off as a quasi independent mutual under the umbrella name *Active Community Services*. This organisation had inherited all the staff and used the council services to prepare bids. She felt her organisation was not now in a level playing field. *Active Community Services* had won a big £10 million contract including for a Volunteer Centre. This was having a dramatic effect as they were all now having to compete for same trust funds against this much bigger organisation. She thought this was happening in other local authorities.

In the past their voluntary sector had complemented the council services and there was a lot of interagency work which had now disappeared. The former council centres were now let free of charge which was undermining the rental income of groups who were dependent on renting space for their income and were most at risk. She felt no thought had been given to this impact and smaller organisations were suffering. Likewise the introduction of Personal Budgets had meant that people were now reluctant to pay for Adult Learning services they had had for free and questioned why they now needed to pay. Also many users were not eligible and simply lost a free service and as a consequence small projects had closed - for example, a social club for people in residential homes across the borough. The care homes merely responded by saying they would put on an additional activity which missed the point - their residents access to a social life outside the home were impoverished.

Overall, Marion thought that the way things had developed had *'taken away the element of charity, co-operation and collaboration'* saying that, *'we are only being asked to compete'*. Most charities have 'objects' about not subsidising public services or using reserves, and that they worked in a different way to add value. In the longer term she thought those that could, would become social enterprises. Of the rest, she thought only settlements with good access to trust funds and philanthropy like themselves, would survive, as the larger organisations continued to mop up contracts. *'There is an unholy scrabble going on'* she said, and *'competition against other charities is a corruption of the definition of a charity'*.

She added that Government policy is *'to shrink the state and was more than happy for things to be picked up by the big society'*. She anticipated that larger organisations winning all the contracts *'would get to a size where they will be corrupt'* as she thought their governance was not a sufficiently public form of accountability to protect society.

## Case study F: Commissioning

A former local government officer responsible for tendering in the late 1980-90s, offered the viewpoint that most procurement staff in local government were now 'technocrats' with little grasp of the politics and service quality issues involved in commissioning. This she thought was a consequence of the hollowing out of local government which had meant skills accumulated over the years had simply disappeared. However, an interview with an 'intelligent commissioner' in one local authority provided a standpoint which suggested this isn't the case everywhere and that politics, as well as resources, still matter. Much of the variation between localities, however, is undoubtedly shaped by the intensity of cuts and the pressure for cost reduction alongside the vigour of local politics.

### Commissioning: different viewpoints

A frequently voiced voluntary sector criticism was that both NHS /Local authority commissioners *'were not fit for purpose'*. A domestic violence interviewee likewise thought that commissioning a service with a one-size-fits-all approach based on poor quality standards of social care had exacerbated the 'tesco-isation' of service standards. The place of passion and commitment by staff, which is a particular contribution voluntary sector organisations can bring to services, was ignored, she argued. *Homeless Shelters*, a major national homeless organisation complained that tendering regimes could often be shambolic and last minute. There was a *'bewildering array of approaches at local authority level'* and *'both central government personnel and LA staff were only in place for five minutes so it was hard to build up relational trust which would underpin better contracting'*. But in another homeless project where tendering had recently been centralised there was also criticism of the standards required by private trusts. They judged them to be too lax and welcomed the more rigorous regime demanded by public sector commissioners.

An interview with a local authority commissioner demonstrated that careful tendering procedures and consultation with local groups about specifications and monitoring systems had successfully protected small local voluntary sector organisations from the predatory activities of larger charities. However, Lawrence didn't feel the effort was appreciated by the sector as a satisfaction survey had been critical. In his view there was sometimes a *'preciousness'* which was unhelpful and the *'you don't understand us'* complaint could be equally countered by a *'but you have no idea who we are either'*.

He pointed out that the local authority was a very large complex organisation with multiple procurement processes and it was inevitable that tendering would be a complicated challenge for a small organisation. He also indicated some new policy directions emerging. Social enterprises seemed to him more agile, independent and innovative in their approach to offering solutions and more like the voluntary sector of three decades ago, whereas the voluntary sector had in his view *'picked up on our bad habits'*. Budget pressures were leading to radically rethinking public services and they were experimenting with 100% quality contracts and involving users in tender evaluation panels. He felt there was a need for more *'self challenge'* by voluntary organisations. There was too much time spent monitoring and not enough on reflection and evaluation. In his view *'responsiveness to users is key and some groups come up short'*. He also believed, *'some private funders are lazy'*. Finally he also emphasised *'we know there are better ways to do commissioning but there is no safe space to talk about it'* - underlining that, it remains a highly political process.

