



Policy&Representation
Partnership

REPORT

Can the Big Society be a fair society?

A North East perspective

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Challenging ideas – Changing policy

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About the Policy and Representation Partnership

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More on the work of the partnership can be found at www.vonne.org.uk/policy/partnership



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Contents

Executive summary	2
1. Introduction	5
2. Encouraging social action	7
2.1 Community First Fund	7
2.2 Community organisers	8
2.3 Volunteering	8
2.4 Make it easier to set up and run an organisation	9
2.5 Engaging wider civil society: business and the Big Society	9
3. Opening up the public sector.....	11
3.1 Commissioning and procurement.....	11
3.2 The Big Society Bank	12
3.3 Supporting organisations to be more enterprising	13
3.4 Additional sources of finance.....	14
4. Fairness and the Big Society	15
Four fairness tests.....	15
Five causes for concern.....	15
5. Conclusions and key recommendations	18
References.....	20

Executive summary

The Big Society agenda is a key priority for the government. Aspiring to reshape relationships between the citizen and the state, it has already altered the policy landscape. Big Society objectives include empowering communities, encouraging social action and philanthropy, and opening up the delivery of public services to diverse suppliers.

Voluntary and community sector (VCS) and social enterprise organisations are crucial intermediaries between the state and local communities. These are organisations that formulate local campaigns, undertake local action, provide volunteering opportunities, deliver services and support the empowerment of individuals and communities. They are the life-blood of our civil society. But many face a difficult future as public sector spending cuts start to bite. Already in the North East of England, 62 per cent of these organisations have seen a decrease in their funding.

This report draws on workshops involving 150 organisations working in the North East to provide a critical analysis of some of the key policies the government has put forward under the banner of the 'Big Society'. It also asks a crucial question: will the Big Society be a fair society?

Four fairness tests

One question that has been asked of the government's Big Society agenda is whether existing socio-economic inequalities will affect the ability of individuals and communities to engage in social action, volunteering and local democratic engagement. Stark inequalities exist in how the time, capacity and skills required to engage with the Big Society are currently distributed. A key component of fairness is that there is a level playing field, so that individuals and groups have an equal opportunity to engage.

The government has stated that fairness will be at the heart of its policymaking. With this in mind, we have established four fairness tests by which to judge the Big Society agenda:

1. **Access to resources:** Do all communities and individuals have access to the resources required to participate?
2. **Losers:** Are some neighbourhoods or groups being left behind?
3. **Power distribution:** Are power and the sense of efficacy more widely dispersed among citizens as a result of Big Society initiatives, or are existing inequalities reinforced?
4. **Accountability:** Are there clear lines of accountability for Big Society initiatives, particularly when things go wrong?

Five factors currently undermine the ability of the Big Society agenda to meet these tests:

1. **Community capacity is not evenly distributed:** Communities are not equally ready to take on the shift of power and responsibility from the public sector to individuals and communities. Building community capacity is a resource-intensive and time-consuming activity that requires a long-term commitment – currently, only 500 of the 5000 community organisers being established in England will receive a bursary, and only for one year. Community organisers have a pivotal role to play in delivering the Big Society, and they require a longer-term commitment.
2. **Marginal voices may not get heard:** The Big Society agenda is highly focused on neighbourhoods and geographically defined communities. This risks marginalising minority interests. Big Society programmes must demonstrate a concern with liberty as well as community – there must be safeguards built in to avoid tyranny by the majority.
3. **The importance of the public sector as a funder is not evenly distributed:** VCS organisations in all parts of the UK will have to adjust to decreased funding from the public sector as budget cuts are implemented, but the proportion of organisations likely to be affected varies between different parts of the country. Organisations in less economically prosperous areas tend to be more reliant on public funding, and so the risk is that geographic inequalities are exacerbated as the cuts are implemented.
4. **Philanthropy is not evenly distributed:** While encouraging greater philanthropy is a good thing, over-reliance on philanthropy to provide resources for social action will result in

unfairness. For instance, people making gifts of £1 million or more are heavily concentrated in London. Similarly, any focus on contributions from businesses puts areas with a weak private sector base at a disadvantage. On top of this, those areas with a weaker private sector are also those where VCS organisations are more reliant on public funding, so the withdrawal of public funding and a move to greater reliance on philanthropy could doubly disadvantage organisations in some areas, such as the North East.

5. **Who will benefit from opening up the public sector?** Larger VCS organisations and social enterprises are better equipped to compete for public service contracts, particularly as the size of those contracts increases. This could pose a particular problem in the North East, where there are fewer large organisations.

Key recommendations

The aspiration behind the Big Society is welcomed by many. But good will is beginning to wear thin as people – particularly in the existing VCS and social enterprises – try to understand the implications of policy proposals that are emerging under the Big Society banner, while at the same time they deal with the implications of budget cuts.

