

THE FUTURE OF THE VOLUNTARY AND COMMUNITY SECTOR - AND THE IMPLICATIONS FOR ACTION.

This paper is intended, initially, as a background paper for the Community Summit organised by the Paddington Development Trust and taking place on 18 June 2015. Based on a reading of "Making Good" by the Civil Exchange and other thoughts and discussions, it sets out some conclusions as to where the future of the voluntary and community sector may lie - and what actions may be necessary to secure a more proactive and robust future. (The Voluntary and Community Sector is taken to mean the more locally based arms of the not-for-profit sector - particularly, but not exclusively, those active in regeneration at the community level).

Many of the ideas in this paper are not new, but they represent an attempt to pull together some current thinking and to put it into an agenda for change. There are three sections:

- A. How is the environment in which the Voluntary and Community Sector (VCS) operates changing - and how might the Sector respond?
- B. What are the key strengths of the Sector and how should its role develop?
- C. What major changes are necessary to help achieve such a role?

But first, a very brief look at developments in the recent past to set the scene.

The sector is far from homogeneous; it has provided a local voice, provided a wide range of services as well as played an advocacy role in challenging needs and in developing innovative solutions to meet those needs. It has also played, or been coerced into playing, different roles - sometimes fiercely independent, sometimes supporting the functions of the state, sometimes challenging them, sometimes (starting in the eighties) being used to spearhead contracting-out as the acceptable face of cost-cutting and undermining public service pay and conditions.

As far as that part of the sector with which this paper is primarily concerned (that is the more local VCS often engaged in community regeneration), the introduction in the nineties of the Single Regeneration Budget (SRB) together with the European Regional Development Funds (ERDF), Neighbourhood Management schemes and changes to local Public Health duties represented a high point. It led to significantly greater autonomy and increased control over resources. That was not to last - and the role of the sector as enabler/supporter/facilitator began to switch more and more to that of provider - but under strict competitive rules.

More recently, under "austerity", grants have been dramatically phased out and more services put out to tender. Many services are now failing under this regime, in particular those services designed around prevention are disappearing and the consequences are becoming vastly more expensive to deal with in the medium and longer term. Needs

also go unmet, market failure is exposed and dissatisfaction grows. The swiftness and depth of the changes are now leading to a crisis of faith and belief in the sector.

The VCS is thus arguably at the most critical point in its history. There is huge pressure to remove funding further, to reduce the VCS role merely to competing to run services and to deny its wider traditional role of support and benefit to communities. These are the issues which, ultimately, the VCS needs to concentrate on in this period of change, before contraction melts into disappearance.

Throughout each Section below, this paper sets out aspirations for the direction of change, as well as making specific recommendations for change. But what if change were not to happen? What if the sector was not re-vitalised and strengthened as part of a mixed economy of delivery and development? It is easy to cry “Wolf”, but there are some very serious likely consequences.

In all probability, over time, we would see the VCS sector diminishing, more and more time spent within the voluntary sector bidding for funds, experienced staff being made redundant and skills and knowledge being lost to the community; no possibility to build on success and learn from it; less of a voice for local people so that services would be less relevant, delivered less efficiently and the cost of service delivery going up as the VCS is driven out of the market which would become dominated by a few large companies with less competition; innovation and responsive services disappearing, poorer service design as service providers became further from local communities, more crisis services and less prevention leading to higher costs; fewer active citizens as they wouldn't volunteer for private companies etc. And we would see more alienated, vulnerable and less resilient communities.

In this general context, we now turn to a number of the more specific forces that are currently driving change in the sector - and start to look at solutions.

A. HOW IS THE ENVIRONMENT IN WHICH THE VOLUNTARY OPERATES CHANGING - AND HOW MIGHT THE SECTOR RESPOND?

This paper highlights six specific forces that are driving change at the moment, together with the implications for action by the sector.

1. A shift of responsibility is taking place from the centre to the counties and to city regions. This is in its early stages and is likely to play out over the next decade. The new government has made it clear that it wants to see this shift take root more firmly, but there is every danger that cuts in funding will reduce the ability to make a significant difference. The VCS needs to be at the forefront of ensuring that there is a shift, not just of responsibility, but of power and resources to communities within this framework, and it needs to secure a structure to facilitate that.