## 5. What do these case studies tell us?

We have approached these six case studies as sources of illustrative information to capture some key themes shaping the relationship between large and small organisations as competition intensifies.

Competitive contracting and commissioning have affected the voluntary sector for a decade but competition has now significantly intensified in the wake of the Coalition Government's recent legislation and neo-liberal austerity politics. These have encouraged a startlingly high level of competitive tendering, and as one interviewee said *'our members don't want to talk about anything other than how to win contracts'*. Some of the general themes which emerged are discussed below - those concerning a loss of genuine collaboration; centralisation of tendering; the growth of predatory competitors; the pervasive ideology of competition; and the need for more self-challenge. Thereafter, we return to two key questions around size of organisation which were raised in the introduction. Firstly, whether the voluntary sector benefiting from central government funding is now an integral part of a centralising market state; and secondly, how the voluntary sector which is dependent on local government funding is at risk, as the 'smaller state' policy direction leads to the dismantling of welfare support.

### Loss of collaboration

The collaborative skills which underpin the best of voluntary sector activity seemed rarely to impinge in the interview conversations except indirectly, in commentary about how partnership relationships were approached. In other words, what was prevalent was the practice of instrumental collaboration to maximise chances of winning contracts. This suggests competition has engendered a turning inwards and growing organisational insularity. The vitality which stems from collaborative work was most apparent in the non contract-based smaller advocacy projects such as in the justice sector case study. These survived on grants and member donations and were in the fortunate position that (as yet) no market could be created in their work area so there was no competition. Another example of strong collaboration was in the way women's refuges had worked together to survive in innovative ways and doggedly maintained a passionate commitment to the work and standards of care. The youth sector co-production models also seemed promising, but as yet underdeveloped.

In the case study on Commissioning, there was an excellent example of 'intelligent commissioning', demonstrating how it remains possible to adopt tendering strategies to protect local organisations where there is the collaborative political will at a local level. As Mayo et al (2014) illustrate in relation to defending local law centres, building independent collaborative consortia supported by a local authority can be vital to developing a defensive competitive capacity. But it calls for trust, sophisticated alliance building, skills and a shared politics.

Previous association of the voluntary sector with developing a black and minority voice or likewise with the past radicalism of women's projects has largely given way to an undercurrent or these have become background history. However these associations have not disappeared and may well re-ignite as inequality deepens and passivity cedes to increased social conflict.

## Centralisation of tendering

Several interviewees commented that the manic level of tendering was *'simply mad'*. The level of stress was especially noticeable in medium sized projects. Pressured by commissioners into 'one lead provider' partnerships, the costs of their partnering in many tendering exercises frequently went unrecognised and didn't always work well. In the small/ medium organisations, CEOs were often responsible for identifying and preparing bids. This was especially the case in local branches of national organisations. Faced by aggressive new competitors such as housing associations, with their specific teams devoted to bidding for contracts, one such interviewee from a local MIND branch voiced an urgent need for more support from national or regional offices to assist in the process of bidding for contracts. In another case, a homelessness organisation interviewee described how such steps to centralise tendering had already been taken. They had transferred such work away from their local offices to a small team of staff with contract skills located nationally.

## Predatory Competitors

The *first* category of predator we identified seemed to be largely motivated by growth and efforts aimed to diversify income sources. This is well illustrated in the case study of infrastructure and volunteer services. It shows how outsourcing has enabled a large national charity, with no experience of infrastructure services and no connections to the area, to win and take over CVS and local Volunteer Centres, resulting in impoverished services. They have expanded into service fields where they previously had no expertise but have then used this to cut corners in provision. As the interviewee in this case explained, her job role had been reduced to little more than services already accessible through the national volunteer website.

Housing associations also demonstrated similar characteristics as predators in the case examples and were a key source of competitive pressures. The more predatory were reported to operate with dedicated corporate procurement teams and to simply buy in staff or sub-contract locally to run a contract where they lacked the specialist knowledge and skills. Large housing associations have re-modelled themselves on the multi public service delivery roles of corporates such as Serco. A large commercialised housing association with distant roots in the third sector will now offer, not just housing services, but also services in homelessness, mental health, domestic violence and re-offending, together with care and other support services. They are, in the words of a homelessness charity interviewee, *'sophisticated, and predatory and very confident and they have moved into our territory'*.

