



Servants of the Community or Agents of Government?

**The role of community-based organisations
and their contribution
to public services delivery and civil renewal**

Executive Summary
for bassac

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Authorship and Acknowledgements

This report has been written by (in alphabetical order) Ben Cairns, Margaret Harris and Romaine Hutchison. It is based on an action research study carried out by Romaine Hutchison with Jane Andrews and Patricia Young.

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EXECUTIVE SUMMARY

Introduction

This is an Executive Summary of the Final Report of a Study carried out by the Institute for Voluntary Action Research (IVAR) for bassac between February and May 2006. The Study had one principal aim:

To understand and explore the role of community-based organisations and their contribution to public services delivery and civil renewal.

Part One: Our Approach to the Study

In Part One we describe our approach to the Study. The IVAR Study followed a survey conducted by bassac in December 2005 to assess the impact of funding changes on its members. The bassac study raised questions about the extent to which the twin themes of public service delivery and civil renewal could successfully be followed in tandem by bassac members.

IVAR's Study comprised 27 semi-structured interviews with senior staff and trustees from nine bassac member organisations and one member of Community Matters. They worked in different, predominantly urban, geographical locations in England, and provided a wide range of services and resources to members of their local communities. We also interviewed eight staff from statutory sector bodies with responsibility for funding aspects of voluntary and community sector (VCS) activity.

The Study was a qualitative one, designed to elicit views on matters related to the impact of policy and funding changes on Study organisations. Study participants' views are presented anonymously, in relation to key emerging themes.

Part Two: The Study Context

In Part Two we describe the context in which the Study has taken place. We note the importance of two major strands of the UK public policy agenda which have particular relevance for the VCS as a whole: public services delivery and civil renewal.

We describe how initiatives such as the Treasury's Cross-Cutting Review (HM Treasury, 2002) and ChangeUp (Home Office, 2004b) have had an impact on the role of the VCS in delivering public services. We also note how government interest in civil renewal reflects its concern with reduced levels of civic engagement. We highlight ways in which earlier research has questioned the feasibility of the VCS implementing both policy goals simultaneously. We refer to the changing funding context for the VCS.

Finally in Part Two we draw attention to recent changes at central government level, including moves towards 'double devolution' and the establishment of the new Department for Communities and Local Government, which are likely to affect Study participants and the VCS as a whole.

Part Three: The Study findings

In Part Three we set out the findings from the 27 semi-structured interviews with Study participants and eight statutory funders. We present the findings under eight main headings:

- Organisational mission and purpose
- External policy changes affecting the organisation
- The funding situation
- The impact of funding changes
- Organisational implications of changes in the policy and funding environment
- Relationships with other VCOs
- The experience of managing and responding to change
- Ways in which bassac can help its members deal with the challenges they are facing.

Organisational mission and purpose (section 4)

Study participants described their mission and purpose in terms of providing choices, opportunities and resources for local people, and helping them to improve their quality of life. They tended to see their role in terms of meeting the needs of individuals through provision of services rather than in relation to facilitating their engagement in communal activities. They expanded on this theme by describing the range of services provided by their organisation. Their views as to whether their organisation was a 'public service provider' varied; while some clearly saw their organisation as fulfilling this function, others were adamant that this was not their role. Still others were unclear about the precise meaning of the term 'public services provider'. Statutory funders held a variety of views about the mission and purpose of community-based organisations.

External policy changes affecting the organisation (section 5)

Study participants described a number of policy influences affecting their own organisations and the VCS more broadly. They were particularly aware of the government's desire to see voluntary and community organisations (VCOs) take a more substantial role in the provision of public services. Several of them also referred to, and had been affected by, the government's regeneration agenda. They described how central government policy is often interpreted in different ways at the local level.

Policies relating to particular client groups, especially children, were also affecting the nature and scope of Study organisations' work, and had in some instances restricted its range.

Other policy initiatives, such as Local Area Agreements, Local Strategic Partnerships and *ChangeUp* were not yet having much impact on Study organisations.

The funding situation (section 6)

Study participants considered that local authority funding can no longer be relied on as a substantial source of income. Some had had to cope with reductions in local authority funding or even its complete loss. Others had had to plan for time-limited funding reaching its end, either because of the cessation of the funding programme itself or because funding had been available to their organisation for a fixed term. Some organisations found it difficult to replace expired time-limited funding.

