

Implications for Voluntary Organisations: Opportunity or Control?

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There is ambivalence in the voluntary sector about contracts. To some they present an exciting opportunity to run more services in innovative ways, to others they represent a possible threat to the nature of voluntary organisations and to the relationship between voluntary organisations and the statutory sector.

If all parts of the voluntary sector are to make a continuing contribution to community care, this ambivalence has to be understood and taken into account as social services departments develop their role as managing agencies.

The ambivalence relates to three factors: the ways in which contracts differ from traditional funding arrangements; the culture in which contracts are introduced; and the diverse roles of voluntary organisations.

Contracts versus grants

Traditionally the most familiar form of funding arrangement between a local authority and a voluntary organisation has been a grant. Grants

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are usually made to groups to carry out broadly specified objectives, defined by the voluntary group and then agreed by the council. The relationship has been described as ‘arm’s length’.

There is considerable confusion in the terminology about what is described as a contract, but broadly speaking they are formal, explicit, detailed and binding agreements between a local authority and a voluntary organisation specifying the nature of services to be delivered and the level of funding to be provided¹. They are more akin to a ‘purchase of service’ relationship.

There are advantages and disadvantages to contracts, It can be an advantage for local authorities and voluntary organisations to be clear about each other’s expectations:

- for the local authority to know exactly what services will be provided;
- for voluntary organisations to have longer term security to plan ahead, to give employees reasonable job security and not to have to spend large amounts of administrative time on uncertain fund-raising;
- for both, that they have sat down together and talked it through and established a basis of mutual understanding and trust.

On the other hand, contracts can be counter-productive:

- if they are imposed by the local authority without any scope for negotiation;
- if they do not reflect a realistic understanding of the resource needs of voluntary organisations;
- if they are so rigid that they inhibit an organisation’s capacity to change in the light of changing demands;
- or if they inhibit its capacity to develop other aspects of its services, to provide for people not picked up through statutory systems etc.

We are still at the early stages of determining what constitutes good practice in contractual relationships between social services departments and voluntary organisations. A number of local authorities are exploring the options, and NCVO (National Council for Voluntary Organisations) is hoping to draw on this experience to help to define and disseminate good practice.

Contract cultures

Whether contracts are advantageous or disadvantageous will depend in part on the spirit behind their introduction. There seem to be two cultures influencing this: the 'partnership culture' and the 'contracting out culture'.

The partnership culture has been a long time evolving (though it sometimes feels to voluntary organisations that it is composed of fine sounding statements of intent rather than actually evident in practice). The partnership culture sees voluntary organisations as providers of complementary services to those of local authorities - an essential part of the mosaic of local services available to support disadvantaged people. It recognises that voluntary organisations offer a wide range of practical help - day centres, transport schemes, neighbourhood care schemes etc; that they are good at recognising unmet need - of elderly people from black and ethnic minorities or of drug misusers for example - and setting up new services to meet those needs; that they have an important role in providing information, advice and advocacy to users and carers and representing their interests to service providers; that they are the most appropriate providers of some kinds of services - establishing self-help groups, for example, or services which require an informal approach, or which involve users and the local community closely in their running.

Relationships between the local authority and voluntary organisations in this context are seen as a partnership, albeit often a very unequal one, in which each has a different role to play. Local authorities have developed grant aid policies and practices which seek to sustain a view of voluntary organisations as 'other', as complementary and as autonomous bodies with their own legitimate objectives. The controls the local authority has sought to impose, through the terms and conditions attached to funding, concern financial accountability, good employment practice, equal opportunities policies and restraints on party political activity. The paper under discussion by the Association of London Authorities on *Grant-aid: best practice* is a good example of the partnership approach, but it is found amongst a wide range of councils of all political colours, in Shire Counties as well as London Boroughs.

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Under the partnership approach, contractual relationships are seen as a way of firming up the relationship and making it more explicit - a way for the local authority to be clear what services it is paying for and how these fit around their own services, and a way for voluntary organisations to have greater security to plan and develop their work, on the basis of negotiated agreements with their funders. In some areas this has resulted in longer term funding, often for three years². The partnership approach is the basis on which most of us, local authorities and voluntary organisations, have been working until very recently.

The contracting out culture is coming from an entirely different direction - or perhaps one should say two entirely different directions. The first is based on the belief that local authorities should reduce their role as direct providers of services, the assumption being that independent service providers, be they voluntary organisations or private businesses, will provide a greater variety of services, (and therefore greater choice for the user), and better value for money (since they will be competing with each other).

Voluntary and private organisations are often presumed to be able to do things more cheaply - though this is not easy to verify, given the lack of comparable figures for comparable kinds and quality of service.