They are also quite capable of using smaller voluntary organisations as 'bid candy'. Of course there are undoubtedly advantages to developing good quality wrap round care systems in housing. But the domestic violence case examples showed how the 'success' of a commercial housing association lay in how they are able to successfully evidence 'quality standards' that are set too low, allied to a general 'tesco-isation' of the service from which specialist care skills have been ruthlessly stripped out.

Voluntary sector sub-contractors to the corporate sector listed in the Work Programme (DWP, 2011) or Transforming Rehabilitation Programme (MoJ, 2013) fall into categories of

‘entrenched hybrids’ or ‘corporate voluntary agencies’ (Rochester, 2014) and represent our *second* kind of predator. While they remain within their broad service field, they operate aggressively to maximise growth and income. One interviewee was especially critical of how a major charity like NACRO (with a turnover of £80m, of which 99% is government contracts) can now describe itself as ‘*a provider of choice*’, apparently shifting its stance ‘*with the politics of the day*’. More generally this interviewee was adamant that ‘*these kinds of organisations should not now be allowed to be called charities. They should become straightforward non-profit social enterprises*’.

We also identified a *third* kind of predator: small new ‘social’ entrepreneurs entering an area and competing for resources, operating more like ‘for-profits’, in that they were consciously setting out to win the maximum number of contracts rather than to collaborate with existing providers. As one interviewee, from our case study of young people’s organisations who had gained five of seven bids applied for, expressed it, ‘*we need to have the right story to go to funders with*’, and above all to ‘*demonstrate a successful business model*’. However, many of these *new opportunists* used instrumental collaboration with previous providers, as they had no existing premises, and intended to employ staff for service delivery based on temporary and zero hours contracts, as and when they needed them.

Finally, in a *fourth* category, some major, high growth organisations in the children and young people’s field, such as Barnardos appear predatory, but remain highly ambiguous. One interviewee was very critical of the negative impact of Barnardos on smaller organisations, commenting that ‘*it doesn’t need to worry about survival as an organisation... it has become like a big boulder on a hill ... on-going momentum flows purely from their size*’. She also criticised the way it had used its secondments into government and the way it had set up ‘open consortia’ which small organisations could join and bid for sub-contracts. This interviewee took the view that it ‘*feels very flexible and modern*’ but added caustically ‘*Barnardos would top slice any income generated*’<sup>7</sup>. Our cases in Wharton illustrated the Children’s Society adopting a similar ‘lead partner’ role.

## **Ideology of competition**

Driving these examples of intensified levels of tendering, is the privileged ideology of competition to which the current Coalition Government is deeply committed and which it has determinedly advanced across all non-market sectors of society. The *Supporting Divided Families* case example in the justice sector case study illustrated particularly well how, if central government tasks civil servants to promote a competitive system as their primary concern that is precisely what they will do, regardless of the impact on quality of service. They will then deem the project to be a success even if the quality of service is destroyed in the process. The Peterborough scheme, piloting blanket changes to the probation services, illustrates a case in point. In a BBC Radio 4 debate, Hedderman, a criminologist from University of Leicester, was quoted as challenging the inappropriate use of data by the MoJ to prove the scheme’s worth<sup>8</sup>.

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<sup>7</sup> We were keen to access Barnardos’ and The Children’s Society’s views but were unsuccessful in gaining interviews.

<sup>8</sup> File on 4 (BBC 4 Radio), 23 February 2014: <http://www.bbc.co.uk/programmes/b03vf0f7>  
Also news report, 18 February 2014: <http://www.bbc.co.uk/news/uk-26231133>

In the case of local authorities, budget pressure allied to an increasingly technocratic, apolitical grasp of procurement (due to distance from users and loss of awareness of their needs) is undermining the value placed on service quality. At worst this may be reflected in abandonment of the key '60% quality-40% cost' best practice guides for criteria for tender evaluation, without which, bids emphasising quality have little chance of success. Conversely, a retreat towards 100% cost based tenders guarantees success for the more predatory corporates and larger charities. The intelligent commissioning case example illustrated that these are ultimately political decisions, and key criteria could prioritise social value.

