

Mixed fortunes: the funding of the local voluntary sector

A study at Manchester University analyses the income structure and funding experience of a sample of 17 voluntary agencies in the North of England since 1989, with particular emphasis on changes in local statutory funding since April 1993. It also explores the policies of statutory agencies on voluntary sector funding, their perceptions of the voluntary sector's role and their awareness of its fears for the future.

f 1993/94 saw precipitous growth in the total income of the sample - 26% in real terms. The statutory funding of organisations working with older people more than doubled between 1992/93 and 1994/95 while support to those working with children and families increased by 20%. Community care and the funding available to implement it have created opportunities for some voluntary organisations.

f This pattern obscures the day-to-day experience of these organisations. While funding for certain areas of work has increased, other services are under growing pressure. Existing statutory grants have failed to keep pace with the real costs of some services; other sources of income are being eroded by recession; income from donations is static; competition for grants from charitable trusts has increased. In some cases, increased service provision is supported by an under-resourced infrastructure.

f Larger or high profile organisations are most successful in attracting new statutory funding. They are more likely to secure contracts and are better able to negotiate favourable terms. The 'mixed economy of welfare' may be dominated by these organisations.

f Statutory agencies have a short-term perspective, driven by immediate purchasing requirements. They also have limited knowledge of existing providers. These factors and financial constraints give rise to purchasing behaviour and criteria which may exclude some organisations. There is little concern about a possible split in the voluntary sector between organisations which will participate successfully in the contract culture and the rest. And there is little recognition of voluntary sector fears about loss of autonomy, difficulties for user involvement and a changing role for volunteers.

Financial profile

1989/90 to 1992/93 saw significant growth in the total income of this sample (40% in real terms) and in particular in statutory funding. This was nevertheless seen by many organisations as a period of constraint and uncertainty. Income was perhaps growing from a low base; new funding was rarely sufficient to cover the costs of new services; funding was patched together from many sources; and vast amounts of time and energy were required to secure and maintain funding.

The total income of the sample increased more sharply in 1993/94 - from £1.6 million to £2.09 million (26% in real terms). Overall, the sample is very dependent on statutory funding which increased to £1.2 million. The pattern over time, however, and between individual organisations is a mixed one.

- The total income of all but two of the sample declined in real terms at some point since 1989 and funding continues to be volatile. One-tenth of all statutory funding in 1994/95, for example, came from time-limited funding agreements (Urban Programme, Opportunities for Volunteering and Joint Finance) and were to expire that year. This affects individual organisations dramatically.
- Until 1992/93 there was no clear pattern as to which organisations were most successful in funding terms. In 1993/94, however, those working with older people experienced significantly greater increases in funding.

Only one quarter of the identified increase in statutory funding between 1992/93 and 1994/95 came from local authority mainstream or grant aid budgets. Over half is Special Transitional Grant funding (made available for the implementation of community care). This has had a dramatic impact on some organisations' income and on the level and range of services they provide.

Although almost 60% of these organisations' total income derives from statutory funding, there remains a very important 40% which is pieced together from other sources. This funding is vital, but precarious. Support from private business is insignificant to organisations which are relatively small and locally based. Income from fund-raising events, from individual donations and from trading activity and client fees all declined slightly in real terms in 1993/94. Legacies increased but are unpredictable. Although funding by charitable trusts

increased by 23%, they are described as becoming more focused in defining funding criteria in response to growing demands.

Financial realities

There is a difficult reality behind the recent financial growth. Although the total income of organisations working with children and families increased by 14% in 1993/94 and statutory support by 20%, there has in fact been little scope for the expansion of existing services. The increase in funding from local authority budgets has been relatively insignificant. Any new development has tended to be funded through short-term special programmes. Many struggle to maintain their existing services; in some cases these have been curtailed and workers made redundant, or charges to users have increased significantly.

Organisations working with older people now face a dual challenge - managing the rapid growth and development of certain services brought forward by care in the community, while simultaneously managing financial constraints. Organisations articulate the dilemma they face when confronted with the opportunity to expand or develop new services while their core activity is under-resourced, their physical infrastructure inadequate and when there is a need to consolidate existing services. Although in some cases increased funding did reflect their existing development objectives, for many the response was opportunistic rather than strategic.

Many organisations are also dealing with the replacement of 'arm's-length' grant aid by service agreements or contracts. Over the last 18 months the number of the sample which has had any experience of contract negotiation has grown from 3 to 14. Even where the process has not been contentious, it has been very time-consuming with discussions continuing for up to a year. Some negotiations have been difficult, however. In one example, it took eight months to conclude an agreement for only £3,000.

A difficult and changing funding environment, compounded by recent charity legislation, has increased the demands on management committees. A striking number of organisations have become concerned over the last 18 months to attract volunteers with legal and financial expertise, have restructured their management tier and refined accounting procedures. The evidence suggests that committee structures, committee membership and employment hierarchies will look very different in the future, raising concerns as to the future role of

traditional volunteers and the scope for user involvement.

Winners and losers

The picture of winners and losers in the funding arena is more complex than simply a division between organisations working with older people or with children. In the development of community care services, those which are most successful or confident tend to be:

- those which are relatively large, where size is a catchword for the level of resources, management structure, management skills, the capacity to network, and track record;
- those which dominate a particular market area (in terms of service, client group or geographic location) irrespective of their size;
- those which are active and influential in important political and professional networks and are affiliated to national bodies.

These are the organisations which will also be able to negotiate favourable contract terms. Other organisations will be led by the statutory sector, if they are not altogether marginalised. Issues of race, class, gender and culture also influence access to funding through the ways in which formal mechanisms and informal networks of information and influence operate.

