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Social Care, Contracts and Voluntary Sector Providers

Joseph Malcolm Todd

A thesis submitted in partial fulfilment of the
requirements of Sheffield Hallam University
for the degree of Doctor of Philosophy

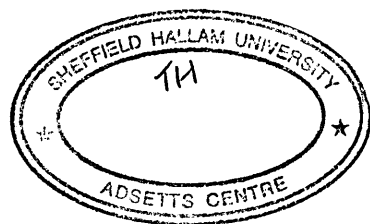
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Ecclesall, Sheffield

July, 2001.

ABSTRACT

Social Care, Contracts and Voluntary Sector Providers

A thesis submitted in partial fulfilment of the requirements of Sheffield Hallam University for the degree of Doctor of Philosophy

This thesis concerns the impact of purchase of service contracts on voluntary sector providers of social care. Voluntary agencies in Britain have traditionally received annual grant-aid from local authority social services departments in acknowledgement of the many different care and support services they have provided to the community. However, following the reorganisation of the personal social services in the early 1990s (National Health Service and Community Care Act 1990), this funding mechanism shifted increasingly towards a tighter, contractual, relationship in which expectations about service levels, monitoring arrangements, quality and costs were made explicit and formally agreed. This changes the way in which voluntary sector providers have to work, their relationship with statutory sector agencies and their interface with the wider community.

Whilst interest in social care contracting is growing, policy analysts have done little to qualitatively study the contracting process from the voluntary sector perspective. This study aims to bridge this gap. It offers a close examination of twenty-three voluntary sector agencies in four local authorities in England. It sheds light on the impact of replacing grant-aid with contractual income, contributes to the understanding of how voluntary sector providers of social care services experience the contracting process and explores how the local authority-voluntary sector interface is developing. Understanding the voluntary sector perspective on social care contracting can assist statutory sector purchasers to develop systems that best meet both sectors' needs.

Prominent amongst the findings are the following: (1) despite the introduction of a 'quasi-market' in social care there was little evidence of a competitive market for contracts between voluntary sector providers; (2) local authorities were inclined to offer service agreements to recognised and trusted voluntary sector providers; (3) the language and legal status of social care contracting is regarded as ambiguous by voluntary managers - different local authorities have adopted distinct language and definitions; (4) the notion that voluntary providers are the preferred providers of local authorities was questioned by a number of statutory sector respondents - there was evidence that statutory sector purchasers were willing to make use of the for profit sector for service provision; (5) whilst some voluntary providers had been able to negotiate successful contracts with purchasers many commented on the conflictual nature of this process; (6) the monitoring of contracts is very mixed and there were concerns over the robustness of local authorities in collecting relevant data.

Joseph Malcolm Todd

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Chapter 1

Introduction

Chapter Themes

Overview

General Context

Aims of Study

Overview of Chapters

Purpose and Significance of Research

1.0 Overview

The voluntary and community sector in Britain has been the focus of growing social policy debate and research. Much of this concern has centred on the role this sector is playing in the policy agenda, especially in the delivery of welfare services on behalf of a range of public sector institutions.¹ This study is specifically concerned with how, following the implementation in 1993 of the National Health Service and Community Care Act 1990, local authorities in England were required to make increased use of contractual agreements to purchase services from a range of voluntary organisations and other independent sector providers. These contractual agreements, distinguished by tight, rigorous criteria for funding, are increasingly being used in place of traditional, more loosely defined funding agreements like grant aid.

At the time of this research, much of the British social policy and public sector literature focused on the new purchasing role of local authorities (see, for example, Common and Flynn, 1992; Wistow *et al.*, 1994, 1996). However, there was a dearth of research literature on how those voluntary sector organisations that are contracted to provide care for a range of client groups in the personal social services had been involved in, and made sense of, the new funding environment. The purpose of this study is to explore and analyse the social welfare voluntary sector experience and perception of the so-called 'contract culture' in the context of the changing nature of the relationship between local authorities and the voluntary sector. The study aims to provide data that is relevant to policy makers and the various actors involved in the contracting process.

The intention of this chapter is to set the context for the rest of the thesis. It is divided into four main parts. The first section provides background information on the study; the second gives a brief description of the main aims of the study and the third describes

the structure of the thesis. It concludes by outlining the main purpose and the significance of the research. This introductory chapter is followed by several literature review chapters, the research findings and a concluding chapter.

1.1 General Context

The British state has played a long and vital role in identifying, articulating and addressing the social needs of its people through both national and local means. However, this is changing in the United Kingdom and elsewhere where fundamental reforms of the state have taken place, in particular with regard to its role in welfare delivery. According to one commentator, central to the so-called 'restructuring' or structural transformation of state welfare in Britain has been the introduction of a range of market principles into public services (Johnson, 1999).

This development should also be seen in union with the states role changing from that of direct service 'provider' to that of an 'enabler'. Indeed, there has been a greater encouragement of independent sector providers of mainstream welfare which was part of the ideological commitment of the Conservative Party which was in government from 1979 to 1997 to contain, if not reduce, the role of the state and to encourage a greater reliance on the 'independent' sector provision of services; that is, market, voluntary sector and the family (see, for example, Johnson, 1999; Perri 6 and Kendall, 1997; Wolch, 1990; Waive, 1992).²

In essence, the Conservative administrations of the 1980s and early 1990s aimed to move statutory involvement away from direct provision of services towards a planning, regulating and financing role of independent sector providers positioned in the informal, commercial and voluntary sectors. It was reasoned that this ideological shift, with a change in role for the statutory sector and the push for a greater alliance between the state and the independent sector, would introduce a series of benefits: (1) an increased choice of services; (2) meeting individual need in a more flexible and innovative way; (3) competition between providers would achieve more efficient and cost-effective service provision.³

1.1.1 Community Care Policy

The contracting out of central and local government services to the independent sector is especially evident in the changes that have taken place in social (community) care policy and practice since the early 1990s. For the past fifty years or so, such delivery has been (in the main) through the direct provision of local authority social services

departments. However, the changes to community care policy (outlined in the National Health Service and Community Care Act 1990) introduced a range of organisational and administrative changes within local authority social services departments. The Department of Health (*Caring for People*, 1989: para 3.4.1) emphasised that, while local authorities might still pay for social welfare services, they might not be the main providers⁴:

The [Conservative] Government will expect local authorities to make use wherever possible of services from voluntary, 'not-for-profit' and private providers insofar as this represents a cost effective care choice. Social services authorities will continue to play a valuable role in the provision of services, but in those cases where they are still the main or sole providers of services, they will be expected to take all reasonable steps to secure diversity of provision ... [they] will be expected to make clear in their community care plans what steps they will be taking to make increased use of non-statutory service providers or, where such providers are not currently available, how they propose to stimulate such activity.

Within this new mixed economy, the community care reforms also identified the need for greater clarity in statutory funding of the voluntary sector if its potential contribution was to be developed. The Conservatives called for public funding agencies to develop an increasingly contractual relationship with the service-delivering voluntary sector that they financed. The community care reforms have required local authority resources were to be provided only on the basis of clearly agreed service delivery targets and the monitoring of such service provision. The official rationale for the establishment of such social welfare contractual relationships was the belief that a competitive market, within a mixed economy of provision, would provide better value for money and more cost effective services than a monopolistic bureaucratic public sector (H.M.S.O, 1989).

The National Health Service and Community Care Act 1990 has attracted much analysis. However, the specific central concern of this research project was with the implications of contracting for care for voluntary sector providers of social welfare services. While there has been a history of the state obtaining services from voluntary sector organisations through contractual agreements, the main funding mechanism was yearly grant aid. This allowed a loose funding arrangement for activities that were mainly defined by the voluntary sector organisations themselves. From the late 1980s, however, many voluntary organisations have seen existing statutory funding arrangements formalised and have become progressively more subject to tighter service specification and increased accountability (Russell and Scott, 1997).

However, it was the implementation in 1993 of the National Health Service and Community Care Act 1990 in particular that required social services departments to restructure their funding arrangements into a more contractual relationship; these would include precise specifications about the obligations of providers and to increase monitoring, evaluation and accountability for public funding.⁵

1.1.2 Implications for the Voluntary Sector

The academic literature suggests, not surprisingly, that the policy decision to introduce a market for the personal social services represented a major change in the way voluntary sector organisations operate and relate to statutory sector funders (see, for example, Lewis, 1993, 1994; Waine, 1992; Wolch, 1990). The changes to community care have presented both challenges and opportunities for voluntary sector providers. For example, analysts such as Harris (1993) and Taylor and Lewis (1997) have argued that the 'contract culture' might present opportunities for the voluntary sector to expand its role in society, although this growth might suit a specific type of voluntary organisation (large, white, well-established, well-funded, offering services in line with statutory sector priorities). Another important benefit of the reforms was that such voluntary service providers would be given the right to a consistent and secure source of funding.