## Self-challenge

Several themes which emerged from our case examples focused on the need for the voluntary sector to be more self-challenging. Although the 'intelligent commissioner' in our case study had very effectively protected small groups in the tendering process, he was not uncritical. He also questioned whether *'our residents are getting the best'* and commented both that the voluntary sector hadn't had the scrutiny it needed and that *'some private funders were lazy'*. The sector had in his view become cloned with the local authority and *'picked up our bad habits'* with too much monitoring and not enough reflection and evaluation. There was a concern that responsiveness to users was key and *'some come up short'*. Social enterprises were pitching solution driven ideas and these could appear more attractive, which he identified as an uncomfortable reminder of how fashion in models moves on.

Similarly, the interviewee from *Young and Homeless* referred to talk of co-production in voluntary sector organisations but felt that *'to be brutally honest ....things can be off target and be old-fashioned'*. She too felt funders had a key role in *'keeping us challenged'* and even felt government contracts with their more universal requirement of accountability could actually be a helpful challenge when properly designed. The CEO of *SFA*, working with young carers also felt new ideas were needed although remained critical of the way that in her area, good local expertise was being discarded regardless.

As downward pressure on budgets increases, local authorities are seeking innovation and rethinking public services. The message is plain - that having once set up a service, grants have no permanent claim to provide it. The need to be innovative is clear and there were impressive examples of such innovation in some of the case studies. *Refuge Support*, a women's refuge organisation, *Supporting Divided Families*, and *Young and Homeless* all brought passionately informed insights into how to develop their service in innovative ways, often as niche expertise and allied to strategically minded business skills.

## 6. Has the voluntary sector become a vehicle for extending the market state?

The latest statistical information from the *NCVO UK Civil Society Almanac 2014* emphasised the direct correlation between the flow of public funding and the size of voluntary organisations. But with these statistics sourced before 2010/11, the case studies provide us

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with some valuable insights into how things are changing post 2010. A key question in the introduction was whether the increased growth of larger organisations in the sector (as highlighted in our Paper 1) is in part accounted for by the increasing flow of public funding into the new, centrally driven privatised public service programmes? Welfare to Work and Transforming Rehabilitation Programmes exemplify the push towards an intensified 'market state' approach to delivery of public services.

A recent paper by Damm (2014) provides some up to date details of the Work Programme. He notes that 36% of the £3 to £5 billion Work Programme is being delivered by two providers, Ingeus Deloitte and the corporate business 'charity' A4e. Of the 40 prime contracts on the Work Programme only two were held by the voluntary sector, but at the sub-contractor level, 607 voluntary sector organisations have benefited financially (153 at Tier 1 and 454 at Tier 2) or 48.2% of all the sub-contracts. From June 2011 to September 2013, a total of £1,047 millions was paid to Work Programme providers (House of Commons, 2014; DWP, 2014) and an overall estimate of the voluntary sector share is just under 20% or approximately £200m of public funding. A size analysis of these Tier 1 voluntary sector sub-contractors shows that just over 80% fall into the category 'large' or 'major' voluntary organisations.

A supply chain diagram by Damm (2014: 102) also confirms how it is the private corporate sector who commissions voluntary sector sub-contractors for these new central programmes. It is not administered by public bodies, which means there is less open public accountability and scrutiny of the commissioning process and of any unscrupulous tenderers. When the £400m *Transforming Rehabilitation Programme* contract awards are announced in June 2014, this same pattern is very likely to follow: large private corporates being awarded the majority of the main contracts who then sub-contract to a 'corporatised' tier (Rochester, 2014) of voluntary sector organisations.

Until figures are available in several years time for 2013/14, we cannot conclusively answer the question about the role of larger voluntary sector in extending the market state via central government programmes. But this evidence from the Work Programme and from the case studies above, indicate that large and major voluntary sector organisations now sub-contracting to the corporate sector are a significant vehicle in the extension of the market state. The parallel questions of poor value for money in the Work Programme (Fact Check, 2012), or why a public Probation Service assessed as good or outstanding (Toynbee, 2014 ) is being privatised, lie outside the scope of this paper.

## **7. The impact of the 'smaller state' on the voluntary sector**

The second key question posed in the introduction was to what extent have those voluntary sector organisations more dependent on local government funding seen a higher rate of decline or closure over the past three years? Are they now the victims of the 'smaller state' policy following the disproportionate funding cuts of 43% in local government finances since 2011?