Study participants noted a gradual shift away from grant funding towards contracts or service level agreements. While some were positive about the advent of contract funding, others experienced problems in relation to the increasingly competitive environment surrounding the commissioning process and the 'transaction costs' of tendering.

A move towards more 'prescriptive funding', with more externally set targets, was also noted, along with the loss of more flexible funding streams such as the Single Regeneration Budget.

Study participants, however, often indicated that the number and range of funding sources had increased in recent years; many cited a complex array of different statutory sources plus money from charitable Trusts, the Big Lottery Fund, contributions from service users and self-generated income. Although this helped to spread risks more widely, it also led to more complex financial management processes.

Despite the above, Study participants also frequently referred to problems covering 'core' / central management costs and the full costs of delivering services.

The impact of funding changes (section 7)

Study participants described the impact of recent funding changes on their organisations';

- Mission and purpose
- Independence
- Ability to provide a range of services and activities
- Sustainability and financial security.

Study participants varied in their views as to whether recent funding changes had affected their mission and purpose. While some were strongly of the opinion that there had been no impact, others considered that their organisational priorities had shifted, and that they were now focusing on some aspects of their mission and purpose more than others because of the availability of funding for particular areas of work.

Likewise views about organisational independence varied. Most Study participants felt that their organisations were still essentially independent; they were, however, aware of remaining dependent on their funders, even if the number of funding sources had increased. They also reported a substantial increase in their need to provide financial and other statistical information, in particular to statutory funders.

There was little evidence from statutory funders of any 'proportionality' in the accountability required of community-based organisations.

Study participants held a variety of views about the impact of funding changes on their ability to provide a range of services and activities. Some organisations had grown in recent years, mainly as a result of securing contracts with statutory bodies, and were providing a wider range of services than a few years ago. In some instances these additional services could be described as 'centrally designed' or 'standardised' and often funded under central government funding programmes, rather than developed locally to meet local need.

Study participants also provided examples of services that had had to be reduced in scope or curtailed altogether, either because the work did not now meet funders' priorities or because time-limited funding had expired and could not be replaced. Study participants noted that it was particularly difficult to secure funding for work of a community development nature.

Study organisations were still able to function as multi-purpose organisations, often through generating their own unrestricted sources of income; in some cases, however, closure of activities and services had narrowed the range of organisations' activities.

Study participants varied in the extent to which they considered their organisations to be sustainable and financially secure. Some felt they were much more secure because their range of funding streams, and in some instances the longevity of those sources, had increased. Others, however, thought that their security was reduced, usually because they had experienced reductions in local authority funding. Some had insufficient funding to cover their costs, or to provide services they felt were needed by the community. The short-term or retrospective nature of some funding sources had a major impact on some organisations' financial security.

Study organisations had adopted a number of funding strategies to help them address these problems; some were keen to generate more unrestricted income through social enterprises and sales of services.

Organisational implications of changes in the policy and funding environment (section 8)

Study participants described how the management and governance pressures on their organisations have become more complex, particularly financial management tasks. Staff also needed to spend more time dealing with the regulatory and monitoring demands of statutory authorities. These demands, together with the need to keep up with policy and funding changes, have led to an increased volume of work for both staff and trustees.

Relationships with other VCOs (section 9)

There was no discernible pattern in Study participants' comments about the impact of policy and funding changes on their relationships with other VCOs. Some were involved in various forms of collaboration or more formal partnerships as a pragmatic response to environmental changes; for others involvement in VCO partnerships had come about because statutory funders required it.

At the same time, Study participants considered that the move towards commissioning of services had led to an increase in competition between VCOs.

The experience of managing and responding to change (section 10)

Study participants identified a number of areas in which they felt policy and funding changes had been beneficial for their organisations. Some, for example, felt that external changes had provided them with an opportunity to review their mission and purpose, while others had seized the chance to develop new areas of work. Some had benefited from the availability of longer term sources of funding. Others had perceived as a positive opportunity the need to become more enterprising and to develop sources of unrestricted income.

Study participants described the ways in which their organisations had developed strategies for managing change: these variously included carrying out a strategic review, adopting innovative approaches to using the skills present in their staff group and, as indicated above, developing more entrepreneurial approaches to income generation. Other organisations had focused on the substantial assets provided by the buildings they occupied, and were considering major capital ventures.