On the other hand, however, the new funding arrangements, with their emphasis on competition, value for money, accountability, managerialism, performance measurement and consumer choice, could negatively affect the historical *raison d'être* of the voluntary sector: its mission, autonomy, flexibility, advocacy and campaigning role. Several commentators (see, for example, Pinder, 1993; Waine, 1992; Perri 6 and Kendall, 1997; Gardner, 1993) have drawn attention to the potentially detrimental effect upon the working of the voluntary sector as a whole of the competition that underpins contract funding. They point to the implications contracting may have for community mobilisation, the delivery of accessible services and the impact contracting may have for civil participation and involvement in the community. Contract funding, it has been argued, has the potential to deprive those working in the voluntary sector of control over their work:

[Contracts] replace the distinctive ethos and voice of individual voluntary organisations with the stifling official ideology of 'efficiency' and 'effectiveness', bringing with it a creeping commercialisation and commodification of service provision and internal management, and an increasingly craven approach to campaigning. (John Gardner, *The Guardian*, 8th October, 1993).

It must be said, however, that much of the discussion thus far on the development of contractual relationships has been mainly speculative, based more on ideological dispositions for or against such a policy shift than on empirical evidence. Policy makers, politicians, social services administrators and social policy theorists still deliberate the merits and demerits of contracting social services, even while accepting the absence of relevant research. The literature in the United Kingdom indicates that a great deal remains to be understood about the provision of contracted services, the contracting process itself and, importantly, the implications for the voluntary organisations themselves.

1.2 Aims of the Study

Given the above, this study starts from the proposition that social welfare contractual agreements, as outlined in the National Health Service and Community Care Act 1990, would be better understood by drawing upon the knowledge and experience of those managers in voluntary organisations who were involved in the contracting process. Several specific themes emerged from the relevant literature and these were studied.

The Voluntary-Statutory Sector Interface

With regards to the shift to contract funding for service provision, what do voluntary organisations think about the changing nature of the voluntary-statutory sector interface? How are voluntary agencies selected for contractual funding agreements? How are voluntary service providers responding to the new language of purchase-of-service contractual agreements? What are the implications of a more market-driven approach to social care? What impact is there on the relationship between funders and voluntary organisations?

Contract Negotiation Process

Contracting introduces new ways of working for a range of different social care stakeholders. What are the practicalities facing voluntary organisation managers and co-ordinators in the 'contract culture', in particular the contract negotiation process? How do purchaser and provider agencies go about the process of negotiation? What problems does this raise?

Monitoring

Under the National Health Service and Community Care Act 1990, local authority social services departments are required to monitor the quality of contracted services provided by non-statutory sector providers. They are expected to collect relevant,

accurate and complete information from providers to ensure that certain standards are met. What are the structural arrangements for monitoring contractual agreements and how these arrangements operate, from the perspective of the voluntary organisation? What types of data do local authorities collect? What issues does monitoring raise for providers?

Voluntary Agency Goals and Value Base

What impact does contracting have on voluntary agency goals and value base? What were the main benefits that voluntary agencies brought to the social care market? How did local authorities perceive voluntary agencies in this respect? Was contracting affecting the traditional strengths of voluntary sector activity?

Research into voluntary organisations operating with social welfare service contractual agreements is timely, hence the desire to carry out this investigation to answer these and other questions. The original empirical research on which this thesis is based explores the experience and perceptions of voluntary organisation managers to the introduction of social welfare service contracts. The research is based largely on face-to-face interviews with personnel in twenty three voluntary agencies based in four English local authority localities. In addition to the interview data, the research reviews published and unpublished documentation in the study localities, including service agreements, contractual agreements and local authority community care plans. The study examines those voluntary organisations that provide many personal social services within the community. The contractual interaction is also considered from the perspective of local authority social services departments through interviews with a small number of local authority respondents.

1.3 Overview of Chapters

The thesis is broadly structured into three interrelated parts and sub-divided into ten chapters. First, the literature review (Chapters 2, 3 and 4) serves the purpose of shaping the policy and conceptual framework for this research. Part 2 then seeks to clarify the research rationale and reveals the methodological process and procedures that this research adopted (Chapter 5). The research findings are reported in Part 3 (Chapters, 6, 7, 8 and 9). Chapter 10 offers conclusions, policy implications and suggestions for future research. A brief introduction to each chapter now follows.

Part 1

The review of the literature starts in Chapter 2, looking at the policy framework which marked the Conservatives (1979-1997) intention to change the role of public services with the state becoming much more of an 'enabling' mechanism whereby funding and production of social services are administratively separate. This development is explored within the context of the more market-based approach in welfare services that has encouraged the commercial, informal and voluntary sectors to take on an expanded role as direct service providers, selling care to local authority social services departments, which are seen as purchasers of care services. In particular voluntary sector service provision is placed in an historical context and the changing interface between the state and the voluntary sector is highlighted.

The examination of the voluntary sector is extended in Chapter 3. This offers a succinct description of the main characteristics of the British social welfare voluntary sector. It starts by looking at issues of definitions and typologies before examining several of the traditional claims for voluntary services about their cost-effectiveness, advocacy role, high quality of service, flexibility and user participation. However, it will be argued that while some of the literature has provided valuable insights into the positive contributions of voluntary activity, much of the evidence suggests that these attributes are not borne out in empirical reality.

Chapter 4 turns to the development of contracts for social welfare services. Previous literature and research findings are explored, concentrating in particular on issues around definitions and typologies of social welfare contractual agreements. It then considers some of the claims made for and against the increased use of purchase-of-service. Finally, and to help place the development of contracting in Britain into some kind of perspective, section 3 looks at the experience of the United States which has a longer history of the purchase of social welfare services.

Part 2

Chapter 5 moves on to describe the overall research design and the qualitative approach to the study that was used. Each stage of the research process is examined with regard to methods used, strategies adopted, the instruments used for data collection and methods of analysis. Limits of the research method or the problems encountered in the process are integrated throughout the methodological chapter, and are also addressed at specific points in reporting the findings. The study is one of the

first attempts to make an examination of four specific localities in Britain, concentrating on the voluntary organisation perspective of the 'contract culture'.

Part 3

The main findings of the study are presented in Chapters 6, 7, 8 and 9. They draw upon the original empirical data collected from the four case-study localities. They detail the insights, experiences and developments relating to the specific forms of contractual relationships that have developed between voluntary sector organisations and local authority social services departments. These chapters identify specific aspects of the contracting process and how voluntary agencies are coming to terms with the 'contract culture'.

Chapter 6 begins by describing several of the main characteristics of the participating voluntary organisations. It takes into account a range of variables that might be relevant to the efficacy of contracting, including aims, activities, size, scope, funding base and other organisational features. This snap-shot picture will allow the ensuing research findings to be fitted into a basic organisational characteristic framework.

Chapter 7 examines the way the sample local authority social services departments have introduced service provision contractual relationships to replace grant aid funding for voluntary sector providers. It begins by exploring data relating to the way the local authority purchasers go about the process of selection for voluntary sector providers of care services. It then looks at the nature of the changing relationship between these two actors. It examines, in particular, local authority perceptions of the sustainability of voluntary provision in the social welfare market.

Chapter 8 addresses aspects of the contracting process. It begins by exploring the practicalities and challenges facing voluntary organisation managers who have negotiated service-provision contractual agreements. After that it moves on to consider the way in which service-provision contractual agreements between local authority social services departments and the sample voluntary organisations were monitored. The data from the study shows how contract monitoring has demanded more precise record keeping on units of service provided, trends over time, unit costs, and the demographic characteristics of those receiving services and much more. However, evidence from the study also shows that the monitoring process was seldom applied rigorously and thoroughly, and that service-providing agencies were given discretion in its interpretation and application.

The discussions on the experiences of voluntary organisation managers of the 'contract culture' is continued in Chapter 9, which looks at how contracting might be impacting upon voluntary organisation goals. It reports voluntary organisation managers' views about the perceived value of their activities to local authority purchasers. It also explores the way in which the implementation in 1993 of the new funding arrangements under the National Health Service and Community Care Act 1990 affects the autonomy of the voluntary sector. The impact of the contractual system upon the wider role played by the voluntary sector within the community is then considered.

In conclusion, Chapter 10 discusses the implications of the findings, both for policy and for voluntary sector practice, and suggestions are made for a future research agenda vital to the future of the voluntary sector.

1.4 Purpose and Significance of the Research

This study contributes to a debate which has received very little systematic consideration in the United Kingdom. Where it has, the voluntary sector point of view of social care contracting and the emerging social care market has been subsumed under the changing role of local and health authorities to 'enabling' bodies. However, little discussion has taken place about the ways in which voluntary groups, as important providers in the mixed economy of care, are dealing with the so-called 'contract culture'.

In order to address the emerging concerns of service-delivering voluntary organisations, this study aims to increase knowledge and understanding about policies and practices at the local authority-voluntary sector interface. The study aims to meet its objectives by using a qualitative approach that builds on theory grounded in the data. It achieves a better understanding of the difficulties and problems that service-delivering voluntary organisations face, not only by contributing to the knowledge of this area but also by providing local authority social services departments and other statutory sector purchasers with data and analysis relating to the experiences of voluntary organisation managers. It reveals how these experiences of the contracting process were shaped by the approach to contracting adopted by purchasers.