The voluntary sector can clearly be a beneficiary of the need of local authorities to find cheaper, innovative public service delivery forms and there is much talk of remodelling and co-production opening up new spaces. But if the push towards a smaller social state

continues and welfare state provision is dismantled, it is localised public funding which is being eroded. The case studies indicated that many small organisations currently reliant on local authority grants are now increasingly vulnerable and also having to tender against large providers.

Two of the current worst case scenarios are worth highlighting. Some local authorities are aiding the market state, as well as complicit in their own diminution, by scaling up and packaging contracts in areas they still control. This is illustrated in our children's and youth services cases in Wharton, attracting major and large charities, businesses and new social entrepreneurs to sweep up services at the expense of smaller voluntary sector providers. The council has explicitly warned that it can no longer 'support' voluntary organisations but has to look to new service solutions which will deliver cost reductions. In another London Borough there is now no CVS, and national and regional charities are winning local contracts, along with an ex council service 'new mutual'.

The area analysis in Paper 1 emphasised that to date there is still wide variation by locality. But the negative trajectories starkly illustrated in some area cases, alongside the service field cases in this paper, point strongly to an extension of 'competition' in 2015/16 pushing downwards to the terrain of quite small, localised and highly valued voluntary sector activity, still currently supported by local authority small grants. For example, local adult education funded courses are now at risk in some localities and with them the delicate ecology by which many small, but hugely valued projects receive local authority financial support. The impact of Personal Budgets is likewise gathering pace and effectively undermines the very idea of any collective provision. In summary, the case material points overall to worrying signs of decline in the very idea of a publicly funded voluntary sector at a local level.

## **8. Contracting – right or wrong?**

Some might argue that it is a misnomer to describe a sub-set of larger charities and wider third sector organisations like housing associations, as 'predatory'; that in the end, monopolisation follows naturally from a transition to market thinking and competitive tendering. Given its active engagement and complicity in the world of contracting, the voluntary sector can hardly now claim the terms and conditions are unfair. The case study material captures widely differing views on this active involvement of the voluntary sector in contracting and the dilemmas it now poses. Overall there is widespread concern about the impact of contracting, in general, and a highly critical stance to VSGs sub-contracting to the private sector, in particular. But there are also voices from some larger organisations that have been successful in the contract culture and claim still to be able retain an ethical stance. Both voices are discussed below.

### **Voices of opposition to contracting**

The manager of the *Settlement* vividly described how in her view '*there is an unholy scrabble going on*' and that '*competition against other charities*' was in her view a corruption of the definition of a charity. The *Horizons* trustee in the case study of Children and Young People similarly considered it unethical to '*chase the money*' or contracts

regardless of values, and how the organisation needed to re-think its position strategically in relation to funders, in this case, re-connecting with local co-production projects.

The two small advocacy projects interviewed in the case study on the justice sector went to great lengths to describe how they had both come to steer clear of contracting. The director of *Live Justice* described how his own organisation had wrestled with how they could differentiate themselves from the work that contracting involves and find *'the right thing to do'*. In making such decisions he said, *'we wanted to clarify who we were'*. He described how people from other organisations working under contracts would now say to them *'we just wish we were now in your position'*. In his view, very large and medium sized charities needed to now ask genuine questions about *'what they want to be'*. He thought that a lot of charities who had made the decision to survive by seeking to compete for contracts were now struggling financially, finding that their primary 'customers' had shifted in the process. He also pointed out that as soon as a contract was won, charitable grant sources tended to pull out. To go even further and become a sub-contractor to a corporate would in his view fundamentally change the nature of their work.

A similar stance was taken by the CEO of *Prisoner Support* who likewise saw sub-contracting to the private sector, *'as all about competing at minimal cost'*, with the result that, *'the fundamental nature of what you do becomes different'*. Asked why many voluntary organisations in the justice sector had supported privatisation of the Probation Service and pursued sub-contracts with corporates as a route to survival, he thought that many of them had simply ignored the ethical price. In his view, people tended to believe that they *'do great work and know how to make it happen and so access to any finance to make more of this happen just seems deserved'*. He added that during the earlier New Labour era many projects had also got *'fatter and fatter and when the taps were turned off, there was a sense that 'they had a moral right to get hold of this source of money'*. This had given rise to a sense of entitlement and a willful ignorance by parts of the voluntary sector in which a critical and political awareness has been sidelined.