This report makes a number of key recommendations in response to the Big Society policy agenda:

1. **Integrate community organisers with the existing VCS:** Community organisers are the lynchpin of the government's approach to growing the Big Society. It is they who have been tasked with building capacity in deprived neighbourhoods and forging links with other stakeholders. Community organisers must be embedded in the community they are serving and be adequately resourced. For instance, the government is committed to providing some community organisers with a bursary for their first year only: this commitment must be extended in order for them to fulfil their potential.
2. **Rethink commissioning in a way that builds the Big Society:** Reforming commissioning should be seen as a route to reforming public services. VCS organisations, social enterprises and service users should be involved in identifying need and shaping the services that are commissioned. Furthermore, the concept of 'value' needs to be reinterpreted so that it is not simply equated with cost. This is particularly important for local authorities, as they are responsible for a wide range of community-based public service provision, although it also applies to the health service, police, welfare-to-work services and, in the future, GP consortia.
3. **Make the local government workforce part of the 'civic service':** The stated aspiration to make the civil service a civic service should be extended to the local government workforce too. Encouraging volunteering as part of professional development would help to build relationships, trust and understanding between the local public sector and the VCS.
4. **Use the Big Society Bank to develop innovative finance:** The Big Society Bank has a crucial role to play in supporting organisational growth, entrepreneurialism and innovation in approaches to social problems. Its products should be accessible to small and large organisations, and it should support a range of forms of finance, including social impact bonds, patient capital and quasi-equity investments.
5. **Provide seedcorn grants to support the 'enterprise leap':** To survive, organisations need to be more enterprising. This often requires not only a change in mindset but also for particular skills to be developed. A fund should be established to provide small, one-off grants to support organisations to move onto a more enterprising footing. This would be a sensible next phase for the government's Transition Fund.

To ensure the Big Society is a fair society policymakers should:

1. **Regard the state as an enabler of the Big Society:** 'The state' is not the antithesis of the Big Society – rather, it has a vital role to play in encouraging and supporting a flourishing civil society, particularly in the most socially and economically deprived neighbourhoods. Too often, 'community' is presented as a cohesive unit, but in reality communities are contested spaces in which conflicting as well as mutual interests abound. The state has a role to play as a funder, broker and neutral arbiter, protecting the weak against the strong and ensuring an agreed standard of service provision is delivered.

2. **Target carefully what little public funding remains:** Against the backdrop of austerity, it is more important than ever that what public funding exists is used to greatest effect. The role of the public purse should be to fund organisations that would struggle to find funding elsewhere – this might include under-resourced groups working in areas that lack donor-appeal, such as disability or alcohol issues, and those operating in areas with a weak private sector where business or corporate giving is not forthcoming.
3. **Structure private giving and match it in priority areas:** Too often, relationships between the VCS and private sector are ad hoc, intermittent and small-scale. And in areas with a weak business base, revenue from giving is more likely to be insufficient. To ensure greater giving results in organisational sustainability for recipients, a structured approach is needed. A strongly branded local community fund in priority areas, backed by a government pledge to match a proportion of business donations for a fixed period, would help to encourage more giving in areas that need it most.

1. Introduction

The Big Society agenda is a key priority for the government, and one that has the potential to radically transform public service delivery and society more broadly. Aspiring to reshape relationships between the citizen and the state, it has already altered the policy landscape.

The voluntary and community sector (VCS) in the North East of England has welcomed many aspects of the Big Society agenda. The vision of empowered and more responsible individuals, communities and VCS organisations is one that few would disagree with. The agenda is also regarded as an endorsement of the work that the sector does in many areas, and as recognition of the value of volunteering and social action.

Details of the policy agenda are still taking shape across Whitehall departments. While the openness and uncertainty causes discomfort for some, others welcome the opportunity to influence future policy and to rethink how public services are delivered. The government has identified three Big Society objectives:

1. **Encouraging social action, mass participation and philanthropy**, for example, by reducing bureaucratic impediments to setting up a voluntary organisation, increasing the number of volunteers, and encouraging more charitable giving.
2. **Opening up public service delivery** to a wider range of providers, including those from the VCS and social enterprise, and improving VCS access to skills and resources in order that they might bid successfully for contracts.
3. **Community empowerment** through the creation of new rights for communities to challenge the delivery of local public services, establish new services (such as free schools), and shape their neighbourhood through new planning powers.

One concern that has lingered around the Big Society is whether the policies being implemented in its name will result in a fairer society. This is particularly pertinent given the UK's starting point as a country with some of the highest levels of inequality in the developed world (Wilkinson and Pickett 2009, NEP 2010). Not only is there a wide gap between rich and poor in the UK but these inequalities are deeply entrenched geographically: the same neighbourhoods remain stubbornly deprived year after year (Townsend 1979, Fahmy et al 2008), while the North–South divide is a well-established feature of the nation's social and economic life.

If the Big Society is to be a fair society, these realities of UK life must be acknowledged as the starting point. The Big Society must not exacerbate existing inequalities, and policies – both centrally and locally – must ensure that all individuals and communities have the capacity and opportunity to participate in it.

At the same time, this policy agenda cannot be separated from the reality of public sector spending cuts and their likely impact. In the North East this is particularly challenging, not only because the public sector is a more significant employer than in other regions, but also because cuts to local authority budgets in the region are particularly deep. In 2011/12, grants to local authorities have been cut by 13.5 per cent in the North East, a larger proportion than in any other region (Williams 2010).

This has implications for the VCS. A recent survey carried out by Voluntary Organisations Network North East (VONNE) found that 62 per cent of organisations in the North East have already seen a decrease in their funding; over a third have made staff redundant, and nearly half are already using their cash reserves (VONNE 2010). While many VCS organisations do not receive income from the public sector, those that do face difficult times ahead.

This report offers a view on the emerging Big Society policy agenda. It draws on workshop discussions with 150 participants from the VCS, social enterprises, and organisations that provide support and assistance to the sector. Their views represent a snapshot of opinion from organisations engaged in community empowerment, advocacy and public service delivery, already working at the coalface of the Big Society. The workshops were organised and delivered by ippr north, with support from the North East Policy and Representation Partnership.