The findings disseminated from the research will help to build a more complete picture of voluntary organisation managers' experiences and views of the contracting system. The findings of the study will be of interest to voluntary organisation employees and volunteers, particularly those who are involved with contract services with statutory

sector bodies. These findings will be of interest to, and provide pointers to, what purchasing organisations might do to develop, improve and manage their relationships within a vital aspect of the mixed economy of welfare. The study should also be of value to those who are interested in the increasing trend towards the marketisation of the welfare services in the United Kingdom.

In brief, this study aims to make a contribution to the wider debate that began under the Conservative Party in government from 1979 to 1997 and is continuing under the 1997 New Labour administration, about the voluntary sector and its interface with the state. The issues of the statutory-voluntary sector interface, the notion of partnerships, the shift to contract funding, and the monitoring of social care contractual agreements are prominent in recent literature. These are the central issues of the study.

Part One

Literature Review

Chapter 2

Policy Context: Public Sector Reform

Chapter Themes

The Context for Change

Public Sector Reform

Key Providers in the Mixed Pattern of Care

2.0 Overview

Commentators have argued that successive British Conservative governments from 1979 to 1997 encouraged the belief that central and local government should no longer act as monopolistic providers of services. In its place, statutory sector involvement should be restricted to planning, co-ordinating, regulating and financing social care and other public services. In short, governments should aim to provide less in the mixed economy while informal or family carers, the commercial and, in particular, organised voluntary sector should produce and provide more (see, for example, McCarthy, 1989; Johnson, 1990; Waine, 1992; Pinker, 1992).⁶

This chapter provides an overview of the literature on various aspects of the public sector reforms that took place in Britain in the 1980s and early 1990s. Its main function is to set the policy context for the research, first, by exploring the general context for the changes in public sector policy and second, by looking at the way in which a range of reforms have been introduced into public services in Britain, with specific reference to the 1990 reform of community care. Finally, and central to changes in the public sector, is a discussion of the mixed economy of welfare.

2.1 Background

The state has played a dominant role in the production and delivery of welfare services over the past 90 years or so. It has been shown by Le Grand (1996, p. 151) and others (see, for example, Owen, 1964; Murray, 1969; Fraser, 1973; Johnson, 1981) that, throughout the development of British welfare policy, the state 'not only funded the supply of social services such as education, health care and social care, it provided

them as well'. The state had power over, and operated most of, the institutions and agencies that provided these services and employed the staff who worked in them. Although social policy historians disagree over precise dates, this responsibility for welfare began, in its most consistent form, with the Liberal government's social reforms of the early twentieth century (1906–1919), when services were established in the fields of social security, health, education, housing, employment and the treatment of offenders (see, for example, Fraser, 1973).

However, the movement towards greater state intervention in social policy reached its peak in the post-Second World War years with far-reaching reforms emanating from the *Beveridge Report* of 1942 (Beveridge, 1942). The 1942 Report was a blueprint for post-war social policy calling for action against the 'five great giants' – want, disease, ignorance, squalor and idleness. It argued that there should be a considerable extension of both the health and social security services. The first plan for a comprehensive national health service was published by the Government in 1944 and embodied in the *National Health Service Act 1946* which was introduced in 1948 (Lowe, 1993).

Following the general election of 1945, which brought a majority Labour government to power for the first time, objectives were set to promote social equality and attainment of a minimum standard of social conditions below which no one should fall. Under a new political and economic post-war climate, which advocated the creation of full employment, the British welfare state would expand, with the majority of the provision in education, health and income maintenance being provided by the state. Social care, previously delegated to family or friends and charitable organisations, would also become part of state welfare (Royle, 1987).

The creation of the welfare state was based on an ideological vision for society. To quote Bevan (1961, in Watkins, 1978, p. 150) on his discussion on the period of the establishment of the national health service, which provided health care to all regardless of income, the ultimate rationale was for collective resources and this would mean that: 'society becomes more wholesome, more serene and spiritually healthier, if it knows that its citizens have at the back of their consciences, the knowledge that not only themselves, but all their fellows have access when ill to the best medical skill can provide'.⁷

In short, the state would assume responsibility for financing and planning a wide range of welfare services in order to bring them within the reach of the whole population.

There was a commitment that all clients within particular target groups should receive a 'national minimum standard' of service which would be equivalent in all geographical areas. Governments of various political persuasions applied the principle that services and assistance would be provided to all on the basis of need and not ability to pay.

However, since the mid-1970s state welfare in Britain came under ever-increasing criticism. It is generally recognised that the economic, social, demographic and intellectual conditions were changing so that large bureaucratic governments, and especially state provided welfare, were becoming increasingly less acceptable to welfare users and the critics of the welfare state.⁸ One of the key problems for state welfare was the rising cost of state welfare as a share of national income during a period of economic stagflation.

The faith in Keynesianism as an effective tool for economic management was being gradually weakened; there had been a slow-down in economic growth in the mid-1970s, due to a world recession caused or intensified by the OPEC oil embargo (Self, 1998). This recession, coupled with growing public expenditure, rising inflation and unemployment, played a dominant role in the activities of public, private and organised voluntary sector of the economy and restricted their provision of services (Hutton, 1995; Hadley and Hatch, 1981). There was a growing recognition that financial resources were becoming much more limited and a debate grew over how such resources should be best allocated. In short, there was a developing argument being made by politicians and economists that the state simply could not afford to provide universal welfare.

Writers on both the political left and the right expressed significant reservations about, and criticisms of, the efficacy of the British welfare state.⁹ Many analysts on the political right were critical, arguing that: (1) welfare bureaucracies were creating new needs; (2) statutory agencies encouraged people to become too dependent upon the welfare state; (3) people were being denied a choice of services; (4) public services were too rigid and unapproachable by those in need; (5) statutory agencies were wasting resources on excessive administration; (6) statutory agencies were protecting their own interests at the expense of service users (see, for example, Boyson, 1971; Joseph, 1976; Novak, 1996; Green, 1993; Friedman, 1962).

Furthermore, it was argued that state welfare provision had diminished freedom. Goodin (1982), for example, believes that there are several areas in which the welfare state had reduced freedom, by; (1) infringing the freedom of taxpayers to dispose of

their property as they pleased; (2) by limiting the range of services; (3) by paternalistically directing citizens towards defined choices; (4) by imposing bureaucratic and legal restrictions on individuals; (5) by producing dependency among welfare recipients. According to Corrigan (1983, p. 3), in this period 'Public services continued often to treat people as a potentially recalcitrant mass, while the private supplier of goods and services wooed them as individuals of taste, discrimination and independence'.

On the political left and central ground, too, there was a concern about the way in which government was responding to new emerging social needs. According to Gladstone, for example, state services were too big, overbearing, inefficient and unaccountable to identify new needs (Gladstone, 1979). Furthermore, liberal and left-leaning academics like Townsend (1971), Titmuss (1963, 1970), Silburn (1971) and Pinker (1971) criticised the welfare state for not accomplishing its original goals of the abolition of poverty and the redistribution of wealth.¹⁰ Julian Le Grand (1982), for example, argues that public services have, historically, offered more benefits to the middle classes than to the working classes.

A common theme in much of the criticism of state welfare by the critics on the right and left wing of politics was the so called problem of inefficiency. The word 'inefficiency' has featured much in the criticisms of the British welfare state since the 1960s. And there are a variety of rationales given by commentators for why direct government provision had been perceived to have failed to be efficient. A common argument made is that public sector organisations are often monopolies and have neither threat of sanction nor threat of take-over; this lack of competition might reduce the incentive to keep costs down. The Adam Smith Institute (1986, p. 14) noted that:

The public sector is not exposed to the commercial pressures which generate efficient operation within the private sector. For example a public operation which fails to satisfy its market does not risk bankruptcy in the same way that a private firm does. There is thus absent an important spur to efficiency. A public sector operation is usually protected by a complete or partial monopoly, and thus misses the impetus which the pressure of competition provides. A private firm must constantly watch to keep its costs down and keep its output attractive, or it risks a competitor taking its market. A public monopoly knows few such pressures. Absent too, in the public sector, is the compulsion to innovate, to keep abreast of new technology, and to keep a watching brief on the newest cost saving developments. Without rivals to take away its business, the public sector is insulated from these important pressures.

However, on the other hand, the traditional view of public services, informed by a range of public service ethics, might work to keep activities efficient. For example, Hood (1991) points out in his outline of the different strands of public service values that there is a desire, under the banner of 'keep it lean and purposeful', to keep services prudent. An organisational culture of effectiveness, with pride taken to ensure services are kept focused, controlled, and evaluated, might counter the lack of formal mechanisms to ensure efficiency. With the ownership of government activity shifting as services are contracted out to independent agencies, this particular view of public services might be damaged and the need for more formal controls for economic efficiency might be re-emphasised.