These comments illustrate how contracting is perceived by many to take over an organisation's identity and priorities; to give rise to heightened competition with sector colleagues; to put an organisation at risk financially; and be seen ultimately as a corruption of what a charity should stand for. Directly sub-contracting to a private corporate posed the ultimate and fundamental ethical dilemma.

## **The voice of larger voluntary sector organisations**

The interests of large and major organisations in the voluntary sector (those of above £1m and above £10m turnover, respectively) dominate the public discourse about the voluntary sector. The demand by the sector leadership for easier access to, and a larger share of, public contracts is regularly reported in the trade press. While our case studies show that very many in the sector are critical and opposed to this stance, it is also the case that not all large organisations or social enterprises are necessarily locked into predatory or unethical models. Some of the case studies capture how some people and some larger voluntary organisations still see themselves as very much driven by values and even radical agents of change, and are still trying to take forward a commitment to justice and equality whilst surviving successfully in the contract culture.

One major organisation in the case examples clearly justified its success in both central and local government programmes as a way to retain fair support for significantly disadvantaged groups in society. These were services that it had always sought to provide, and were often not causes which would attract wider philanthropic funds, such as in homelessness and mental health. They argued that their strategies were strongly mission led and underpinned by aims not to compromise quality. This guided them as to which contracts to take on or reject; and rejecting some contracts was made possible precisely because they were large and had multiple donors.

A manager in another large organisation was asked what the particular risk would be if they lost their contracts and replied that it would be *'to lose their position of influence at the table. ...we would be left as a small rump, and if not working directly with the client group, would in effect become just another youth charity.'* She also added that the organisation believes it *'can do the basics better and bring in other things, and invent new models and so wants to shape that discussion'*. It was a vigorously argued case that something would be lost if they did not participate. In their view there was nothing intrinsically wrong with publicly funded contracts done well to high standards and for purposes which do not attract other sources of funding.

## **Reconciling these differing voices**

Paper 1 raised a question as to whether there was merit in a large charity winning a local contract rather than allowing a large private corporate to take it over. To answer this question requires criteria with which we can judge between one kind of large charity as 'predatory' or commercialised and another which retains a sense of a radical agenda. Ultimately, this requires a case by case analysis. A charity's own self-perceptions of its motives and actions may differ from those of outsiders. It is clearly not possible to generalise.

The Greek myth about a ball of golden thread providing Theseus with a safe way to retreat from the Minotaur offers a symbolic way to understand how active constraints are necessary. The case material suggested some possible guidelines in translating this into criteria to make such assessments. Firstly, it highlighted the importance of an active member base capable of dragging management or representatives back from the seductions of contracting or mere survival for its own sake. A historical connection with an active volunteer base was also an important factor discussed in several organisations. The capacity to have clear 'lines' which they would not cross in terms of not working with certain business led charities, or sub-contracting to private corporates or tendering against a public sector provider were other criteria. Some organisations pursued a strategy of diversification of funding sources so that they could cross-subsidise their work in order to maintain their own higher standards. Others were more financially independent and confident enough to challenge cuts to welfare and social protection; or to reject or re-negotiate overly restrictive contracts.

In the end however, the evidence reported in the case studies was much more heavily weighted towards predatory accusations about the role of larger organisations in the voluntary sector and the wider third sector overall. There was a consistently critical

narrative about larger charities, dependent on public contracts, lacking a membership base, and aping the corporates in structure and aggressive style of tendering. So while there *are* examples of ethical, courageous practice and good work accomplished by some larger voluntary organisations, and it is important to hear their voices, overall they are exceptions, not the general rule.

## 9. A wider ethical question and a ‘dilemmatic space’

Many voluntary sector organisations have actively supported the privatisation of public services, and as described in the justice case study in relation to the privatisation of Probation Service, have looked forward to rich pickings as sub-contractors. This points to a wider ethical question – one that the voluntary sector needs to address critically.