This report does not seek to represent every point of view articulated in these workshops. Instead, it provides an overview of the dominant themes that emerged and their implications for the

government's policy agenda. It makes a critical analysis of some of the key policies the government has put forward under the banner of the Big Society, and offers recommendations for ensuring the Big Society is a fair society.

The report focuses on two aspirations for the Big Society in particular: to support social action and to open up the delivery of public services to more VCS organisations and social enterprises. Chapters 2 and 3 of the report summarises the response of the North East VCS and social enterprises under each of these themes. Chapter 4 steps back from the policy detail to consider the question of fairness and the Big Society. It identifies four fairness tests that the Big Society must pass to be considered fair, and highlights five factors that threaten to undermine that objective. The report concludes with a summary of key recommendations.

2. Encouraging social action

A core component of the Big Society policy agenda is its objective to support social action. In practical terms, this has resulted in a number of policy proposals. Some policies, such as the Community First Fund and community organisers programme, aim to stimulate social action in areas where there are currently few existing organisations and groups, and especially where there is high social and economic need. Others seek to encourage social action in wider society, for example through greater volunteering, increased giving by business or greater interaction between private business and the VCS. Key issues raised by our participant group to each of these aspects of policy are outlined below.

2.1 Community First Fund

What is the Community First Fund?

The Community First Fund will provide funding to new and existing neighbourhood groups in the most disadvantaged areas and places with low social capital over the next four years. It comprises a £30 million match grant programme, which will provide small grants to targeted neighbourhoods. Time, in-kind contributions and the use of facilities will all potentially be eligible for matched funding. A further £50 million in matched funding will be available to encourage local endowments to be built up. (Cabinet Office 2010a).

The prospect of a fund to support neighbourhood groups was enthusiastically welcomed by many, and its focus on the most deprived areas with weak social capital was considered to be broadly the right one. There was particularly strong support for some proportion of the Community First Fund (CFF) being made available in the form of grants.

Workshop participants did, however, think it was important to manage expectations. To this end, the fund should be referred to as an 'investment fund' rather than a 'grant fund', even when funding is given as a grant. Branding the fund in this way and requiring organisations to articulate as part of the application process how they would use the funding to become more sustainable, will help to limit dependency on the fund.

However, an organisation's inability to secure alternative resources – where it is able to demonstrate the attempts it has made to achieve sustainability – should not preclude it from receiving repeat funding from the CFF. This caveat makes a vital recognition of the difficult circumstances some organisations are working in.

A number of participants argued strongly that the distribution of the fund should not be centrally managed. To ensure local context is fully understood and local need factored into decisions, there should be local distribution panels for the CFF, operating at a sub-regional level, and the amount of money available to each area should be proportional to the degree of social and economic need experienced. Operating in this way would also help to ensure the fund is aligned with the government's broader vision for a more localist approach.

Local boards should have the freedom to try out different approaches to distributing funds, such as drawing a proportion of panel members from among the residents of deprived neighbourhoods, setting up local challenge funds, or distributing funding through participatory budgeting. However, the administration costs attached to some of these approaches mean they are unlikely to be widely adopted.

Whatever approach to fund distribution is taken, it is essential that application and monitoring processes are 'light touch'. To ensure accessibility, they should be designed collaboratively with the type of organisations that will be applying to the fund.

A fundamental difficulty which the CFF must overcome is ensuring funding reaches the target audience. Given that the priority for the fund is supporting organisations in areas with high levels of deprivation and a lack of civic activity – implying fewer groups to begin with – it may be challenging to ensure that the groups the fund is designed to support will generate enough bids. Community organisers (see below) have a key role to play here. Local authorities too should be asked to identify neighbourhoods that are eligible for CFF funding and encourage applications.

2.2 Community organisers

About the Community Organisers Programme

The government plans to train 5,000 community organisers across the country to galvanise local action, identify and develop potential future community leaders, and build on the assets already held by communities (Cabinet Office 2010a). Five hundred of these community organisers will be fulltime, and provided with a bursary of £20,000 in their first year. After this they will have to fundraise to meet their own salary costs. The remaining 4,500 community organisers will be part-time or voluntary.

The government has a considerable PR challenge on its hands to convince the existing VCS of the value of community organisers. Very few workshop participants had anything positive to say about the prospect of community organisers: there was considerable concern as to how they will fit in with and add value to the work of established community groups and organisations, and many participants were deeply concerned about new people 'parachuting in' from outside an area or proving to be nothing more than an unhelpful competitor for limited resources.

Key questions that must be answered are how community organisers will be accountable to the local communities that they are working in, and how they will be selected. To address this, many participants were keen to see community organisers 'anchored' within an existing organisation or support provider.

For this policy to work, there is a clear need to get the existing VCS on board. One way of doing this may be to promote community organiser training as a development opportunity for volunteers and people already working in VCS organisations or the organisations that support the sector. Working through existing organisations will also offer a means of building on capacity that already exists. This is the approach proposed by Locality (the organisation delivering community organisers on behalf of the government), but there remains considerable confusion around this policy.

Getting the approach to community organisers policy right is crucial, as they have a pivotal role to play in the Big Society. Given their task is to build capacity in the neighbourhoods where it's most needed, they have a central role to play in ensuring the Big Society is a fair society. Not only are they at the front line of the movement to empower communities and individuals, but they will also provide a link to decision-makers and other local stakeholders.