2. Demands for services are increasing, with a growing and aging population, but the available resources are shrinking. Whilst some power is being devolved from the centre, resources aren't. Much of the impact of the cuts is being borne by the local state. There are resultant pressures on LAs for new ways of envisioning, designing and delivering services, but the boundaries of "who does what" are contested. The VCS must set its agenda within this debate to influence the outcomes. It is not just, or even mainly, about contracting services.

3. Engagement. Whilst some citizens are dis-engaging from traditional politics, much of the VCS remains trusted, especially by the young. Contrary to much speculation, the trend is not towards apathetic voters, but to an unexpected growth of autonomous civil movements, largely based on a new generation of young, informed active citizens who mobilise quickly through the use of social media. This has potentially created a wider pool of talent which needs to be tapped by the VCS, and it is still growing.

4. The relations between the VCS and other sectors are changing and the VCS needs to redefine and clarify its new position as a result.

- The traditional Welfare State has been transformed and there is pressure on the VCS to become part of the State, which in turn looks to the VCS to help redesign welfare that delivers on the state's changing priorities.
- It can be argued that LAs now need the VCS more than in the recent past, and a focus on prevention and early intervention looks to be poised to come back on the agenda in order to try and control growing demand. There is also a growth in aspirations for greater choice - to which the VCS is attuned.
- The VCS is now looking for different things from the Private Sector (PS) - not just cash, but skills-sharing, access to networks and people-time. The VCS needs to secure this, despite competing with the private sector in a mixed economy of service provision, often on an uneven playing field.

5. The commissioning of services by LAs is possibly the greatest change and has muddied the water in a variety of ways.

- There is a risk to the independence of the VCS by taking on commissioned services that are badly thought out and underfunded.
- "Success" can turn out to mean winning a contract to run an inadequate service that will need re-tendering.
- Commissioning/contracting culture can lead to a "race to the bottom" and worsening employment terms and conditions.
- Combined Authorities and other pressures to increase scale can lead to super-contracts that are simply too big for the VCS to engage in.
- The Voluntary sector can be pushed, through the contracting culture, to become more and more like the private sector. It can lose focus on its own goals and purpose.

The VCS needs to address the commissioning culture and get involved in different and relevant ways (see below, Section C under Contracted Services)

6. Funding, both in terms of amounts, and sources, is changing dramatically.

- The percentage of statutory income for the VCS fell from 51% to 19% between 2001 and 2014. That is not going to be reversed significantly in the foreseeable future.
- Conversely, there is a growth of charities internationally and it is argued that (post Picketty) there is scope for more private family trust funds, the transfer of private wealth to public benefit and new sources of funding through social media.

B. WHAT ARE THE SPECIFIC STRENGTHS OF THE VOLUNTARY AND COMMUNITY SECTOR AND WHAT SHOULD BE ITS DEVELOPING ROLE?

1. A clear social purpose and focus. The Sector's traditional social role, in the widest sense, has been to provide a platform for the dispossessed and a voice for alternatives, including dissent.

- The VCS now needs to focus on addressing the *consequences* of the key issues of the day - the impact of regressive policies, a fragmenting economy and social inequality.
- But it needs to go further and to address the root *causes* of inequality by working with deprived sections of the community to challenge the systems that give rise to need.

2. Addressing local democratic deficits. The Sector remains largely trusted at the local level by those whose voices are often lost - and its effective role lies between the individual and the state. Trust remains an important asset and the state needs to be reassured that it can benefit from using the VCS to help to redefine priorities and services. The sector is also seeing an increasing role in addressing local democratic deficits (for example Queens Park Community Council).

3. Community empowerment and capacity building. Some of the greatest strengths and successes of the VCS have been in capacity building and community empowerment,

- having an independent voice and the courage to use it,
- taking a level of risk with which statutory suppliers are themselves uncomfortable,
- leading on innovation and imaginative local solutions,
- being a pool of local committed and specialist resources,
- telling people's stories, making the everyday experience of the governed come alive to the governors,
- making connections within and between communities and building networks of support.