The post 2010 legislation of the Coalition Government and the 2011 Open Public Services policy in particular (Cabinet Office, 2011, 2014), repeatedly speak about the *private and voluntary sectors* as joint partners in providing an alternative to public sector provision. The leadership of the voluntary sector has failed to challenge this policy position. While the privatisation of the Probation Service is the current example emerging strongly in the case material, potential further examples now being considered, extend privatisation into the territory of social services and child protection (Butler, 2014).

These policies have exposed the public and non-profit sectors to a tsunami of new levels of competition. As a consequence, colonisation, monopolisation and closure are now all scenarios facing the voluntary sector service providers.

We enter here a ‘dilemmatic space’ (Honig, 1996) where organisations seem no longer to know what is the right thing to do or feel torn between conflicting ways of acting. Those parts of the voluntary sector engaged in contracting exist very much in this ‘dilemmatic space’. This ensues from largely failing to ‘think’ critically over the past decade or to defend collectively and vigorously the idea of a non-marketised public space. It has been a historic error, and belies a key rationale for the existence and contribution of a non-state, non-profit sector (and Glennerster, 1998). A non-market driven space, free of profit motive, is necessary both for a public sector to exist and for civil society activity to be nourished. In its acceptance of the dominant view that a non-market sector of society has become an inefficient anachronism, a significant part of the voluntary sector has sowed the seeds of its own demise, and is shoring up for-profit services whose prime focus is inevitably not on meeting welfare needs.

The social market thinker Julian Le Grand (2010) has vigorously argued over the last decade that altruistic and self-interested motivations can be harnessed concurrently and that there is no conflict between mission driven and rational profit driven behaviours. An argument which frequently follows from this is typically that *‘the difference between the sectors matters less than the shared aim to improve the lives of children’* (Williams, 2009). Le Grand’s argument has flourished and been widely taken up by government; and is influential in voluntary sector thinking. But the findings of the Baring Report (2014) describe a much more negative reality of the concrete consequences of such thinking, demonstrating significant constraints on independent purposes, voice and activities.

Likewise, Hoggett (2006) and others have argued forcefully that the private sector is a different moral sphere and mixing the two can only ultimately come at a moral cost.

These moral costs include the abandonment of any sustaining voluntary sector ethos, and at worst, the potential for corruption and fraud, which infects the corporates to which voluntary sector organisations have drawn ever closer. A commonly made argument is that large charities, working as sub-contractors to these corporates can remain better contractors with greater integrity in service delivery than their 'for-profit' counterparts. But this is highly questionable based on the material we have amassed to date. The argument does not apply to the majority of the large 'corporate voluntary agencies' who now engage in sub-contracting and confuses the wider ethical questions that the voluntary sector need to address.

In conclusion then, size does matter. But as the case material has underlined, it has to be understood within a wider political understanding of the uneven developments, intensification of competition and marketisation now overwhelming the voluntary sector, rather than simply as a cause or symptom of current change.

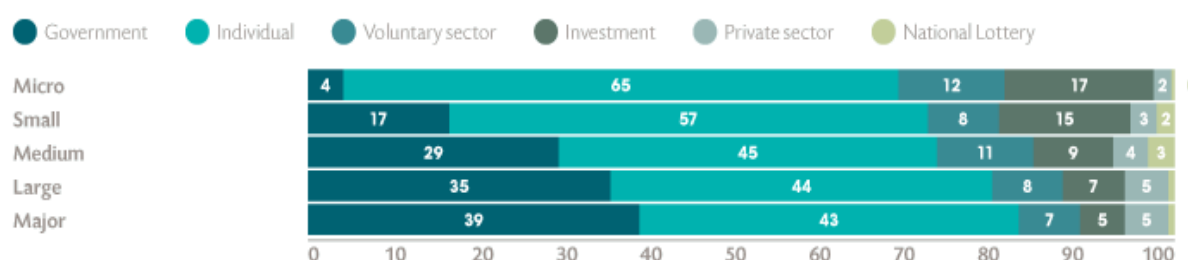
## Appendix 1: Source NCVO *UK Civil Society Almanac 2014*

### 1. Voluntary (registered charity organisations) 2011/12 x £ size and number

There were over 161,000 registered charities in the UK in 2011/12. Active organisations are those that have submitted an annual financial return in the last 3 years. However, the number of voluntary groups in the UK which are not registered charities or submitting annual accounts is much larger and total 900,000. NB: these groups are not included in the *Almanac* figures.