Surprisingly, given their importance to Big Society policy, there is relatively little funding attached to community organisers. These resources must be deployed in such a way so as to prioritise the areas in greatest need. Furthermore, given the time-consuming and resource-intensive nature of capacity building, the government must make a longer-term commitment to supporting community organisers.

2.3 Volunteering

Government plans to support volunteering

Turn the civil service into a 'civic service' by encouraging workers to give time and promoting social action as a means of professional development.

Develop a National Citizen Service, a voluntary programme for 16-year-olds providing opportunities for volunteering.

Develop a Volunteering Match Fund, worth up to £10 million per year, to match, pound-for-pound, private donations to volunteering projects.

Develop a Volunteer Infrastructure Programme to provide information to the public and support to organisations that manage volunteers, with a budget of £42.5 million over four years (Cabinet Office 2010a).

The government's emphasis on volunteering is welcomed. The benefits of volunteering for health, wellbeing and social interaction – as well as experience that may be useful in the labour market – were extolled by workshop participants.

However, familiar concerns were raised regarding the need to support organisations to broker volunteer placements, and to recognise the time and skills required on the part of organisations that manage volunteers. A shrinking VCS workforce is bound to reduce opportunities for volunteering.

The plan to develop the civil service into a civic service was broadly welcomed, although it was stressed that this must not result in people merely parachuting into organisations for a day or two and then disappearing. Instead, the emphasis should be on building a relationship and repeatedly volunteering with one organisation. This principle applies equally to private sector volunteers.

Nonetheless, participants highlighted the potential for this policy to enhance understanding between the public sector and the voluntary sector. It should therefore be extended beyond the civil service to include the wider public sector work force as well. Local government officials and health service workers were highlighted as high priority targets for any extension of the scheme, as their paths cross more frequently with VCS organisations. More broadly, continuing to build relationships, trust and understanding between the sectors should be a priority.

2.4 Make it easier to set up and run an organisation

Reducing red tape

The government regards a key element of its work to be removing the barriers that prevent people from establishing new voluntary and community organisations, particularly health and safety and vetting and barring (Cabinet Office 2010b).

For most participants, red tape was considered something of a red herring. Instead, the dominant view was that one person's red tape was another's essential safeguard.

Furthermore, participants believed that many myths exist about the constraints of bureaucracy, particularly health and safety. In general, the problem was thought to lie more with poor access to good information, advice and support, rather than red tape per se. It is essential that organisations providing support to frontline VCS groups are able to offer accurate and timely advice and support with regard to health and safety and vetting and barring.

Nonetheless, some examples of bureaucratic difficulties were noted. In particular, a need to speed up and simplify criminal records bureau (CRB) checks and to make them portable was repeatedly raised. The government has recently reviewed the vetting and barring system and is looking to introduce changes that would require fewer people to undergo CRB checks and to make them lighter touch and portable (Home Office 2011).

Another area where the bureaucratic burden was considered to be heavy was in interaction with the public sector. Participants highlighted, as examples, the paperwork required to bid for public sector contracts, licences, leases and asset transfer, and the associated monitoring. Local VCS organisations and social enterprises should be involved in reviewing and redesigning bureaucratic systems.

2.5 Engaging wider civil society: business and the Big Society

Making giving easier

The government has published a green paper on encouraging greater philanthropy and charitable giving by individuals and businesses. Its proposals include: ways to make giving easier, for example through ATM donations; making giving a social norm; and a national day to celebrate donors (Cabinet Office 2010a). David Cameron has also launched 'Every Business Commits', highlighting five areas of activity where business can act to support the Big Society (Cameron 2010). The 2011 budget also proposed a 10 per cent reduction in inheritance tax rates for estates that leave at least 10 per cent of their value to charity (HM Treasury 2011).

Workshop participants welcomed the government's emphasis on the role of the private sector as a member of civil society.

Many organisations have already developed relationships with local private sector companies, and benefit from acts of corporate philanthropy, such as donated prizes for raffles or discounted venues and catering. Participants were also clear that contributions in kind can be as valuable as financial contributions.

The idea of finding ways to share skills across sectors was welcomed, but the need for good quality brokerage was highlighted as essential. A number of organisations reported less-than-positive experiences with poor-quality pro bono support. Brokers need to ensure they find the right service provider, rather than any service provider. Some good brokerage schemes run by Councils for Voluntary Service and Community Foundations in the North East were highlighted by participants. Where it exists, good practice should be shared and built upon.

In addition, such schemes should look not only to the private sector but to large charities as well. Like private firms, these organisations have skills and experience that smaller organisations and social enterprises can learn from.

However, concern was voiced about the risks associated with relying on the private sector for a greater proportion of income. In our participants' experience, relationships with the private sector are usually ad hoc, intermittent and small-scale. A more structured approach is needed that encourages sustained giving on the part of local businesses and access to resources for local organisations.

The idea of 'community funds' garnered a lot of support as a way to make it easier for local businesses and individuals to support local VCS groups through donations, discretionary charges on restaurant bills and retail transactions. This could potentially be augmented further by giving individuals the option to donate to a local community fund when paying local taxes and charges, such as a council tax bill.

These funds should be strongly branded as local, to build on people's attachment and commitment to place. Donating businesses would be entitled to use this branding in their own promotional materials, to denote their participation in the scheme, creating a form of mutually beneficial cause-based marketing. Funds would be distributed to local groups and charities by a local panel, according to locally identified need.

To ensure community funds take off in the areas that need them most, the government should offer to match fund a proportion of donations for a fixed period in priority areas. This would provide an incentive to local businesses to donate.