According to Ware, Todd and Taylor (forthcoming) there are a number of other issues to be considered here, including (1) the absence of a simple rationing device; (2) the problem of guaranteeing equity; (3) decisions made with inadequate information; (4) the bureaucracy of the public sector. These are now explored in more detail.¹¹

A major quandary for free or subsidised government welfare provision is the absence of a simple rationing device such as the price mechanism that exists within market systems. Excess demand might be addressed by queuing, waiting lists, or professional and bureaucratic decision making. None of these might prove to be very efficient, and those making decisions might pursue their own interests rather than those of the public or the government. These bureaucratic or professional decision-makers in local authorities and other public sector institutions might wish to raise their personal status by the size of their department, increase the amount of service to drive up their own income, or reduce their workload by under-providing services.

Another important issue raised in the literature on the perceived failure of governments to provide efficient services is the problem of guaranteeing equity. In theory, subsidies, taxes and means tests are aimed to ensure that there is equity in the distribution of the costs and benefits of services. However, higher taxes might prove a disincentive to work, stigma might prevent the take-up of means-tested services and many directly subsidised services are used disproportionately by the better off.

A further major problem with free or subsidised government provision in a planned economy is that decisions are often made with inadequate information. In a market economy, it is clear that prices convey information about the efficiency level of provision but in a planned economy, demand and supply is not mediated in this way. Governments, on the other hand, have deficient methods of assessing the benefit of

their goods and services and relating this to costs. Deciding on relevant priorities might be achieved by bureaucratic decision making, which might be not only slow but also lacking in sufficient information, or by voting procedures which also have their limitations. Voting every few years in elections might be too inadequate and infrequent a way of expressing preferences, even if it were possible for one vote to express responses to numerous different issues and services at stake.

If a government were perfectly informed of the needs of the population it could, in theory, achieve efficiency if it regulated the production of the quality or the quantity of its services. However, it would need information about the costs of suppliers which they might not be willing to give. A problem with regulation is that of the possibility of regulatory capture where inefficient results from the regulators colluding with the providing organisations against the public interest.

In addition to these arguments criticising the inability of governments to provide direct services, there are further reasons why public sector reforms were embraced by the Conservative governments from 1979 to 1997. It was felt that the old-style hierarchies and bureaucracies established in the post-war years were set up to tackle different problems from those faced by many western capitalist economies today. Osborne and Gaebler (1992), in their book, *Reinventing Government*, suggest that government organisations with hierarchical structures of authority was meant to 'confront dishonesty and inequity' but in doing so it caused a new set of problems by treating everyone alike. Whilst this might be seen to be problematic, it nevertheless fulfilled the purpose of an industrial age and it ensured that the social welfare basics were provided.

As Lewis (1994) suggests, government experiments with command economies this century were a result of the hostility felt towards privation and exclusion. Treating everyone in the same way by providing mass undifferentiated services might have met a need after the Second World War in Britain, but in a more individualist and consumer-orientated social order, it was no longer considered appropriate. Production techniques have been transformed and with them our expectations of what might be achieved for people.

Osborne and Gaebler (1992) suggest that in the new information age our needs are different, as are our abilities to deliver goods and services. They argued that because of the pressure on firms to cut costs, there has been a change from the 'Fordist' systems and technology of mass production of the assembly line, to more flexible 'post-

fordist' production systems and organisational forms, with greater fluidity in the labour market (see, also, Burrows and Loader, 1994). This process is analogous to the public sector break up of statutory monopolies, and greater innovation and pluralism in service delivery.

Le Grand (1991) suggests that there might be various explanations for these tendencies; he cites the development of new information technology, a world-wide disenchantment with the perceived inefficiency and dehumanising character of large organisations, and the possibility that it is easier to reduce the power of trade unions if suppliers are fragmented. Le Grand (1991) argued that the very universality of these phenomena suggests that there are fundamental forces at work which it might be difficult to over-ride.

There therefore emerged a series of criticisms concerning government failure, together with new production techniques and organisational styles that challenged the public sector both in relation to size and the way it was organised. The need for change was acknowledged across the political spectrum. As Gray and Jenkins (1995) point out in their review of the shift from public administration to public management in recent years, the debate ranges from the Conservative call for a smaller state, through the socialist demand for a more responsive state, to radical demands for a more empowering state where real power was devolved to lower level organisations and citizens. Although the reform strategies appear similar, they represent different political stances.

2.2 The Strategy of Reforms for the Public Services

Managerialism and Markets

As noted above, the traditional role of government in welfare provision was as a direct provider of services. However, following the shift in economic consensus away from state-sponsored, Keynesian economic intervention and back towards the classical belief in markets and liberal economics, one of the main principles of the 1979 Conservative government was a commitment to reducing the role of the state thus enabling a reduction in public expenditure. Andrew Gamble (1980, p. 14) in articulating the position of others noted this would be achieved by returning 'as many services in the public sector as possible to the market and to the family'.

In economics, the Thatcher years emphasised the virtues of the market and individual initiatives and the inequities of state intervention and bureaucracy. Influenced by the

philosophical and economic ideas of writers like Drucker (1969), Friedman (1962, 1980) and Friedrich von Hayek (1960, 1973), the Conservative Party, which was in government from 1979 to 1997 in Britain, increasingly asserted that the state should withdraw from those traditional areas of activity in welfare provision, areas where government had applied taxpayers money. Such commentators suggested that welfare services should be purchased by means of a contractual mechanisms from private providers, including the voluntary sector.¹²

As suggested previously, there was a belief that the lack of competitive stimulus was a major source of inefficiency in many of the services provided by the public sector. By introducing market principles into the public sector it was envisaged that there would be less waste, less bureaucracy, more responsiveness, and greater opportunity for citizen participation (see, for example, Ascher, 1987; Gamble, 1980; Flynn, 1993). The 'New Right' believe that the market is a mechanism through which the sum of individual choices might lead to progress and general benefit (Heywood, 1992, p. 82).

During the Conservative administrations of the 1980s and 1990s, there were moves to encourage local authorities to overhaul financial and management systems (using models drawn from business) in the adoption of what has been commonly referred to as 'new managerialism' or 'the new public management' (NPM).¹³ Indeed, local government in particular has been driven to appropriate the methods, techniques and approaches of those used in the commercial sector. NPM is something of an all-embracing term that has been used for a group of public sector reforms encompassing initiatives designed to restructure the public sector in order to achieve greater efficiency and effectiveness in service delivery, better value for money and better quality outcomes that offer more choice to service users (Deakin *et al.*, 1995; Hood, 1991). Politt (1990) points to controlling, measuring and monitoring activities, such as tight cash limits and cash planning, staff approach and merit pay schemes, and planning systems emphasising short term tasks. Central to the NPM approach is the creation of an environment in which business management techniques might be brought into public administrations, especially education and health. In Figure 2.1 Rhodes (1991, p. 29) neatly summarises its central doctrines.

Figure 2.1 New Public Management

- a **focus on management**, not policy, and on performance appraisal and efficiency
- the **desegregation of public bureaucracies** into agencies that deal with each other on a user-pay basis
- the **use of quasi-markets** and contracting out to foster competition; cost-cutting
- a **style of management** that emphasises output, targets short-term contractual relationships, monetary incentives and freedom to manage
- an emphasis on **greater discipline in resource use**, which means cutting direct costs and raising labour discipline

Source: Adapted from Rhodes (1991)

To help understand the NPM approach better there is a need to set this in the context of the development of markets. Put at its simplest, the market is based on a system of exchange where the demand of buyers interacts with the supply made available by sellers, thereby determining the resulting price. In the classical view, this would result in an efficient allocation in the economy as each actor in the market pursues his or her self interest (Johnson, 1995; Scruton, 1982; Hunt and Sherman, 1990). In the words of Adam Smith, competition was the force, an 'invisible hand', at work to make the pattern of distribution efficient, through market prices. New Right thinking in the 1980s similarly emphasised the need for such competition. Green (1987, p. 211) noted that 'As far as possible competition should prevail, or at least every supplier should be open to competition. Neither private nor government contrivances should be allowed to obliterate or blur the crucial signalling role of the free market'.

From this perspective, such an approach is far more desirable than any planned economy where decisions about production are usually made by centralised bureaucracies. What are the features that are common to this market process? Ware, Todd and Taylor (forthcoming) point to several central threads here: (1) Competition; (2) Choice; (3) Prices; (4) Costs.

Competition

First, the concept of pure competition is central to the way the market functions. Hunt and Sherman (1990, p. 318) point to four aspects here. First, a classical market in which there is perfect competition is where there are a large number of consumers maximising their utility and producers maximising profits, thus enabling consumers to compare costs and choose the provider who supplies the required goods at a price that can be afforded. Second, given that each seller supplies only a small proportion of the

overall market, its actions would have no effect on the price at which the industry sells the product or service. Third, new providers can enter into the market place. Finally, in each and every market, the product supplied is similar to that of other providers. Thus firms earn just sufficient profit to make it worth their while staying in the industry. A monopoly exists when there is only one seller of a product or service that has no close substitutes. The process of competitive tendering ensures that a range of suppliers enters into this process and that specifications make clear what is on offer so that comparisons can be made (Todd, Ware and Taylor, forthcoming).

