

The Future of the Voluntary Sector

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Foreword

Last year I wrote an article for the Bevan Foundation Review which dealt with the over-reliance of the voluntary sector in Wales on the public sector, and vice versa. It was written in the context of the intention of the Welsh Government to legislate for voluntary sector compacts, which would have further tightened the bonds between them. Thankfully that plan has now been dropped.

Writing the article felt like a very lonely pursuit. Very few people ever comment publicly on the often stifling closeness of the relationship between public and third sectors in Wales, though Bevan Foundation Director, Victoria Winckler, has done so. Writing on the Foundation's blog in 2012 she posed a series of challenging questions which remain true two years on:

“First, just how independent are charities and third sector organisations that rely so heavily on Government funding? Whose priorities do Government funded charities pursue – the Government's or their own? Will they bite the hand that feeds them if Government actions damage their service-users? Indeed, should organisations whose objects are set by and funded by Government benefit from the dispensations given to charity – surely they are public bodies?”

But Victoria and I are not alone in our concerns. This challenging theme is now explored in the third of the Senedd Series of publications by the Foundation. In it Chris Johnes, Oxfam UK, and Sarah Lloyd Jones, People and Work Unit, offer a perceptive take on the role and shape of the third sector in Wales. It looks with a critical eye at the current relationship between the state and the sector and how that relationship has inhibited innovation and reduced the ability of the sector to provide a challenge to public policy. But at the same time it examines how the sector might broaden its resource base and seek to build a relationship with the public sector that is less focused on funding and more on achieving common core goals.

Highlighting possible solutions as well as focusing on the perceived problem is exactly what the Senedd Series aims to do.

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Future of the Voluntary Sector

This paper looks at the role of the voluntary sector in Wales and especially how it tries, in different ways, to support people to address poverty and disadvantage and promote local community action, including the provision of local services.

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Backdrop

For many years people within the Welsh voluntary sector have been raising concerns about the reliance of the sector on public and pseudo-public sector (lottery, European funds etc.) funding and policy drivers. The radical contraction of public sector funding in recent years, which brings with it an ever-tightening control on what public money must be spent on, has served to highlight a number of issues about the independence and strength of the Welsh voluntary sector. These discussions within the sector were further focused by a visit in July of Oxfam's global programme leadership team – people running Oxfam's development and emergency response programmes from the Horn of Africa to the Andes, South Asia and more. They were impressed by much of the work they saw run by Welsh voluntary sector bodies but were struck by the precariousness of many of the organisations they met and even more so by the nervousness they felt about raising their voices and intervening in public debates.

This was a telling observation and has led to a series of reflections on the state and purpose of the third sector in Wales, starting with those who were in that room in July and spreading further and wider in the subsequent six months, resulting in this paper.

Current state of the sector

The term 'third' describes a sector that includes a wide range of organisations from unfunded groups of volunteers, national and local charities to housing associations.¹ They can be registered and unregistered charities, companies limited by guarantee (which may also be registered charities), Community Interest Companies, Industrial and Provident Societies and unincorporated associations.

They should, however, all have some important characteristics in common, being:

- independent, non-governmental bodies;
- established voluntarily by people who choose to organise;
- 'value-driven' and motivated by the desire to further social, cultural or environmental objectives, rather than simply to make a profit; and
- committed to reinvesting their surpluses to further their social, cultural or environmental objectives.

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Nevertheless the legal form of many "third sector" organisations is in a state of flux, (although more obviously in England than here) as some public sector organisations are becoming voluntary organisations, while many voluntary organisations and private companies run public services. There are public sector spin-offs, such as mutuals and co-operatives, and consortia made of organisations from more than one sector.²

Across England and Wales as a whole there are around 2.5 voluntary organisations per 1,000 people although this varies significantly by local authority area. The figures for Welsh counties are shown in Table 1, with the poorest, more urban areas and the South Wales Valleys having the fewest organisations but most rural areas having significantly greater than the average number of organisations per capita.