However, on a more general point, there was considerable concern that over-reliance on local philanthropy would disadvantage unpopular causes. As one participant put it 'the problem is kids and cats versus ex-offenders and druggies'. This concern is backed up by polling evidence that reveals child welfare to be the issue most likely to attract donors, while alcohol and disability issues are less likely to elicit the same response (nfp Synergy 2010).

3. Opening up the public sector

Opening up the public sector so that the VCS and social enterprises deliver more public services is a key priority of the government's Big Society agenda. This was generally welcomed by workshop participants, many of whom were already delivering some services on behalf of the public sector, or aspired to do so.

One general priority of the Office for Civil Society¹ is 'getting more resources into the sector'. Clearly, greater commissioning and procurement from the VCS and social enterprise is one way to do this, but this is not an appropriate option for all VCS organisations.

Overall, the sector faces a difficult transition phase, as many grants, contracts and funding streams ended in March 2011 and local authorities begin to implement deep budget cuts. There is a severe time lag looming as the introduction of some new funding opportunities, such as more open procurement processes and the Big Society Bank, is not imminent. The government has announced a £107 million Transition Fund to support organisations most at risk; nonetheless, an alarming number of organisations are reporting funding shortfalls for 2011.

Given the retrenchment of public sector funding, it is imperative that the money available to the sector is carefully targeted for maximum impact. Three key issues were discussed at length in our workshops: how to open up commissioning and procurement, the priorities for the Big Society Bank, and how to support organisations to become more enterprising and so more sustainable.

3.1 Commissioning and procurement

Reforming commissioning and procurement

The government wants to open up more public service markets to a wider range of private sector, VCS and social enterprise providers. A public service reform white paper is due out in May, which will set out the government's plans.

There is general enthusiasm for delivering public services. However, a number of significant barriers remain for VCS organisations and social enterprises, which must be addressed if they are to engage more closely with public procurement and commissioning.

A recurring theme was that the tension between efficiency and diversity needs to be actively managed. Currently, the need for efficiency is driving up contract size (both in financial value and geographic coverage), a trend that is reinforced by local government back-office mergers and the creation of regional and sub-regional tendering portals. But this trend works against the desire to support local VCS organisations to provide a tailored response to local need.

Many VCS organisations operate at a geographic scale smaller than that of the local authority – for organisations of this size, bidding to provide a service across the local authority as a whole seems out of reach, let alone delivery across an even wider area. For many, the up-front costs involved in finding out about opportunities and putting together a bid is prohibitive, as are the public liability requirements and the prospect of payment by results. Furthermore, there is still a widespread view that the public sector is not willing to pay full cost recovery to VCS organisations and social enterprises, which deters some from entering the public services market.

There is a real concern in the sector that opening up public service delivery will only benefit the largest charities and large private sector companies, unless procurement and commissioning processes are reformed. This is a particular concern in the North East, where there are more small and medium-sized VCS organisations, and few large ones (Cox et al 2010).

The government's commitment to reform public procurement and commissioning is therefore only cautiously welcomed, and there was considerable irritation that the consultation on this issue lasted only one month and was conducted over the Christmas period.

1 See <http://www.cabinetoffice.gov.uk/resource-library/office-civil-society-structure-finalised>

Participants identified a number of ways to improve commissioning and procurement practices, many of which would help to ensure that the delivery of public services is genuinely opened up to the VCS sector and social enterprises:

- The VCS and social enterprises should not be regarded simply as deliverers of services. They have a unique perspective on local needs, and their involvement should be extended upstream, to include identifying unmet local demand and areas for service innovation, and shaping the services that are commissioned. Reform of public services should be more ambitious than just reforming the bureaucracy.
- The focus of commissioners should be to identify the required outcome, not to be prescriptive about the means of achieving it. That should be for prospective service deliverers to determine, and bids should offer evidence in support of the nominated approach.
- Nonetheless, reform to the bureaucracy is required. Local public service commissioners should involve VCS organisations and social enterprises in redesigning commissioning and procurement processes to make these more user-friendly and reduce unnecessary bureaucracy. This should include using plain English in all documents at all times.
- The commissioning process must understand 'value' not simply as cost. Explicit questions should be asked about the local benefit and the social and environmental value that an organisation will bring, and this should be factored into the scoring criteria for bids. Many workshop participants were of the view that commissioning officers are nervous of staying on the right side of European Union laws on fair competition, which prevents them from taking bolder approaches. Sharing examples of good or innovative commissioning practices among procurement staff would be beneficial.
- The level of bureaucracy should be proportionate to the size of the contract: smaller contracts should be light touch. In addition, standard wording for questions should be developed wherever possible, especially for pre-qualification questionnaires and expressions of interest, to ease the bidding process.
- The introduction of payment by results contracts, whereby the contract only pays out on the demonstration of results – meaning the provider must find upfront funding elsewhere – will exclude most organisations from participating, unless access to new financial instruments is developed alongside (see 3.2 below).

However, this is not to say that it is only on the part of the public sector that some change is required. For a number of years there has been discussion within the VCS about the need to form consortia and, in some areas, mergers in order to bid for contracts. It may be that necessity, rather than choice, will now drive this agenda. More than ever, organisations require support for networking and sharing information about what others are doing to enable consortia building. Third-party organisations, such as support and infrastructure organisations, have a key role to play in facilitating this activity.