How Big	Micro	Small	Medium	Large	Major
	<i>Less than £10k</i>	<i>£10k to £100k</i>	<i>£100k to £1million</i>	<i>£1million to £10million</i>	<i>More than £10 million</i>
How many	82,391	52,815	21, 257	4,270	533

### 2. Sources of income to voluntary organisations by size of organisation



Source: [NCVO/TSRC](#), [Charity Commission](#), [NCVO UK Civil Society Almanac](#)

### 3. A brief summary of key public funding patterns drawing on the *UK Civil Society Almanac 2014*

Over the decade from 2001 to 2009/10, voluntary sector income from both local and central government rapidly rose by 56% to £14.2b, reflecting the then direction of 'Third Way' politics of the New Labour administrations. The banking crisis of 2007/08 was then followed by the subsequent drive to reduce the public expenditure deficit through austerity budgets by the Coalition Government from 2010, and public funding has fallen.

The latest edition of the NCVO's *UK Civil Society Almanac 2014* shows that for 2010/11, while just over a third ( 35%) of the sectors income or £13.9b still came from government grants and contracts, voluntary sector income from local and central government had fallen overall by £1.3b i.e. down by 8.8% in real terms on the previous year 2009/10.

Overall, government spending in 2011/12 at £12.7b was significantly lower than had been previously forecast by NCVO in *Counting the Cuts* (2013) and income projections between 2010/11 to 2017/18 are likewise also being further reduced (Hillier, 2014) . But some sectors have been harder hit than others with social services income to the voluntary sector

experiencing the most significant decline, down by £361m in 2011/12, education and training experiencing the second biggest fall of £233m and environmental projects a fall of £113.

- *Major organisations* received £7.0b in statutory contracts and grants (i.e. 50% of statutory income going to a sub group of 533 organisations );
- *large organisations* received £4.3b (i.e. 31% going to 4270 organisations);
- *medium sized organisations* received £2.2b (i.e. 16% going to 21,257 organisations);
- *small and micro organisations* – almost 139,000 in number – receive only 3% of total statutory income.

On average:

- *major* organisations received 39% of their income from the state;
- *large* organisations received 35%;
- *medium sized* organisations received 22%;
- *Small and micro* organisations received 17% and 4 % from government sources respectively.

Thus, overall four-fifths (81%) of the sector's statutory income is received by the 4,558 organisations, with an annual income of £1m or more. It is also relevant to note the £2.2b of government funding going to medium sized agencies (i.e.22% of the total) constituted 35% of this group's overall income.

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## The Authors



**Linda Milbourne** has worked as a researcher and lecturer in higher education since 1998, initially at King's College London and subsequently at Birkbeck, University of London. Her research has focused on hard-to-reach groups and social policy initiatives related to community-based work, and has been published in various book chapters and journals, including *Voluntas* and *Journal of Social Policy*. Her recently published book: '*Voluntary Sector in Transition: Hard Times or New Opportunities?*' (2013, Policy Press) explores shifts in cross-sector relationships, voluntary sector autonomy and survival factors against a backdrop of sweeping political and policy changes. Her co-authored work on voluntary service compliance or resistance under austerity was disseminated on NCIA's website in 2013.

Linda has over 25 years experience of public and voluntary sector organisations, including as a public sector education manager, voluntary sector trustee and active campaigner; and has undertaken consultancy, training and joint research projects in a range of contexts. She is also an Associate Research fellow at the Third Sector Research Centre, University of Birmingham.

[l.milbourne@bbk.ac.uk](mailto:l.milbourne@bbk.ac.uk)



**Ursula Murray** works for Birkbeck, University of London and has taught social policy courses in voluntary and community sector studies, public sector management, local government and governance, gender studies and lifelong learning. She previously worked in the voluntary sector, undertaking action research on local economic change and women's employment, and subsequently as a senior manager in local government. She has an MSc in Group Relations and her doctorate explored the changing public sphere using narrative and psycho-social methodologies. In 2012, she published a chapter on the loss of 'publicness' in *Public Service on the Brink* (ed. Manson) and contributed to the TUC – NCIA report on *Outsourcing and Austerity: Civil society and the Coalition Government*. Her paper: 'Has the voluntary sector been colonised by neo liberal thinking?' was published on NCIA's website in 2013.

[ursula.murray@btinternet.com](mailto:ursula.murray@btinternet.com)