Choice

Ware, Todd and Taylor (forthcoming) argue that there is the issue of citizen choice to consider. A central feature that enables the market to continue is the freedom of the consumer to make purchasing choices. Novak (1996) puts forward several justifications for the market; instrumental reasons such as the epistemic argument which suggests that markets encourage efficiency and moral reasons such as the idea that markets protect the autonomy of the individual by enhancing choice, a vital ingredient of human well being. Novak (1996, p. 106) also points out that competitive markets encourage organisations to be innovative:

In a market system things move; wealth grows; opportunities open; breakthroughs are made; new groups rise to wealth. Practical intelligence assesses existing arrangements in order to invent others, to offer new services, to meet unmet needs, to discover better ways. The inventiveness encouraged by market systems might be their most important characteristic.

Prices

Ware, Todd and Taylor (forthcoming) argue that prices are a central feature in the competitive process. Information embodied in price signals means that each transaction sends a message about whether supply and demand are in balance. Sufficient information needs to be available to permit consumers to evaluate a service, bargain for it, evaluate the performance of its provision, and make decisions about alternative providers. According to Gray (1992), the depletion of information embodied in markets transmitted through price signals explains the universal impoverishment of the former communist states of Central and Eastern Europe. Gray (1992, p. 6) argued that this failure of central planning is a result of 'the absence of the benign incentives provided by the disciplines of market competition and the presence of incentives to mismanagement and mal-investment'.

Costs

In order to set the right price there needs to be clarity about what the costs of goods and services are. Organisations and tasks are broken down into cost centres in order to isolate the total costs of all the processes involved with each unit of production. Divisions between purchaser and provider units enable these costs to be made explicit. Other mechanisms that introduce clarity into the process of costing include setting out charters and targets to identify what is to be produced, and performance-related pay to ensure that costs rise only with productivity. The contracting mechanism is increasingly used to achieve clarity about what is bought for a certain price and to ensure that agreements are kept, with clear guidelines on action to be taken in the event of a breach of terms. It was used by the Conservatives as a main method of involving the 'independent' sector in service provision (Todd, Ware and Taylor, forthcoming).

So far in this section a consideration of some of the literature relating to the theory of markets has been presented. There are, however, clearly several difficulties with the correspondence of the market model with the reality that exists in welfare provision. The chapter will turn to some of these issues shortly. At this point it is worth considering the ways that these market disciplines were brought into the management of public services. In so doing, it is worth clarifying the terminology in use, privatisation and quasi-markets.

2.2.1 Market-Orientated Reforms

Many policies of privatisation have been developed throughout the 1980s and 1990s. To begin with, however, it should be recognised that the term 'privatisation' is complicated. Even among its advocates, privatisation is conceptualised in different ways. Hartley (1990, p. 180) notes that the expression has been the 'victim of varying definitions' embracing deregulation, liberalisation, vouchers, charging for public services previously provided at zero price and the transfer of assets (sales) from the state to the private markets. Mallabar (1991, p. 145) offers a definition noting the term describes 'an attempt to transfer functions and activities from a political context where non commercial factors have a major influence on decisions to an economic context where questions of cost and efficiency are predominant. It seeks to subject state activities to market conditions by placing them within the market's sphere of influence'. John Moore, Financial Secretary to the Treasury said in 1983:

Privatisation is a key element in the government's economic strategy. It will lead to a fundamental *shift in the balance between the public and private sectors*. It is already bringing about a profound change in

attitudes within state industries. And it opens up exciting possibilities for the consumer: better pay, conditions and employment opportunities for the employees; and new freedom for the managers of the industries concerned (as quoted in Bishop and Kay, 1986, p. 101, my emphasis).

In an attempt to unpack the notion of privatisation, the pro-market academic from the United States, Savas (1999), has written widely on the variety of ways of shifting the function and responsibilities of government to private markets and he provides a useful typology of privatisation, describing its three broad forms, deregulation, divestment, and displacement.

Under deregulation, the government remains accountable for a given service but it uses the independent sector to deliver it. In a United States context, for example, this form of privatisation encompasses contracting for services, issuing vouchers, awarding grants and franchises, and leasing government property to be used for delivering public services. Such services would be regulated by service-provision contracting so that it is clear what is being bought and what the rights and expectations of the user would be.¹⁴ Divestment, as identified by Savas, involves the selling of government-owned enterprises or other assets and retaining no further responsibility for that activity. In Britain, for example, a range of nationalised industries were privatised in the 1980s and 1990s (water, electricity, seaports and airports, railways, British Aerospace, British Petroleum, British Telecom, Britoil, British Gas, and others). Displacement means that the independent sector gradually starts to provide a service that was previously provided by the government. This can occur either as a result of government withdrawal or by deregulation or by public authorities charging for services that were previously delivered free of charge (Savas, 1999).

Having looked briefly at aspects of market theory and specifically privatisation, this section will move on to sketch out how these themes were introduced into the British public sector in response to the need for reform. There have been reform initiatives at a central level with public utilities and at local government level. When considering these initiatives, it needs to be borne in mind that the reform project of the Conservative governments of the 1980s and 1990s began with the promotion of a change in values. The attempt was to change the culture of governance through the substitution of market values for those of public bureaucracies (Cutler and Waine, 1997).

Local Government

One strand of the post-1979 Conservative government's early programme was the introduction of reforms that required local government to put certain services out to compulsory competitive tendering (for example, the 1980 Local Government Planning

and Land Act and the 1988 Local Government Act). The first of these brought market principles into the traditional in-house services of local authorities by requiring them to be put out to competitive tender – including vehicle and housing maintenance. In-house teams could bid for the work alongside commercial companies but they were expected to make a profit.

The 1988 Local Government Act extended the notion of competitive tendering to school catering, street cleaning, building cleaning and refuse collection. The Act also required local authorities not to act in a manner that would restrict, distort or prevent competition and to review all of their activities to ensure that they were not anti-competitive. Its ultimate aim was to transfer the role of the local authority from that of provider to that of enabler and this momentum was continued with the New Labour government in 1997. The latter emphasised 'best value', not compulsory competition, but the trend followed the same direction requiring public authorities to use market criteria in assessing services.

Secondary Education

The framework and purposes of local education authorities have also been fundamentally changed since the 1988 Education Reform Act. This Act introduced several important changes including allowing for open enrolment in schools and the possibility for secondary and primary schools (with 300 or more pupils) to 'opt out' of local authority control. The intention was that such schools, to be known as 'Grant-Maintained Schools', would become self-managing for their own school budgets funded directly by the Exchequer. This meant that the allocation of state resources to schools would be determined by the pattern of parental choices rather than through a state planning process.

The National Health Service

Significant reforms have taken place in the National Health Service. The National Health Service and Community Care Act 1990 introduced wide-ranging restructuring in management and patient care in the health and social care services. The reforms in health were aimed to give patients better health care and greater choice of service (H.M.S.O, 1989). In this aim, the Act introduced competition by allowing hospitals to opt out from health authority control to form self-governing hospital trusts, controlling their own funds and appointing their own staff. Such an action would compel them to compete with other independent hospitals for contractual agreements (Johnson, 1995). While services would be free at the point of delivery, the aim was to create an 'internal market' by separating purchaser and provider functions which would mean that

suppliers would risk losing work if they failed to satisfy the needs of purchasers. Under Conservative administrations of the early to mid-1990s, Health Authorities would compete as purchasers with general practitioner fund-holders who could choose to purchase services on behalf of their patients from a range of hospitals and other services. Central to these changes in health was the promotion of a contractual basis for service delivery.

Housing

Another policy area that was seen to be ripe for reform was housing. As Will Hutton (1996) pointed out, the Conservative governments from 1979 to 1997 viewed local authorities as inefficient providers of housing. He suggested that the 1980 Housing Act effectively overturned post-war public housing policy taking away the powers and control of local authorities over their housing stock and forcing councils to sell council homes to occupants at below the market price. The 1988 Act suggested that, while local authorities would continue to play a vital role in meeting local housing needs, they should change their role from that of sole providers to that of enablers, and give tenants the right to transfer their homes to co-operatives or private landlords. The Act extended restrictions on the authorities' role in housing provision, while expanding the role of housing associations and other landlords. Although local authority tenants would be subsidised mainly by housing benefits, they would be able to choose their landlords from competing providers. Although this decision was to be through a majority vote, rather than direct individual choice, it upheld the principle of consumer choice (Flynn, 1993; Hutton, 1996).

2.2.2 Reforming Community Care: *Difficulty of Implementation*

The application of quasi-market principles to welfare services is especially evident in the 1990s reforms of community care policy. As shown in Chapter 1, the separation of the purchasing and providing roles in community care has been encouraged by central government in order to identify costs more clearly and to assess and encourage alternative suppliers. This represented a distinct move away from the direct provision of services by local authorities in order to encourage a range of voluntary and commercial providers alongside statutory services. The aim was for market disciplines to drive costs down as authorities were required to seek better value-for-money. In effect, resources would be allocated to providers dependent upon the choices of consumers mediated through social workers or case managers.¹⁵

The Conservatives emphasis was upon the voluntary sector as an alternative to public service delivery. For example, the Efficiency Scrutiny of Government Funding of the

Voluntary Sector (H.M.S.O, 1990, p. 13) suggested that both central and local government encourage the use of voluntary providers of services 'We think that Departments should look actively at the scope for using voluntary bodies as agents to deliver services which are currently provided by statutory authorities' . The White Paper (H.M.S.O, 1989), *Caring for People*, set out six main objectives:

- (1) *enabling people to live in their own homes, with the support of community services*
- (2) *providing practical support for carers*
- (3) *introducing assessment and care management*
- (4) *encouraging the provision of services by the independent s sector*
- (5) *making social services more accessible*
- (6) *ensuring value for money*

These six objectives were to be achieved by the transfer of funds from the national social security budget to local authority social services departments. As underlined, the White Paper and the resultant legislation specifically urged non-statutory service provision. The Conservatives expected local authority social services departments to establish 'purchasing sections' to make use wherever possible of services from voluntary, 'not-for-profit' and private providers insofar as this represents a cost-effective care choice (H.M.S.O, 1989, p. 22).