3.2 The Big Society Bank

About the Big Society Bank

Created using unclaimed bank assets, and supplemented with £200 million from the 'big four' banks, the Big Society Bank will provide new finance to the voluntary sector, charities and social enterprises. Its mission is to catalyse growth of the social investment market, easing access to finance and advice for social ventures. The bank will not give grants, or invest money directly in frontline organisations. It will be a wholesale bank that invests in financial intermediaries and products in the social investment market. They in turn will increase access to capital for frontline organisations (Cabinet Office 2011).

Many workshop participants welcomed the idea of a Big Society Bank (BSB), although there was considerable confusion over how it will work, who it is for and how organisations will be able to access it. Overall, there was a perception that it was likely to be more useful to larger organisations: funding should be available to small as well as large organisations.

There was some concern that offering loans and investment, rather than grants, risked diverting organisations from their core mission. However, others strongly welcomed the prospect of access to finance and capital, which they struggle to access from other sources. However, it was stressed that the rates on offer would be critical in determining up-take.

Participants identified two key priorities for the BSB as supporting organisations with growth potential and investing in new approaches to achieving social outcomes, especially preventative measures.

Participants highlighted a number of different financial products they would like to see on offer from the BSB. These include:

- Working capital: providing liquidity to organisations to support growth
- ‘Patient capital’: investment with a long time horizon, which is tolerant of risk and aimed at social as well as financial return
- Social impact bonds: whereby repayment is based on future savings to the public purse
- Equity investment: especially quasi-equity investment, where repayment levels vary according to the success of the organisation, with greater than expected growth resulting in higher repayments, and lower than expected growth resulting in lower repayments or even ceased repayment.

3.3 Supporting organisations to be more enterprising

The need for organisations to move onto a more sustainable footing through more-enterprising activity was recognised by many – indeed, this has been a goal for many organisations for many years.

Being more enterprising is a prerequisite for engaging with public sector procurement and commissioning. However, it is not only for those organisations seeking contracts: being more enterprising will also support sustainability in organisations that do not engage with the public service market. But what is easy to say is difficult to achieve, and organisations require support to make the ‘enterprise leap’ (Cox and Schmuecker 2010, Cox and Viitanen 2010).

Being more enterprising requires an attitudinal shift both by the leaders of organisations and by their trustees, as much as it does any change to the way organisations operate. In general terms, it means moving away from reliance on grant aid towards operation on a business model, trading goods and services to meet a social or environmental mission. Risk-averse trustees were identified as a barrier to a more enterprising approach, and for some organisations a refresh of the skills available on the board can support a move towards greater enterprise.

Workshop participants identified a range of key actions essential to supporting the enterprise leap:

- **Building basic business planning skills:** Simple acts, such as calculating costs per beneficiary and benchmarking against peers, can support organisations to think about their activities in a different way.
- **Good brokerage:** Making the enterprise leap is likely to require access to new skills, and may require training in areas such as fundraising, finance or legal aspects such as employment law. Being able to source good advice and support – whether paid for or in kind – is essential.
- **Strong core functions:** To be enterprising, organisations must have access to good business management, financial management and human resource functions. Undergoing an organisational review can help ensure organisations are ready to make the enterprise leap.
- **Asset transfer:** The transfer of physical assets to a VCS organisation can provide a platform for enterprising activity, for example providing premises for hire. However, this will only be the case if a genuine asset, and not a liability, is transferred, and if the organisation has the skills and capacity to make the most of that asset.

Key support mechanisms for developing enterprising organisations include peer-to-peer support and mentoring and skills-sharing between organisations and sectors.

Perhaps most importantly, organisations need access to ‘seedcorn’ grant funding. This should be a small, one-off grant, given specifically to support the enterprise leap and catalyse change. For example, this could be used to fund an organisational review.

Local authorities have a role to play in supporting organisations to be more enterprising. A key element is supportive asset transfer, whereby a local authority ensures the skills and capacity of an organisation are sufficient before transferring the ownership or management of assets into their hands.

3.4 Additional sources of finance

Throughout the workshops, some alternative options for finance were identified, with the potential to support the delivery of greater resources to the sector and support sustainability for enterprising organisations:

- **Making use of dormant trust funds:** The Big Society Bank will initially make use of dormant bank accounts, but participants pointed out there are also dormant trust funds which could potentially be put to use as well.
- **Voluntary additional hypothecated taxes:** This means providing taxpayers with an option to contribute to the local or national VCS when paying local or national taxes.
- **Local public subscription:** Local authorities in the Victorian era used public subscription – the voluntary contribution of money to a specified scheme – to support significant public works, such as the building of libraries and museums. Public subscription could be a way of raising funds for a particular local cause or to contribute to a Community Fund (see section 2.5).
- **Incentivised charitable giving to areas of greatest need:** Just as the government has offered a national insurance holiday for new companies employing people in the North of England, so tax incentives could be considered to incentivise philanthropic activity in areas of the country with the greatest need

4. Fairness and the Big Society

The government has stated that fairness will be at the heart of its policymaking (Cabinet Office 2010c). We have developed four fairness tests by which to judge the Big Society agenda in the North East.²

One question that has been asked of the government's Big Society agenda is whether existing socio-economic inequalities will affect the ability of individuals and communities to engage in social action, volunteering and local democratic engagement. Stark inequalities exist in how the time, capacity and skills required to engage with the Big Society are currently distributed. A key component of fairness is that there is a level playing field, so that individuals and groups have an equal opportunity to participate.

It is important to note that this does not mean that every VCS organisation and social enterprise currently in existence should necessarily persist into the future. Just as we recognise that some substandard businesses will fail, the same should be true of substandard VCS organisations. What matters is that the individuals and communities these organisations serve have a realisable opportunity to establish or support new organisations to work on their behalf.