Study participants were, however, pessimistic about the implications of the current funding and policy environment for community-based organisations, feeling that the smaller ones in particular lack the resources to address the challenges of the changing environment.

Ways in which bassac can help its members deal with the challenges they are facing (section 11)

Study participants suggested five main ways in which they thought bassac could help its members deal with the policy and funding challenges they face:

- Lobbying central and local government on the impact of policy and funding changes
- Promoting the work of member organisations
- Acting as a communication channel
- Providing support to enable members to be more sustainable
- Facilitating networking and peer support.

They were keen to see bassac continue to lobby central, and in some cases local, government about the impact of policy and funding changes. Some saw this as a role that bassac could play in collaboration with Community Alliance partners; others stressed the need for lobbying to be done alongside bassac's member organisations.

Study participants were keen to see bassac continue to promote the work of its members; some envisaged this primarily as an awareness-raising exercise in explaining the demands of running a community-based organisation, while others wanted bassac to promote their role as service providers.

Study participants wanted bassac to continue providing them with information about relevant policy and funding changes. They also sought support in finding ways to be more sustainable.

Finally they wished to see bassac continue to facilitate networking amongst its members, especially at the regional level.

Part Four: Analysis and Discussion

In Part Four we reflect on the Study findings and suggest some practical implications for bassac as an infrastructure organisation with responsibilities for policy advocacy and building the capacity of community-based organisations.

We describe the ways in which changing government policy in relation to public services and civil renewal poses three broad areas of challenge for bassac members:

- Responding to the policy environment
- Responding to the funding environment
- Developing appropriate management and governance.

We highlight the substantial impact that the policy environment is having on Study organisations, and the fact that some are struggling to maintain their ability to set their own priorities in the face of external policy pressures. We note how some organisations have been drawn by the availability of funding away from community development and community responsiveness towards delivery of public services and services designed externally rather than in direct response to local need. We suggest that, in making this shift, their potential to act as agents of community change or as advocates for local people has been diminished.

We therefore suggest a potential role for bassac in building the capacity of its members to make more informed choices about organisational goals and activities. bassac might also consider providing more opportunities for members to learn about the shifting patterns of public policy and the implications for the VCS. A further option might be to help members find ways of developing their advocacy function and influencing the local policy agenda.

We again stress how the Study findings demonstrate the fact that funding is increasingly available for activities which:

- Follow central and/or local governmental priorities;
- Follow externally set standards and patterns;
- Constitute delivery of services;
- Meet individual rather than community needs;
- Are part of time-limited projects; and/or
- Are subject to strict accountability and monitoring requirements.

We suggest that the cumulative effect of these changes is that community-based organisations have become less able to be responsive to local circumstances and increasingly preoccupied with providing public services and with ensuring their own financial sustainability. The latter appears to be at the expense of carrying out activities that would contribute to civil renewal and neighbourhood governance. We therefore suggest that bassac needs to use the evidence obtained from its membership to lobby national and local policy makers about the practical consequences of their current policy agenda.

Study organisations appear, as a result of the policy and funding changes discussed, to be ‘sliding into change’; moving gradually to become public services providers or social enterprises without necessarily ever having made an explicit decision to do so. We suggest that it is important for paid staff and trustees to receive appropriate training and support to enable them to take control of the direction in which their organisation moves. bassac, then, might provide sympathetic ‘capacity building’ support to enable its members both to understand the reasons for the policy and funding challenges they face and to develop the skills to make appropriate strategic decisions. Our Study also suggests that community-based organisations might benefit from help in recruiting, training and retaining trustees with the skills and commitment to deal with this complex environment, make policy and act as ‘boundary spanners’ between their organisation and the external environment.

We conclude by summarising the crucial roles that bassac can play in helping its members deal with the challenges they face:

- Building the capacity of members to make more informed choices about organisational goals and activities, and to plan more strategically in response to the pressures of the external environment
- Providing learning opportunities in relation to the shifting patterns of public policy and its implications for the VCS
- Helping members develop their advocacy function and their ability to shape the local policy agenda
- Using evidence from the membership to lobby national and local policy makers about the practical consequences of the current policy agenda
- Helping staff and trustees equip themselves with the skills to make strategic decisions that are appropriate for their local circumstances
- Helping organisations recruit, train and retain trustees with the skills and commitment to deal with the complexities of the current environment, and to act in a ‘boundary spanning’ capacity.