¹ WCVA (2013) **Third sector statistical resource** p.2

² NVCO (undated) **What Research Tells Us about Independence and Values**, <http://www.ncvo.org.uk/policy-and-research/independence-values/what-research-tells-us>
Accessed 18.12.13

Table 1: Numbers of voluntary organisations in Welsh counties³

Local Authority	Population size	Voluntary organisations per 1000 population
Cardiff	Over 200,000	1.85
Swansea		1.55
Rhondda Cynon Taf		1.54
Powys	100,000-200,000	5.96
Gwynedd		4.43
Carmarthen		3.16
Pembrokeshire		3.12
Conwy		2.80
Vale of Glamorgan		2.20
Wrexham		2.06
Flintshire		1.79
Bridgend		1.71
Neath Port Talbot		1.42
Newport		1.29
Caerphilly		1.21
Ceredigion	Under 100,000	4.48
Monmouth		3.64
Anglesey		3.40
Denbigh		3.16
Torfaen		1.71
Merthyr Tydfil		1.55
Blaenau Gwent		1.17

Comparing the Welsh and Scottish third sectors provides some interesting insights. Wales has a significantly higher number of third sector organisations per capita than Scotland (around a third more per head) but the Scottish voluntary sector is far better resourced with total income around two and a half times that of the Welsh sector and

³ NCVO (undated) **Are there more voluntary organisations in some parts of the UK than in others?** <http://data.ncvo.org.uk/a/almanac13/almanac/voluntary-sector/scope/are-there-more-voluntary-organisations-in-some-parts-of-the-uk-than-in-others-2/> Accessed 18.12.2013

it employs over half as many people (30,000 in Wales compared to 71,000 in Scotland.⁴

The Charity Commission's snapshot of charities in Wales⁵ showed that 64 per cent of Welsh charities had an income of less than £10,000 a year, compared to 56 per cent of all charities registered in England and Wales; and that only 1.86 per cent of Welsh charities had an income above £1million compared to 3.28 per cent of all registered charities. Moreover, this small group of large charities skew the picture, with 25 per cent of all the income to Welsh charities going to just thirteen organisations, nearly all of which are publicly-funded, such as the Welsh National Museum, Library, Opera, Arts Council and a number of housing associations.

So although the voluntary sector in Wales is large and diverse for a country of our size it is heavily weighted towards small organisations with limited assets. These include the thousands of local organisations who provide a range of local services to their members and are funded by their members with the occasional grant, usually very small, thrown in. These groups include sports clubs, religious bodies, child care groups, pensioners' bodies, local environmental and heritage bodies, local WIs, groups producing community newspapers and events, PTAs and many, many more.

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The same Charity Commission report quoted above shows that the activities of Welsh charities are weighted towards sports and recreation (21 per cent in Wales compared to 18 per cent across all English and Welsh charities); arts and culture (20 per cent in Wales, and 16 per cent across all charities) and are less likely to focus on the relief of poverty (10 per cent in Wales and 16 per cent across all charities).

As we have seen, among better-resourced groups there are a few hundred (mostly) indigenous local and national Welsh organisations delivering a range of quasi-public services, usually through paid staff. Much of this group is heavily dependent on the public sector not only for funding but also for defining the shape and structure of its work. Their work is usually done on a 'service level agreement' type basis, delivering against targets set by the public sector or pseudo-public sector (lottery bodies) either to compensate for public services (such as basic skills teaching) or to complement their work (such as public health interventions like drug awareness provision).

⁴ NVCO (undated) **UK voluntary sector workforce almanac 2011**.
<http://www.3rdsectorworkforce.org.uk/where-are-voluntary-sector-staff-located/>

⁵ Charity Commission (2009) **Snapshot of Wales** p.2

Compared to either England or Scotland this cohort is dependent on a very narrow range of funding sources which limits both their sustainability and their scope for independent action or innovation. A Charity Commission report⁶ found that charities that deliver public services were significantly less likely to agree that:

- their charitable activities were driven by their mission rather than by funding opportunities;
- that they were free to make decisions without pressure to conform to funders;
- or that they involved their trustees in decisions about what projects or activities to undertake.

There is a range of bodies in the Welsh voluntary sector that have been set up and funded by the Welsh Government and are, therefore, accountable to it. Because they are relatively generously and securely funded they dominate the third sector and its thinking.

The third, smallest, but arguably individually most well known group, are the Welsh offices of UK wide organisations. They often have some degree of independent funding which usually allows them to be most vocal in policy debates but also have to work hard to ensure that Welsh needs are understood within their own wider organisational decision making. They are often the group whose voices are most loudly heard in the media and in political circles but their priorities are not always driven by concerns about specific Welsh issues.

Challenges facing the Sector

The sector as it currently functions faces a number of key challenges, some of which have bubbled along, unaddressed for a while and others which are now looming larger. These challenges include role, funding and independence. The most imminent challenge is around the nature of public services and the sector's role as a service deliverer, and that of its role as an advocate and a facilitator of the voice of users of public service.

current models of both public service delivery and of third sector funding are unsustainable

The significant changes and reductions to public services that are almost certainly coming mean that the role of the public sector in Wales, as experienced at a

⁶ Charity Commission (2007) **Stand and Deliver: the future for charities delivering public services.**

community and individual level, will change.⁷ The current models of both public service delivery and of third sector funding are unsustainable. Already we are seeing that the contraction of the public sector is having, and will continue to have, a 'double-whammy' effect on poor communities. Cutting public sector services is leading to increasing support needs in communities, whilst at the same time cutting, or re-defining, the funding of the voluntary sector will inevitably reduce capacity to respond to needs. Add to this the fact that the voluntary sector in Wales is weakest in areas that see the greatest levels of poverty, and the scale of need becomes clear.