The role of local authority social services departments was to move away from the planning and direct delivery of services towards an 'enabling' function. Local authorities should specify, commission and monitor services delivered by other agencies. This represented not only an operational restructuring on the part of statutory authorities towards the purchasing of independent services but also a philosophical transition towards '*quasi-market*' principles (Le Grand and Bartlett, 1993). The Conservative government outlined the benefits that it expected from the new contracting arrangements in *Caring for People*:

There is value in a multiplicity of provision, not least from the consumer's point of view, because of the widening of choice, flexibility, innovation and competition it should stimulate. The proposals are therefore aimed at stimulating the further development of the 'mixed economy' of care. It is vital that social services authorities should see themselves as the arrangers and purchasers of care services not as monopolistic providers (1989, Para. 3., p. 5).

The 1990 community care reforms required local authorities to spend 85 per cent of the Special Transition Grant on the independent sector - that is, services provided by the private and voluntary sectors. However, it should be recognised that the 1990 reforms

in community care brought about their own particular mix of market disciplines into service planning and delivery. Although competition through alternative suppliers is encouraged, the market that is created differs from pure market theory in various significant ways. Le Grand (1991, p. 1256), reflecting upon the numerous changes in the provision of social services in the late 1980s, introduces the notion of 'quasi-markets':

They are 'markets' because they replace monopolistic state providers with competitive independent ones. They are 'quasi' because they differ from conventional markets in a number of key ways. The differences are on both the supply and the demand sides. On the supply side, as with conventional markets, there is competition between productive enterprises or service suppliers. Thus, [...] there are independent institutions (schools, universities, hospitals, residential homes, housing associations, private landlords) competing for customers. However, in contrast to conventional markets, these organisations are not necessarily out to maximise profits; nor are they necessarily privately owned [...] On the demand side, consumer purchasing power is not expressed in money terms. Instead it takes the form of an earmarked budget or 'voucher' confined to the purchase of a specific service. Also on the demand side, [...in some areas...] the immediate consumer is not the one who exercises the choices concerning purchasing decisions; instead those choices are delegated to a third party, a care manager, a GP, or a health authority.

In other words, as Cutler and Waine (1997) and others (Perri 6 and Kendall, 1997) have shown, central to the 'quasi-market' is the division between the purchaser (or consumer) and the provider. In theory, the purchaser is free to choose from which provider they will select a service and providers are forced to mould their service provisions around the demands of the purchaser. These providers are drawn from the public, private or organised voluntary sector and often they are forced to compete with each other for service-provision contractual agreements from statutory purchasers. The beneficial effects associated with the market – greater efficiency, enhanced consumer choice, delivery of provision – would, in theory, be replicated by the quasi-market (Cutler and Waine, 1997).

However, there are various differences between markets and quasi-markets (Todd, Ware and Taylor, forthcoming): (1) Profit; (2) Purchasing power; (3) Providing choice; (4) Information; (5) Competition; (6) Entry and exit to the market.

Under the community care reforms not all of the potential suppliers of services are necessarily set up to make a profit. There was an expectation that non-profit organisations will provide a range of community care services. Where in-house local authority services are provided, it is not specified that they should make a profit

although district auditors monitor price differentials and require justifications to be offered for the choice of considerably more expensive services where cheaper ones might be available. Existing in-house services might be floated off to independent non-profit organisations, to run alongside and compete with commercial services where profit is the driving force for efficiency. Non-profit and voluntary organisations have to find other ways of assessing and achieving success (Le Grand and Bartlett, 1994; Todd, Ware and Taylor, forthcoming).

The purchasing power for the end user of the service is not in the form of cash, although it might be so for the purchasing authority. Users access services through being assessed as having an eligible need (i.e. one that is acknowledged by the authority and one that the authority is prepared to meet). Moreover, the end user and the person who pays for the services as a taxpayer might not be one and the same, which further separates users from payment. Charlseworth *et al.*, (1996, p. 77) describe this as being a 'proxy customer' of services which are purchased on their behalf by a community care manager. This lack of direct user purchasing power means that choice is mediated by a third party – the third aspect of difference between quasi, and pure markets. The consumer who chooses the service might often be the local authority or collective fund-holder acting on the end user's behalf (Todd, Ware and Taylor, forthcoming).

Ware, Todd and Taylor (forthcoming) argue that liberating choice in the public sector is not always easy. There have been various initiatives to give direct choice to users of care services by giving them cash to purchase their own care under 'Direct Payment to User Schemes'. Ironically, the very system that the community care reforms aimed to replace (i.e. the central funding of individual residential care through DSS payments) gave greater choice to consumers. However, there was little assessment of need which meant that there was a greater cost to the tax payer. The spiralling costs of board and lodging payments were highlighted in an Audit Commission Report (1986) and this led to the introduction of the 'gate-keeping' role of social services departments for residential care placements. If choice is not placed directly with end users, there is a dilemma as to how purchasing authorities ensure that they purchase and provide what the end user really wants. Local authorities have developed various ways to achieve this, ranging from direct discussion with users and customer surveys through to the involvement, at the planning stage, of user and carer groups and voluntary organisations representing users (Todd, Ware and Taylor, forthcoming).

There are various other assumptions made by market theory that are not always borne out in practice, raising some particularly problematic issues for community care services. The first concerns time and information. The theory of the market assumes that markets work best when information is equally available to all players, when time does not matter and when people know what they want. However, those eligible for community care services are, almost by definition, the most needy and vulnerable, with the least opportunity to get information. Ware (1997) notes that users might not know what they want and many might be unaware of what services they might expect. Equally, the need for services might arise suddenly through illness or accident when there is little time to consider a range of services. People need good quality help when the need arises but when they might not have the time to evaluate what is on offer. The complexity of individuals' social needs requires a multidimensional evaluation of what is available.

As noted, classical economic theory also suggests that markets work best where large numbers of buyers and sellers operate so that neither individual consumers nor providers are in a position to influence the market unduly (Hunt and Sherman, 1990; Le Grand, 1990; Pinch, 1997). However, since consumers might be the local authorities and not the end users, purchasing power might be substantial and, for some services, they might be the only purchasers in the marketplace. There might also be some suppliers who are large and more powerful than others and their dominance can skew the market. A large contract won by a single supplier might mean far less opportunity for other suppliers to prove their worth. Thus, the lack of potential contractors denies one of the most fundamental aspects of the social care market - that is choice (Todd, Ware and Taylor, forthcoming).

It might also be that rules set down by the Conservatives have had an impact on the market. An example of this in social care has been the rule stating that 85 per cent of the new money which the Department of Social Security has to pay for community care packages (Special Transitional Grant or STG) should be spent in the independent sector. The remainder of the STG could be spent on in-house services. Some writers have argued that this has put pressure on some authorities to fund suppliers that they would not otherwise have done (Wistow *et al.*, 1992), although it might have also stimulated the supply of independent providers of community care as the Conservatives intended. It has led to the hiving off of various services to non-statutory trusts, blurring the boundaries between private, voluntary and public sector organisations (Todd, Ware and Taylor, forthcoming).

Ware (1997) notes that while this 85 per cent rule did not require compulsory competitive tendering, in some ways it might be more prescriptive than compulsory competitive tendering (CCT) since the bulk of the money has to be spent on independent services regardless of the efficiency of in-house services of the local range of suppliers. With CCT-defined activities, in-house services can continue to maintain provision as long as they are awarded the contract through the tendering process. In fact, the Audit Commission reported that over half of the contractual agreements for welfare under CCT were awarded without competition, and nearly always to the in-house service (Audit Commission, 1993).

The theory of markets also suggests that for markets to work efficiently, entry to and exit from the market must be made easy. However, strict eligibility criteria and a crisis of local authority funding might prevent people from expressing their need and therefore entering the market. If entry to the market is difficult for the end user, it might also be difficult for the small provider. Large amounts of documentation might prevent some small local community groups from entering the bidding process for contractual agreements (Le Grand, 1991; Rekart, 1993). Mackintosh (2000, p. 291) points to several other differences between 'quasi' and pure market exchange:

The contractual relations they create are in many cases not really binding: for example, the contractual agreements between central services, such as finance, and service departments, such as social services, within local authorities, and the National Health Service contractual agreements between health authorities and trusts. Competition is often very limited in practice, as is the freedom of public authorities to set the contractual terms of exchange with outside bodies.