Four fairness tests

1. **Access to resources:** Certain things – including time, education and skills, confidence and a sense of efficacy – are essential in order to make the most of the transfer of power and responsibility to individuals and communities proposed in the Big Society. But these resources are not evenly distributed in society (Coote 2010, ippr and PwC 2010). Strategies must be put in place locally and nationally to support more-equal access to the resources that would enable participation in the Big Society. If this level playing field is missing, then the Big Society cannot be considered fair.
2. **Losers:** Related to the first test, the losers test asks which individuals, groups and communities are not benefitting from the Big Society – and, indeed, which groups are disadvantaged by the Big Society. If poor communities and disadvantaged individuals and groups are being left further behind, then the Big Society cannot be considered fair.
3. **Power distribution:** One aspiration of the Big Society is to empower individuals and communities. But power and the sense of efficacy are not currently evenly distributed: wealthier and better-educated citizens are more likely to feel that they can influence the decisions that affect their lives (ibid). If those who already feel powerful increase their sense of efficacy, while those with a lesser sense of efficacy do not, then the Big Society is exacerbating inequality and cannot be considered fair.
4. **Accountability:** The ability to scrutinise service providers and hold them to account for poor service standards or service failure is important for fairness. There must be clear lines of accountability for Big Society initiatives, particularly when things go wrong. The government wants to open public service delivery to a wider range of providers, with the central state playing the role of guarantor of standards less widely than it does now and instead passing responsibility for scrutiny and accountability down to the local level and to individuals. It is not currently clear how services will be held to account by groups and neighbourhoods with weaker capacity for scrutiny. If the result is poor services for these groups and areas, then the Big Society cannot be considered fair.

Five causes for concern

Five factors currently undermine the ability of the Big Society agenda to meet these tests of fairness in the North East:

1. **Community capacity is not evenly distributed:** The Big Society seeks to shift responsibility from the public sector to individuals and communities, but not all communities are equally ready to take on this responsibility. And it is not always straightforward to

2 It should be noted that fairness is a relatively narrow concept. For a more stringent test, we might ask whether the Big Society will result in a socially justice or equitable society. Nonetheless, fairness is the government's stated goal, so it is the measure we use here.

ascertain which communities lack capacity. For example, it is generally true that economically deprived neighbourhoods have fewer resources to draw upon – whether financial or skills-related – to sustain and build community capacity (Cox and Schmuecker 2010). Nonetheless, some economically deprived neighbourhoods do have active and vibrant voluntary organisations and strong and successful community leaders (ippr north 2010). Building community capacity is a resource-intensive and time-consuming activity that requires a long-term commitment – currently, only 500 of the 5000 community organisers across England will receive a bursary, and only for one year. Community organisers have a pivotal role to play in delivering the Big Society, and they require a longer-term commitment.

2. **Marginal voices may not get heard:** The Big Society agenda is highly focused on neighbourhoods, and geographically defined communities. For many people, this is a meaningful scale and one they can identify with. But those putting themselves forward to participate in decision-making will not necessarily be representative of the wider neighbourhood. There is a risk that minority interests will be marginalised, particularly those of groups that are already largely hidden, such as asylum-seekers and refugees. Big Society programmes must demonstrate a concern with liberty as well as community – there must be safeguards built in to avoid tyranny by the majority.
3. **The importance of the public sector as a funder is not evenly distributed:** VCS organisations in all parts of the UK will have to adjust to decreased funding from the public sector as budget cuts are implemented, but the proportion of organisations likely to be affected varies between different parts of the country, with organisations in less economically prosperous areas generally more reliant on public funding. The table below provides a regional breakdown of organisations in receipt of public sector funding.

Table 1
VCS organisations
in receipt of
public funds,
by region

Region	Proportion
North East	43%
North West	42%
Yorkshire and Humber	39%
East Midlands	38%
West Midlands	38%
South West	37%
East of England	34%
London	33%
South East	33%

Source: Clifford et al 2010

Note: these figures are based on national survey evidence, and the confidence intervals are relatively wide. Nonetheless, the overall order of regions remains unchanged

Organisations in some parts of the country will be more adversely affected by the public sector cuts. The risk is that geographic inequalities will be exacerbated as the cuts are implemented.

4. **Philanthropy is not evenly distributed:** While encouraging greater philanthropy is a good thing, over-reliance on philanthropy to provide resources for social action will result in unfairness.

For example, analysis of the location of donors giving gifts of £1 million or more reveals wide variation around the country. In 2009/10, six people in the North East gave gifts of a million pounds or more, meaning the region had the fourth-largest number of million-pound donors, after the Midlands (8), Scotland (9) and London (40) (Breeze 2010). Clearly, the gap between London and the rest of the UK is enormous.

But while the North East has a relatively large number of high-value individual donors, its private sector business base is weak compared to other areas. This could place the North East at a disadvantage under Big Society policies: encouraging businesses to give is a key part of the agenda, but the number of large companies headquartered in the region is small. While the government has made it a priority to grow the private sector, particularly in regions like the North East, this will not happen overnight.

Furthermore, those areas with a weaker private sector are also those where VCS organisations are more reliant on public funding, so the withdrawal of public funding and a move to greater reliance on philanthropy could doubly disadvantage organisations in some areas, such as the North East.