This requires a mix of innovation in service delivery and stronger advocacy in protecting the rights and needs of less vocal members of society

This rapidly changing environment will require a mix of innovation in service delivery and stronger advocacy in protecting the rights and needs of less vocal members of society. It is not obvious that many third sector organisations are really alive to this, when the reaction of many bodies to cuts is to focus on their immediate situation rather than look at wider implications for the people they work with or their

wider missions. A sector whose sole focus is to defend its own funded services regardless of wider impact is not likely to be effective in meeting its core goals.

New models for meeting the needs of communities and individuals are needed and these cannot rely either on the public or voluntary sectors alone – they need to be models based on partnership and genuine co-production.

Co-production has become a focus: the idea that voluntary organisations can mediate to involve local people in working with the public sector to deliver services. However, co-production requires a strong and independent voluntary sector that has a robust analysis of local needs and is capable of helping to shape as well as deliver services. It also requires public sector organisations that see the voluntary sector as genuine partners, and that are ready to adapt and develop their resources and approach collaboratively. Those parts of the Welsh voluntary sector which support public service users need to become more effective in drawing in resources from outside the public sector which allow it to be bolder and more innovative; better informed about what works and more able to negotiate effectively (the housing sector at least in some aspects is a good example of what is possible here). We also need to encourage the public sector to refresh its understanding of the voluntary sector, review what works and start to work strategically in partnership not just to

⁷ Osmond, J. (2013) **How Sustainable is Bevan's NHS?** Click on Wales, <http://www.clickonwales.org/2013/12/how-sustainable-is-bevans-nhs/>

deliver services but to deliver a new model of services which enhances user involvement and is affordable.

To do this both public and voluntary sectors need to be very clear about what they mean by hearing people's voice, how it is captured and what is done with it. In particular the professionals in both groups need to develop greater expertise in knowing how to work with unfunded, volunteer-

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run groups, and particularly to see them as partners. This is an area of both challenge and opportunity, especially given the relative stability of the unfunded elements of the sector. It is not safe to assume, as some public sector organisations do, that the voluntary sector as a whole represents the people's 'voice'. Some community groups and membership groups clearly have very good processes for representing people they work with, but there are voluntary organisations that have no greater a claim to understanding needs than those in other sectors.

The voluntary sector needs to tackle its own failings if it is to develop a new relationship to statutory bodies. One of the weaknesses the sector faces in making its claim to be an effective partner is the often weak nature of evidence about its effectiveness. Poor quality (or even non-existent) monitoring and evaluation and then weak dissemination of any such evaluations mean that many – partners and donors alike – remain unclear about the value added by the sector and this is clearly not the basis for building a strong relationship based on trust and understanding of the sector's value. A lack of confidence in what the sector can deliver is also likely to reinforce public sector funders' conservative tendencies to try and dictate modes of delivery as well as desired outcomes. While this may look like a keen insistence on ensuring value for money it is as likely as not to stifle better practice: it certainly does reflect limited trust in the commissioned body to provide added value.

Communities First, as an area where the Government's stated ambition for co-production is at its highest, is not providing an encouraging example. Decision making has been re-shaped to enhance local public sector control and to set an agenda based on national priorities. The scope for local community control has largely gone and the parameters for local initiatives vastly reduced. This is not surprising as in a time of retrenchment all public expenditure is likely to become more targeted and risk averse but it is unlikely to lead to better outcomes. It is also in the medium term surely unwise: as the public sector consolidates, poorer communities need more community initiative, not less.

The third sector and public debate

Linked to this whole question of who sets the agenda is the area which so disappointed Oxfam's global team, namely the ability and willingness of those in the sector to make their voices heard. At a time when services are squeezed, the likelihood of the needs of quite vulnerable groups being marginalised grows: despite the fact that the Welsh Government is committed, at least in strategic policy terms, to social justice. In this context the role of the third sector supporting service users who are seldom heard, and other marginalised groups, to influence the design and provision of services becomes even more important than it would be in more "normal" times. This is of course reinforced by the shift, at least on paper, to more "co-produced" services where the voice of those service users should be more prominent.