For a number of commentators, the community care services do not always fit with the assumptions made by free market theory. For example, Osborne and Gaebler (1992, p. 35) note that seldom do pure markets exist. Markets are created and designed, and if the task of public authorities is 'steering rather than rowing', then the market for services has to be managed. This involves the state doing much less than it currently does and enabling and encouraging the best providers in the market place to supply the range of services that are needed (Todd, Ware and Taylor, forthcoming).

The former British Secretary of State for the Environment, Nicholas Ridley (1988), expressed a view of what the state should and should not do in the following way: '[Local] authorities will need to operate in a more pluralist way than in the past, alongside a wide variety of public, private and voluntary agencies. It will be their task to stimulate and assist these other agencies to play their part instead of, or as well as, making provision themselves'.

The issues covered so far in this chapter have concentrated on the changing nature of public services in Britain. Prominent among the changes in the 1980s and 1990s was the way in which the role of local authorities has been redefined as the Conservative Party from 1979 to 1997 increasingly emphasised their tasks as 'enablers' and purchasers rather than providers of services (Wistow *et al.*, 1992). Finally, and of particular importance in the area of social care, policies were implemented that gave the independent sector a much greater role than in the past. Legislative changes created the framework for a more 'mixed economy of welfare', involving a partial retreat from state provision by encouraging a plurality of providers (Waine, 1992; McCarthy, 1989; Taylor and Hoggett, 1994).¹⁶

2.3 Key Providers in the Mixed Pattern of Care

As noted with reference to the community care reforms of 1990, a great emphasis has been placed on the planning of service provision and the monitoring of its delivery. The actual provision of care will increasingly become a responsibility of external agencies. In fact, there has long been a 'mixed economy' of welfare in the United Kingdom with four basic production or supply sectors. Family and informal networks deliver numerous services in the community, while others are offered more formally by a set of organised structures. In the latter case, there is a split between those that are provided by the public sector, those provided by for-profit organisations and those that are provided by the organised voluntary and charitable sector (see, for example, Wolfenden, 1978; Knapp, 1989; Spicker, 1995; Mayo, 1994; Johnson, 1999). Mayo (1994, p. 22) points out that:

The term 'mixed economy of welfare' has been around for some time. And so has the reality that this term encapsulates. Welfare systems as different from each other as Britain's and the USA have in practice included a range of welfare provisions, some services being directly provided by the state while others have been provided through the private market or through voluntary organisations. Typically, for the personal social services, the most significant source of care has been the informal sector.

In looking at the role of the market and the informal sector, it is unsurprising to find that there is controversy about the merits and demerits of their role in welfare provision and also about the way in which the margins between them are often blurred. The following sub-sections offer a necessarily selective overview of the private and informal sectors. The emphasis, however, is very much upon the role of the voluntary sector. Particular

consideration is given to the historical development of voluntary activity and the support offered to it by central government.

2.3.1 Voluntary Social Services

Organised voluntary sector action and volunteerism have a long history in social and health care in Britain, often pioneering new services. In the area of welfare service provision they long preceded the development of both state and market provision of welfare in Britain. Many of the earliest social welfare services were provided by various religious orders, augmented in medieval times by the manor houses and merchant guilds which assumed as part of their duties and responsibilities the care of the sick and the destitute (Finlayson, 1994). Later, as industrialisation became more advanced in the eighteenth and nineteenth centuries, charitable activity became concerned with many activities: family care; support for the sick and poor; care of the physically disabled, blind and deaf people; social work services; provision of alms housing; education; residential care for children and prison visiting and after-care (see, for example, Owen, 1965; Johnson, 1981; Brenton, 1984; Hatch, 1980).

Such charitable and voluntary sector activities laid the foundations for modern social work in Britain. As previously illustrated, the establishment of the 'British welfare state' witnessed the generation of mainstream goods and social welfare services becoming primarily – though not completely – the responsibility of the state, both in funding and delivery (Johnson, 1981). It is in this context, then, that many commentators prophesied the marginalisation of voluntary sector activity in the 1940s and 1950s as the welfare state developed (Waine, 1992; Johnson, 1981). For example, commenting on this period, Johnson (1981, p. 86) notes that 'not unreasonably, many people feared (and many hoped) that these changes heralded the demise of the organised voluntary sector'. There was, in the immediate post-war period, a widespread assumption that voluntary and charitable care was peripheral, non-professional, disorganised or generally retrogressive.

The criticism was that the rise of the British welfare state, with its emphasis on rights and not handouts, did not accord easily with voluntary sector provision of health, education, and social security services (see, for example, Knight, 1993; Finlayson, 1994; Owen, 1964). Elsewhere, there was a strong ideological objection in the Labour movement to voluntary action which had not led to the eradication of many social problems. Those with collectivist ideals like Titmuss were unsympathetic to the thought of non-statutory sector welfare. Titmuss suggested that any significant growth in the role of the private and voluntary sector would challenge the principle of equity within

state welfare, augment inequalities and weaken the growing sense of social solidarity (Titmuss, 1958). Crossman had expressed similar suspicions: 'Philanthropy was to us an odious expression of social oligarchy and churchy bourgeois attitudes [...] we detested voluntary hospitals maintained by flag days [...] the only volunteers we approved of were volunteers for the struggle against the old oligarchy' (Crossman, quoted in Brenton, 1985).

As Webb and Wistow (1986, p. 54) point out, this reaction against the stereotype of voluntary provision certainly helped to cement the surprisingly cohesive and widely accepted 'pure doctrine of state welfare' that underpinned the development of the post-war British welfare state. Although the voluntary sector was marginal in its role in welfare for most of the post-war period, the prediction of the decline and eventual disappearance of voluntary activity in social welfare greatly miscalculated its form and perseverance, still evident into the 1960s and 1970s. Further, the Labour Party's apparent lack of sympathy towards the voluntary sector was less than total. The Beveridge Report (1946), while urging comprehensive state responsibility, also suggested that voluntary agencies would continue to meet certain needs and act as 'society's conscience'. In a later report William Beveridge (1948, pp. 304–308) commented that:

The theme of this Report is that the State cannot see to the rendering of all the services that are needed to make a good society [...] Voluntary agencies have in fact largely ceased to be concerned with meeting basic needs for food, clothing or fuel [...] [but] they will be needed even more than in the past, for exploring as specialists the new avenues of social services which will open when want is abolished [...] Encouragement of voluntary action for the improvement of society and the use of voluntary agencies by public authorities for public purposes is no less desirable for the future than it has been in the past. The reasons for it have not diminished and will not be destroyed by the growing activities of the State.

William Beveridge wrote that the philanthropic impulse of individuals should be encouraged and he saw the organised voluntary sector as having a vital role to play as an innovator in the field of welfare. As Deakin (1994) and others (see, for example, Johnson, 1981; Owen, 1964; Finlayson, 1994) have suggested, Beveridge had, in fact, long been a pluralist in this respect and the solutions he devised and which were largely adopted after the 1945 election reflect that basic situation. According to Deakin, the misapprehension arose from the different weight that Beveridge gave at different stages to the relative importance of market, state and individual enterprise – and latterly, voluntary associations – all of which he recognised as having a vital and legitimate role to play. Support for the continued role of the organised voluntary sector

also came from forces within the Labour Party. Lord Pakenham (1949, p. 145) argued that:

We consider that the voluntary spirit is the very life-blood of democracy. We consider that the individual volunteer, the man who is proud to serve the community for nothing, is he whose personal sense of mission inspires and elevates the whole democratic process of official Government effort. We are convinced that voluntary associations have rendered, are rendering, and must be encouraged to continue to render, great and indispensable services to the community [...] I want to make it plain, beyond any shadow of misunderstanding, that, in the view of this Government, democracy without voluntary exertion and voluntary idealism loses its soul.

The voluntary sector continued to be an important provider of welfare services throughout the post-war period. The main roles of the social welfare voluntary sector are too numerous to mention here, although it is possible to point to some specific selected developments. For example, since the establishment of the British welfare state, central government was keen to encourage the development of voluntary sector residential homes. The 1948 National Assistance Act gave local authorities discretion to arrange with voluntary sector organisations for the provision of accommodation towards which they would contribute *per capita*, according to the means of the person accommodated. Additionally, local authorities were given general powers enabling them to contribute to the funds of voluntary associations that provided, or proposed to provide, such accommodation (Ministry of Health, Circular, 87/48, 1948).

Voluntary sector organisations have long provided a range of specialist services on behalf of local authorities. For example, Kramer (1981) points out that in the mid-1950s, 92 per cent of the local authorities in England relied heavily on voluntary sector organisations to aid deaf people, nearly three-quarters of local authorities used voluntary sector organisations for many services for people with physical disabilities and, until 1970, over 70 per cent of local authorities used voluntary sector agencies as their main agents for working with blind people.