The second is that contracting out has been in some circumstances financially expedient. By contracting out the responsibility for running an old people's home to a voluntary organisation, for example, local authorities have been able to pass responsibility for funding the residents from themselves to the DHSS, and voluntary organisations have simply been a means to that end. Again, councils of all political colours are going down that route.

Under the contracting out culture, voluntary organisations are seen as providers not of *complementary* services, which exist alongside the local authority's own, but of *alternative* services, which exist instead of the local authority's own. They are the means by which the local authority secures services from others rather than running them itself.

There are some voluntary organisations which have always had this role. Many local authorities have made good use of the specialist expertise of the Royal National Institute for the Blind or the Royal National Institute for the Deaf, or have contracted out aspects of their

services to Barnardos or to other highly professional independent bodies. What is changing - and will change faster if the Griffiths proposals are implemented - is that local authorities are now beginning to contract out services to local groups and voluntary organisations which were established on a quite different basis and for quite different purposes. These can now find themselves subject to expectations and demands out of all proportion to their original objectives and their existing experience. It remains to be seen how many of them will view this as an opportunity or a challenge to which they will rise, and how many will decide that it is not their role to take over the running of services from local authorities. The reactions are likely to be as diverse as the voluntary sector itself.

Some user-run organisations - for example, those run by people with physical disabilities - may see it as an opportunity to change the whole nature of the way services are delivered. Someone from a black voluntary organisation, at a recent PSI seminar on services in a multi-racial society, saw it as the way forward for black and ethnic minority organisations to run their own services without having to wait for local authorities to adapt their practice to meet the needs of the whole community. Some local groups, on the other hand, are already finding themselves overwhelmed with demands to take on the delivery of critically important services without the necessary resources and often without access to the technical or professional skills to manage and deliver those services.

Those organisations which accept the challenge are going to have to develop a much tougher negotiating stance, especially if competitive tendering is introduced, to ensure that the terms of the contract and level of funding allow them to provide the quality of service needed. This stance will not be acquired overnight and considerable support will be needed within the voluntary sector to enable organisations to acquire the necessary management and negotiating skills.

The voluntary sector is not a unified sector. For some organisations, contracting out is a realistic option; for others it is not. At present, we appear to be uneasily balanced between the partnership and the contracting out approaches, and suffering a consequent sense of insecurity.

Taking account of diversity

The fact that we talk of ‘the voluntary sector’ as a sector compounds the confusion. It implies one set of relationships between local authorities and voluntary bodies. In fact, of course, the voluntary sector is made up of very diverse organisations with different purposes and objectives and making very different contributions to the sum total of local support and community activity. There therefore needs to be a variety of different relationships between the local authority and local organisations.

The systems we develop for funding and supporting voluntary organisations need to recognise and provide for that diversity. There is no reason why local authorities should not contract out services to those organisations which want to take on greater service provision and have or can acquire the capacity to do so. Levels of funding will need to be realistic, and contracts will need to take into account the usual requirements of accountability and the monitoring of quality. Equally there is no reason why local authorities should not continue to support those other aspects of activity for which the voluntary sector is valued - advocacy, enabling self-help, identifying and responding to new areas of need, catering for people not picked up by the statutory sector, developing new kinds and combinations of services, and running the many small scale but important local activities.

The two systems could run in tandem, as the Griffiths review acknowledges. Some local authorities are already exploring this dual approach to funding voluntary organisations.

What would be threatening to the energy and creativity generated by voluntary organisations - and would ultimately lead to a reduction of choice for the user and a stifling of the consumer voice - would be an undue emphasis on contracting out *at the expense of* support for other forms of voluntary sector activity.

A number of factors could drive us down that road:

- the terms of the legislation, if the Griffiths proposals are implemented;
- the terms of central government grant to local authorities for community care;

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- an over-simple approach by local authorities to funding voluntary organisations or an over-enthusiastic embracing of contracting out principles;
- or simply such a shortage of money that contracted-out service provision takes undue priority over other forms of voluntary action.

Those are all possibilities that need to be guarded against if we want to retain the rich mix of services represented by the voluntary sector.

Social services departments as managing agencies therefore need to develop sensitive financing systems which enable a range of different kinds of services to thrive. Together with voluntary organisations they need to assess where contracts are appropriate and where they are not and to establish jointly what constitutes good practice in contractual relationships. A joint approach could open up the opportunities offered by the changing climate, whilst avoiding some of the pitfalls.

References

1. *Contracts for Care: Briefing 1*, available from Community Care Project, NCVO, 26 Bedford Square, London WC1B 3HU. June 1988.
2. *Accounting Standards and three year funding for charities*, Association of County Councils Circular, available from ACC, 66a Eaton Square, London SW1W 9BH. August 1987.