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More broadly it is widely accepted in most open societies that one of the key roles of civil society is to allow a range of different voices to enter public debate. Not of course in a party political sense – that's what we have political parties for – but to widen participation in the discussion of public affairs that affect a range of citizens in

Wales. In that sense civil society – including the voluntary sector – in Wales often seems very muted by comparison even with other parts of the UK. The obvious comparison is with Scotland: as two nations of similar size, we share similar issues of close, overlapping networks and great familiarity potentially stifling debate as much as aiding it. But arguably the need for that diversity of voices in Wales is even greater when our political landscape is, on so many issues, broadly uncontested.

Civil society in general and the voluntary sector in particular have something to add to debates about how policies are carried out, about how decisions are made, and how different perspectives are heard. For those in the voluntary sector concerned with anti-poverty work this becomes especially important when there is general agreement with the thrust of Government policy but significant concerns about delivery: this is exactly the kind of scenario where third sector inputs enrich debate and policy – but it rarely happens except in very controlled environments.

And the reason for this is too often found in the funding arrangements for many of the bigger organisations. The desire to keep delivery contracts, often made to specific commissioning criteria, inhibits open discussion and innovation. Large parts of the voluntary sector have become adept in securing and managing funding streams from the public and pseudo-public sectors: this means they can deliver services but also makes it impossible to holding funders to account, challenging their

analyses of need and approach to funding; and championing the different ways of working and skills that the voluntary sector can offer.

In that sense, a range of funding streams accessed by the sector, including European Funding and some Lottery grants as well as service level agreements, has contributed to steering the sector into a position where it can rarely innovate and is limited to quite narrow forms of advocacy – and its advocacy priorities are too often focused around organisational goals rather than fundamental mission.

There are some exceptions to this reluctance of voluntary sector bodies to articulate concerns, but it is often too limited to situations where specific income sources are threatened (over business rates relief for Charity Shops, for example) or where UK-wide groups with fewer funding dependencies on the Welsh public sector raise their voices. However these are at best sporadic and don't contribute to any sort of wider thinking about the role of the sector in either service provision or in public debates, precisely because they are seen (mostly rightly) as anomalies. Indeed when local groups who have funding dependencies have engaged in the same debates they have been rewarded with visits from their funders suggesting they desist from speaking out.

The challenges ahead for the sector require it to become more goal orientated rather than service oriented, and to develop both new approaches to work and new skills. This involves leadership – empowering trustees and management committees to 'hold the torch' for the

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organisation's values and methods in the face of the struggle for survival; and a significant injection of confidence to the sector. Proven expertise, an ability to articulate evidence of what works, and skills in advocating for new ways of working will become increasingly important. And the space to do that different type of work will be vastly enhanced by an ability to look at new types of funding and to relate to the public sector more as a partner than as a client. The result may be in some cases a smaller sector – but that's happening anyway – but a louder, smarter and bolder sector would bring greater value to us all.

These significant challenges have implications for larger organisations and infrastructure bodies as well as some of the smaller bodies in the longer term. The Welsh voluntary sector needs to urgently address:

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- What needs to be done to support Wales's small and medium sized voluntary organisations to survive and thrive?
 - What needs to be done to increase the impact of Wales's small and medium sized voluntary organisations?
 - How can the independence of Wales's third sector be encouraged and protected?
 - How does Wales's third sector get fit for the future?

In our view the responses to these challenges must include:

- A greater focus on drawing in a wider funding base into the sector. These include small and medium sized voluntary organisations getting greater access to UK wide sources of funding; social enterprise approaches and innovative forms of funding.
- A much stronger focus on learning and evaluation. This will allow the sector to speak more strongly about what it has learnt and use its project based experiences more systematically to influence policy and practice - this may require the development of one or more "knowledge banks" to help both the retention of information and its sharing: the sector needs to constantly challenge itself to think in terms of putting achieving charitable objects at the top of its list rather than the securing of further funding.
- A new focus on developing the management skills and expertise to take a more entrepreneurial approach within the sector. This is not a simple approach to 'marketising' services but the capacity to seek opportunities as widely as possible, to explore new networks and linkages and to think broadly about ways of tackling problems and needs. However, there is also a need to support voluntary organisations to manage their 'business' effectively – looking at financial management as a key tool for development rather than just accountability. The training focus on compliance is often highly limiting and needs broadening to encompass greater leadership and innovation.

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- Develops practical solutions to social and economic challenges.
- Encourages the exchange of ideas, experience and best practice.
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The views in all pamphlets published in the Senedd Series are those of the authors and are not necessarily shared by the Bevan Foundation Trustees, staff or members.

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