These are the key VCS strengths that build empowered, energised and resilient communities and which are currently undervalued and under-funded: it is vital for the VCS to persuade the state of the value of such strengths and to work in partnership to harness them.

4. A service provider. In terms of individual services the VCS has a good track record

in social care, particularly for the young and elderly, and in assisting people to enter and maintain employment. It broadens the service base, widens choice and counters an inappropriate “one size fits all” mentality.

- The choice for the VCS is either to help run existing services more cheaply and act as an emergency service when the state fails, or help the state to reconfigure itself and its services so that it is more effective and responds better to different needs.
- The local state and the VCS however are different and cannot replace each other. Instead they need to trust and respect each other and work together and agree on who does what.
- In that context, the state should continue to deliver services that are not appropriate for local control - law and order, income redistribution, much of health care and education.
- Conversely, the VCS should stand up for independence, concentrate on a positive future rather than past grievances, show pro-active leadership and help the LAs to change so that they become more relevant locally, based on its community and capacity building role as set out above.

5. A local voice. Thus, the VCS is not just a service provider, it is a source of ideas, a voice for the local community and is fundamental to strong communities.

- The VCS generally also knows at first hand what a local community wants and it has traditionally been a bridge between local service users and comparatively untrusted service providers - a role generally welcomed (albeit under-used) by providers themselves.
- The sector can help to ensure that services are relevant, targeted and timely, including prevention and early intervention.

6. A critical friend - and more. Finally, the sector has been pulled between being a critical friend, a facilitator and a provider. Now it is expected to be all three - as well as a criticiser where necessary. This last role had in the past been safe-guarded by the Compact - but it is now under threat as the VCS struggles to compete for contracts, yet keep an arms-length critical ability.

In this context, what is needed to secure a clearer and more targeted role for the sector in the changed and changing environment?

C. WHAT MAJOR CHANGES ARE NECESSARY TO HELP ACHIEVE SUCH A DEVELOPING ROLE?

1. Clarifying roles. LAs should understand that they can benefit enormously from local trusted organisations that speak to local people based on clear local knowledge and experience, offering creativity and involvement and access to networks.

LAs must build better, more equal and productive partnerships with the local VCS - to design better, more apposite, cost effective and productive services - and new ways of

delivering better outcomes. They should stop trying to control everything, they should transfer some responsibility to localities so that services can be reconfigured to reflect differences in need and quality of life between localities. They should also seek to influence the strategic allocation of their resources better to reflect real local needs.

2. Involvement. LAs should recognise and respect the VCS , involve them in strategic planning, resource and budget decisions, as well as in the co-design of services and the use of targeted commissioning to enable the VCS to participate in service delivery, by playing to their specific strengths. This could be similar to positive action in employment practices and to the promotion of local employment schemes by the construction industry. These have often had mutually beneficial results.

In response, the VCS should focus as much on contract and service design (co-design) as on trying to win contracts. They should only compete where it is clear that the outcomes would not only be better, but would be wholly relevant to local communities. They should never accept poor provision, let alone seek to provide it!

3. Contracted services. In theory, the VCS should be able to deliver better local services than the private sector. This is also true in practice as demonstrated time and again around the country. This occurs for two reasons. First, the VCS services are often better targeted and better received locally due to their knowledge of what is really needed, as well as their contacts and networks. Second, simply because the VCS does not seek a profit, the costs are lower.

Given that the private sector's aim is to make a profit, and the VCS contains only "not-for-profit" organisations, on the face of it, the VCS should be winning the contracts, even if it is unhappy with some of the contract design. So, why has the PS won so many competitive tenders? There appear to be four reasons.