5. **Who will benefit from opening up the public sector?** There is real concern that only larger VCS organisations and social enterprises will have the capacity to compete to deliver public service contracts, particularly as the size of those contracts increase. If this is the case, it would pose a particular problem in the North East, where there are fewer large organisations (Cox et al 2010). New and creative financial instruments must be made available through the Big Society Bank in order to support organisations to compete effectively in the public services market.

An associated concern is whether the opening-up of public service delivery will benefit the VCS at all, with many large private sector service providers better positioned to bid for contracts.

5. Conclusions and key recommendations

The aspiration behind the Big Society is welcomed by many, and few would disagree that encouraging empowered and more responsible individuals and communities is a good thing. But good will is beginning to wear thin as people – particularly in the existing VCS and social enterprises – try to understand the implications of policy proposals that are emerging under the Big Society banner, while at the same time they deal with the implications of budget cuts.

While VCS and social enterprise organisations are not the sole focus of the government's Big Society policy, they are crucial intermediaries. These are organisations that formulate local campaigns, undertake local action, provide volunteering opportunities, deliver services, and support the empowerment of individuals and communities. They are the life-blood of our civil society.

The government needs to develop a more strategic approach to delivering the shift in the relationship between the citizen and the state. This research underlines the value of a more structured approach to delivering the Big Society, for two reasons. First, it will help organisations – and the wider public – to understand better how they can contribute to the Big Society, and how we get from where we are to where we want to be.

Second, a more structured approach or framework would also assist with identifying where there are policy gaps. For example, considering the suite of Big Society policies from the perspective of who the likely beneficiaries will be reveals a hole in the middle of the policy programme. Generally speaking, only the larger charitable organisations and social enterprises are likely to engage in the delivery of public services or call on the services of the Big Society Bank. At the other end of the market, small community-based, volunteer-run organisations have largely existed without drawing resources from the state, and will continue to do so. They will also be able to draw upon the Community First Fund. The squeeze, it seems, will be particularly acute in the middle.

This may prove particularly problematic for the North East, which has a large proportion of medium-sized VCS organisations.

This report makes a number of key policy recommendations in response to the Big Society policy agenda:

1. **Integrate community organisers with the existing VCS:** Community organisers are the lynchpin of the government's approach to growing the Big Society. It is they who have been given the task of building capacity in deprived neighbourhoods and forging links to other stakeholders. But the potential benefit of community organisers is undermined by suspicion about their impact on and relationship with the wider VCS. Community organisers must be embedded in the communities they are serving and be adequately resourced. For instance, the government is committed to providing the 500 fulltime community organisers with a bursary, but only for their first year: this commitment must be extended in order for them to fulfil their potential.
2. **Use commissioning and procurement to build the Big Society:** Genuinely opening up commissioning and procurement will help VCS organisations and social enterprises to achieve greater sustainability. This should be seen as a route to reforming public services, not simply a mechanistic adjustment of bureaucracy (although that is also needed). VCS organisations, social enterprises and service users should be involved in identifying need and shaping the services that are commissioned. Furthermore, the idea of 'value' needs to be reinterpreted so that it is not simply equated with cost. This is particularly important for local authorities, as they are responsible for a wide range of community-based public service provision, although it also applies to the health service, the police, welfare-to-work services and, in the future, GP consortia.
3. **Make the local government workforce part of the 'civic service':** The stated aspiration to make the civil service a civic service should be extended to the local government workforce too. Encouraging volunteering as part of professional development would help to build relationships, trust and understanding between the local public sector and the VCS.
4. **Use the Big Society Bank to develop innovative finance:** The Big Society Bank has a crucial role to play in supporting organisational growth, entrepreneurialism and innovation in approaches to social problems. Its products should be accessible to small and large

organisations, and it should offer a range of forms of finance, including social impact bonds, patient capital and quasi-equity investments.

5. **Provide seedcorn grants to support the 'enterprise leap':** To survive, organisations need to be more enterprising. This often requires not only a change in mindset but also for particular skills to be developed. A fund should be established to provide small, one-off grants to support organisations to move onto a more enterprising footing. This would be a sensible next phase for the government's Transition Fund, especially as it would be accessible to smaller organisations, which the current Transition Fund is not.

To ensure the Big Society is a fair society policymakers should:

1. **Regard the state as an enabler of the Big Society:** The 'state' is not the antithesis of the Big Society – rather, it has a vital role to play in encouraging and supporting a flourishing civil society, particularly in the most socially and economically deprived neighbourhoods, where community capacity is generally weaker. Too often, 'community' is presented as a cohesive unit, but in reality communities are contested spaces in which conflicting as well as mutual interests abound. The state has a role to play as a funder, broker and neutral arbiter, protecting the weak against the strong and ensuring an agreed standard of service provision is delivered.
2. **Target carefully what little public funding remains:** Against the backdrop of austerity, it is more important than ever that what public funding exists is used to greatest effect. The role of the public purse should be to fund organisations that would struggle to find funding elsewhere – this might include under-resourced groups working in areas that lack donor-appeal, such as disability or alcohol issues, and those operating in areas with a weak private sector where business or corporate giving is not forthcoming.
3. **Structure private giving and match it in priority areas:** Too often, relationships between the VCS and private sector are ad hoc, intermittent and small-scale. And in areas with a weak business base, revenue from giving is more likely to be insufficient. To ensure greater giving results in organisational sustainability for recipients, a structured approach is needed. A strongly branded local community fund in priority areas, backed by a government pledge to match a proportion of business donations for a fixed period, would help to encourage more giving in areas that need it most

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