Statutory sector policies and perceptions

All six statutory authorities interviewed are moving away from traditional ad hoc funding relationships with the voluntary sector. However, the picture is varied, both in terms of the rate of progress and the view of when contracts and service agreements are appropriate. Voluntary organisations welcome the greater clarity of more formal agreements. The latter also provide a basis in some cases for the renegotiation of funding levels. Of longer term significance, however, is the more detailed definition of funding priorities. These are increasingly related to the statutory sector's own service plans and purchasing requirements. This will have a deeper impact than the mechanics of introducing service agreements.

Statutory agencies' perceptions of the role of the voluntary sector, their knowledge and understanding of it, their purchasing strategies and budgets will be central in determining the future of that part of the

sector which depends on their support. In some authorities there is a hierarchy of preference for certain types of provider - some favour the voluntary sector; some do not consider that it is ready to perform the role which central government policy expects of it and are defining their funding and purchasing strategies accordingly. Information on local voluntary agencies, however, was acknowledged to be inadequate and there was little recognition of the concerns of the voluntary sector surrounding the introduction of contracts.

In the context of developing a market for welfare services, it was agreed that there were problems about the participation of smaller, newer and black-led organisations. Nevertheless, purchasers are concerned about the higher unit costs involved in a proliferation of smaller contracts; while value for money is recognised as an important and different concept from unit cost, least-cost alternatives release additional resources for the short-term purchase of services. Although user choice is a key concept in current legislation, there is also a greater degree of confidence in larger organisations with known track records. There is therefore a real prospect of polarisation within the sector.

Conclusions and recommendations

The last two years have witnessed a period of significant change and challenge for our sample of voluntary organisations. These changes are equally challenging to local statutory agencies, which have sought to bring a service-oriented rationality to funding policies; which in the past have had a particular relationship with the voluntary sector but must now engage the private sector in the market place on a 'level playing field'; and which must also ensure maximum service provision within budget constraints. Although the current changes in the relationship between the statutory and voluntary sectors are profound, the future implications of these changes were not an immediate priority for the statutory sector.

We would agree with the views of our statutory sector respondents about the added value which voluntary sector providers often offer - diversity, innovation, flexibility, user participation, sensitivity to local community needs - and would argue that the future of the sector must be a concern for statutory agencies. To provide user choice, there must be diversity of supply. To secure future provision, smaller, newer organisations and those which may not at present have a competitive advantage will need support. It will be important that statutory

Source	89/90	90/91	91/92	92/93	93/94
Statutory funding	422,283	555,324	657,561	799,761	1,036,955
Trusts and charities	145,960	169,324	139,764	144,961	178,969
Business interests	6,769	3,146	2,972	2,126	9,232
Other donations	81,931	107,847	119,312	121,929	119,718
Bequests	52,376	33,669	61,894	29,522	117,835
Sales and clients fees	140,915	126,210	135,921	160,869	151,003
Fundraising events	75,225	78,039	95,106	66,230	60,749
Investments	74,537	75,595	81,445	72,393	70,845
TV appeals	4,808	12,288	799	5,708	3,161
Other income	17,766	16,033	17,968	10,242	32,108

agencies map local voluntary activity and monitor its changes.

If the long-term dynamic of the sector is to be preserved there is a need for a debate about the role of grant aid budgets, about the level of community care budgets and the implications for purchasing strategies. There is also a need for discussion with trust and corporate funders about the strategic role they may play in supporting an independent and vigorous local voluntary sector.

The contract culture demands new skills of the voluntary sector. Local authorities have gone some little way towards providing training. Consultants and umbrella voluntary organisations have also produced handbooks, guides and training packs. These are not always appropriate for small agencies. Local consortia and networks of voluntary organisations can be an important means of sharing and developing necessary skills.

About the study

This is the second study in a programme of work on voluntary sector funding. The first analysed the income of a sample of voluntary organisations in the North of England, to consider how funding had changed between 1989 and March 1993. This phase has continued that work, examining the particular impact of important changes in local statutory funding since April 1993. The sample comprises organisations working primarily with older people or children and families. While not representative in a statistical sense, their experience over the past two

years illustrates issues faced by many voluntary agencies involved in the provision of welfare services. There were also detailed qualitative interviews with officers in 6 statutory agencies.

Further information

Further information about the study and a copy of the full report (priced £7.95) is available from the Department of Social Policy and Social Work at the University of Manchester, Oxford Road, Manchester M13 9PL. Contact Lynne Russell, Duncan Scott or Paul Wilding, Tel: 0161 275 4764.

Related *Findings*

The following *Social Policy Findings* look at related issues:

- 22** National survey of volunteering (Dec 91)
- 26** The role of volunteer money advisors (Feb 92)
- 27** The changes facing charitable trusts (Feb 92)
- 32** Self-regulation by charities (Nov 92)
- 35** The impact of the private sector on voluntary organisations (Mar 93)
- 38** Support for the development of community-based credit unions (Jun 93)
- 41** Funding the voluntary sector: a case study from the North of England (Sep 93)
- 51** The payment of volunteers (Jun 94)
- 75** The determinants of volunteering (Mar 95)

For further information on these and related *Findings*, contact Sally Corrie on 01904 654328 (direct line for publications queries only; an answerphone may be operating).



Published by the
Joseph Rowntree Foundation
The Homestead, 40 Water End
York YO3 6LP
Tel: 01904 629241 Fax: 01904 620072
ISSN 0958-3815

The Joseph Rowntree Foundation is an independent, non-political body which funds programmes of research and innovative development in the fields of housing, social care and social policy. It supports projects of potential value to policy-makers, decision-takers and practitioners. It publishes the findings rapidly and widely so that they can inform current debate and practice.