- The risk remains with the state, who have to pick up the pieces if the successful tenderer can't deliver. They therefore give preference to large organisations where the risk of bankruptcy is lower.
- The quality demanded, or provided, by contracts is often so low as to be unacceptable to the VCS.
- Wages are often forced down in the PS due to the need to secure profit.
- Contracts are expanded (either within a local authority or, increasingly, across a number of adjacent LAs) to be beyond the reach of the VCS - and the PS can introduce "economies of scale". So, only the big players are left to play. They can also provide a "track record", which many smaller VCS organisations cannot.

One solution is to redesign and re-specify contracts so that they rely more on local knowledge, trust, networks, commitment and deliverability. The VCS needs to be fully involved in this co-design and to ensure that budgets reflect the reality of what is necessary for appropriate delivery. Contracts should be judged and awarded accordingly. The PS could be obliged to post a refundable bond at the start of a

contract to deal with any possible subsequent failure. This is common practice in some other areas, such as the provision of wind turbines.

4. Beyond services. As well as securing the VCS' ability to deliver more relevant, cost effective, not-for-profit services, there must be life for the VCS beyond contracts.

At a time of cuts, many VCS organisations switched their resources from in-house training and fundraising etc into supporting bids to run services, thus leaving their core and longer term future vulnerable. This, by definition, is not sustainable and needs to be addressed. The sector's vital role in empowering communities, enabling stronger, resilient communities and in addressing the democratic deficit whilst re-claiming its base as championing the poor and the excluded, needs to be funded and built upon.

5. The Compact. There should be a new Compact between the state and the VCS, enshrined in law with an independent body to promote and enforce it. That Compact should also examine whether there are other safeguards for the VCS, as well as obligations on the state (for consulting, listening, collaborating, de-centralising, devolving budgets etc) that are required.

6. Anchor organisations. Government needs to create a resource (from unclaimed assets in banks - see Big Society Capital and/or a re-look at the Local Sustainability Fund) to ensure a minimum level of social infrastructure mechanisms and support for anchor organisations. Foundations should also be encouraged to commit to funding such anchors to ensure relevant delivery, innovation and experimentation.

7. More imaginative funding relevant to today's needs. The VCS needs more imaginative funding: the transformation of private wealth into public benefit, the transference of unclaimed assets in banks into the VCS, a re-look at the Local Sustainability Fund, as well as more local charitable giving, crowd-funding etc.

CONCLUSIONS

Six key concepts underpin the most important and urgent actions that are needed to secure the future role of the VCS in the current environment. They are:

1. Re-defining the role. As said above, the VCS needs to re-claim a role that goes far beyond competing for contracts (although contracts would not be excluded). That role should fundamentally be about empowering and capacity-building resilient communities, stressing not just the inherent value of the VCS to communities, but also the advantages to partners in other sectors of the VCS' role to them, and to society as a whole.

2. Clear mechanisms are needed to get that role recognised and supported, within and beyond the sector. Current mechanisms are not delivering - there needs to be a stronger and more inclusive approach for the sector to act as one, if many of these concepts are to take root. The mechanisms need to enable a) agreement around a vision, b) its promulgation and support across sectors, and c) its subsequent delivery.
3. Funding - from the state, the major funders and the private sector (mostly in kind) - needs to be adjusted to reflect this new, wider VCS role. In return, funders will need reassurance that delivery and outcome measures are transparently re-aligned to ensure effectiveness.
4. The VCS needs an effective voice at strategic tables of influence and decision making, both locally and city-wide. The Local Strategic Partnerships could be re-worked to form such a model - and this could be built into current developments around de-centralisation. An input into budget-setting priorities should be a part of this process.
5. The VCS needs a strong role in the specification of contracts particularly in the realms of health and social care, young people and employment. Contract assessment criteria need adjustment to value local inputs, such as knowledge, networks and trust in delivery.
6. A London Commission. All of the above need to be developed (the PDT Conference is an important starting point) and possibly put before an independent Commission into the future of the VCS, initially in London. The Commission would draw on the VCS umbrella and anchor groups, foundations, providers, communities and local government including the GLA - specifically to recommend how these concepts can be made a reality to which all sign up.

The aim is simple, but ambitious - to make the fullest use of the amazing resource that the Voluntary and Community Sector potentially represents, in the interests of all.

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