It has been said that the 1970s was something of a 'boom' period for voluntary endeavour in Britain and abroad (Brenton, 1985). There was a new wave of community-based organisations coming into existence. For Brenton (1985, p. 36), there was, during this period, a particularly interesting 'surge of energy and imagination' among voluntary sector groups and organisations. The many forms of organised voluntary activity in the welfare field did not resemble the role and purpose of those of the nineteenth century. There was, for example, a proliferation of mutual-benefit groups and community-based organisations, often with an urban focus, along with national and

local 'pressure group' activity working in many aspects of welfare, especially over issues of poverty. Traditional agencies were being joined by new organisations that operated more as pressure groups. A network of voluntary sector advisory and counselling services was developed (for example, the Samaritans and Alcoholics Anonymous). There was a new wave of service-providing organisations – most notably the National Association for the Care and Resettlement of Offenders (NACRO).

In sum, what this indicates is the variety of organised voluntary sector initiatives that emerged in the 1960s and 1970s. The general perception of this period is that the highly active self-help and consumer led groups were created in direct response to disillusionment with certain aspects of the British welfare state; a mood of cynicism towards the state, especially its welfare delivery, was evident in this period. Knight (1993) suggests that there was increasing dissatisfaction with publicly run services. The welfare state was also under pressure at this time for not having fulfilled earlier expectations regarding comprehensive social provision and suspicion concerning the role of the state was certainly widespread (Seyd, 1975). This perspective is often presented as one of the most important elements in the development of the voluntary sector.

2.3.2 Changing Role of the Voluntary Sector

As the brief outline of the development of welfare services made clear, there has long been a relationship between the state and the organised voluntary sector. In the immediate post-war period it became generally accepted that the future development and efficient operation of welfare provision would depend partly on the role of for-profit and voluntary sector providers alongside the role of informal care. A brief review of a select number of government and non-governmental committee reports on social care indicates the presence of a desire to develop stronger relationships with the informal, voluntary and private sectors.

One of the first government-sponsored reports to comment on the organised voluntary sector role in welfare in any detail was the Younghusband Report (H.M.S.O, 1959). While looking in particular at the role of social workers, this report proclaimed a central place for statutory services with voluntary sector organisations having a subsidiary task. It suggested that it was appropriate for voluntary agencies, once they had pioneered new services, to pass them on to the statutory authorities where the costs of continued experimentation, both social and financial, could more easily be borne. Additionally, it was suggested that voluntary agencies might develop inertia and that would be prevented if their activities were taken over by the state. The committee did

find evidence that organised voluntary sector organisations were sometimes reluctant to relinquish their role.

This official encouragement of voluntary agencies was expanded upon in the 1960s. The Seebohm Committee was set up by the Labour government to investigate local social services in England and Wales and to recommend changes which would secure more effective family provision. The Report of the Commission was published in 1968 and was to have a major affect on local authority organisation and the provision of statutory social services when the proposals were incorporated into the Local Authority Social Services Act of 1970. The new local authority social services departments were to be responsible for the welfare of all sectors of the community. The Report did suggest, however, that despite the post-war increase in state responsibility for health, welfare and education, there was still a need for voluntary services, especially as personal social services continued to grow rapidly. The Report revealed the extent to which social services were active in various areas and found that the voluntary sector was playing a vital role in providing care for older people.

The Seebohm Report also acknowledged that tensions might, and indeed did, exist between statutory and voluntary welfare services. Its main brief was to redesign state social services and it was optimistic that the new local authority social services departments would uncover and meet new needs. It recognised that local authority resources would not be sufficient to meet all needs. There was no suggestion, however, that voluntary services should be a substitute for statutory work. The report (Para 498, p. 153) commented that:

It is not surprising that the reaction to the increased Government responsibility for health, welfare, and education is to assume that there is less need for voluntary services. This is not the case. With the continuing growth of the personal social services it will become more and more necessary for local authorities to enlist the service of large numbers of volunteers to complement the teams of professional workers, and the Social Services Departments must become a focal point to which those who wish to give voluntary help can offer their services.

The Committee (H.M.S.O, 1968, p. 152) realised that, by using the voluntary sector, an alternative agenda for voluntary effort might be created. It commented that:

In certain circumstances voluntary organisations might act as direct agents of the local authority in providing particular services, though such arrangements can present problems both to the local authority which might be led to neglect its own responsibilities, and to the voluntary organisations which might be prevented from developing its critical

pioneering role [...] The local authority will need to tolerate and use the criticisms made by voluntary organisations and not expect partnerships to be without conflict.

Titmuss (1970, p. 213) commented that the Seebohm Report had moved the notion of the gift relationship from the private world of 'stranger relationships'; where people voluntarily assist one another, to the public world of social policy. The phrase he used was a 'caring community' and he cites the Seebohm Report itself, 'This new department [of social services] will, we believe ... enable the greatest possible number of individuals to act reciprocally, giving and receiving services for the well-being of the whole community' (Seebohm, 1966, p. 11). Essentially, Titmuss saw the Seebohm Report as a means of incorporating altruism into State welfare policy.

Further evidence of the developing interface between statutory services and the voluntary sector was apparent in the Aves Report, *'The Voluntary Worker in the Social Services'* (Aves, 1969). The Aves Committee, established jointly by the then National Council of Social Services and the National Institute for Social Work Training, undertook an enquiry into the role of voluntary workers in the social services and, in particular, considered their need for preparation or training and their relationship with professional social workers. The work of the Aves Committee was said by Sheard (1992) to have represented a watershed in the evolution of the voluntary sector. Aves made a strong case for volunteer involvement as an integral part of social service provision, with volunteers complementing the services of professional local authority staff. Aves connected this with the need for professional standards of good practice with regard to the recruitment, training and supervision of volunteers.

A key report was produced by the Wolfenden Committee (1978), which was established to review the role and purposes of voluntary sector organisations in Britain. Having evaluated the voluntary sector, the Committee praised its comparative cost-effectiveness, flexibility, informality, independence and credibility with clients. However, it also identified many problems. There was: (1) uneven demographic distribution; (2) an inability to provide consistent standards of service delivery; (3) evidence of duplication of services and (4) dilemmas within individual organisations as to how to maintain a balance between statutory grant aid sponsorship and public funding. However, while acknowledging these limitations, the work of the Wolfenden Report stressed the potential merits of the 'mixed economy' approach. Wolfenden's approach was that the state would be 'the enabler and regulator' of voluntary groups and organisations which would provide the mainspring of social action (Brenton, 1985). This

'mixed economy' approach was to be adopted by the Conservative governments from 1979 to 1997, in particular in the area of social care provision.

In sum, the reports reviewed above give an indication of the limitations and failings of 'comprehensive' state welfare and how the voluntary and community sector could be a potential means of responding to the gaps in welfare, by supporting and supplementing state provision. This voluntary-statutory sector interface, however, has changed. Voluntary agencies have become more likely to be viewed by Government organisations as a substitute service provider or public agent – a preferred option rather than, as in the reports noted above, a supplement or complement to statutory provision. Kramer (1991, p. 186) commented that:

This reverses the historical pattern whereby voluntary services were eventually taken over and provided by government [...] It was not so long ago that the major concern of the voluntary sector was about its declining role because statutory agencies had taken over more and more in the preceding decades. Now, in contrast, there is great unease because it faces an expanding role.

2.3.3 Private Markets

As has been argued, a mixed pattern of welfare has long existed and private markets have been a very significant element of this mix. The private sector, however, like the voluntary sector is very varied. It can include companies, organisations or individuals that are involved in the delivery of social and health care services in order to make a profit. As Mayo (1994) notes, it might range from a small residential day-care establishment at one end of the continuum, through to major financial institutions providing insurance at the other. Although the state played a dominant role in welfare provision in the post-war period, the private sector was still very much in evidence alongside the range of public sector services (see Figure 2.2).

Figure 2.2 The Role of Private Markets

- **Education** – private 'public' schools, that charge pupils for attendance, operated on a fee-paying basis alongside free state education
- **Housing** – subsidised owner occupation, and private renting have coexisted with state-provided housing
- **Insurance** – private insurance has coexisted with its state-run counterparts
- **Health Service** – there has been a large amount of private practice in the non-statutory sector and doctors were allowed to retain fee-paying patients who pay for treatments and this has co-existed with the National Health Service

Figure 2.3 The Growth of Private Market Provision

- the expansion of **private sector provision in housing** followed the post-1979 Conservative government's 'right to buy' schemes in transferring council housing into the ownership of their former tenants at knock-down prices and the wider growth of owner-occupancy, encouraged by tax relief on mortgages
- people have been urged to opt out from **state pension provision** into privatised provision – and the tax system would be designed to assist them
- various services in the **National Health Service** – computing and information technology – have been contracted out or sold off to private operators
- for-profit organisations have been moving increasingly into areas such as **day care, the personal social services and health care** that have historically been the domain of the state and voluntary sector providers
- the balance of **provision for older people** shifted from local authority to private for-profit organisations in response to Conservative government policy of the late 1980s and especially to social security changes

As one commentator notes, the 1980s in the United Kingdom saw for the first time the active official support of private markets in a wide range of public sector services (Walker, 1993). During this period it became much more commonplace in Conservative government speeches and publications to praise the virtues of private sector provision of goods and services.¹⁷ From the perspective of the then Conservative government, the entrepreneurial for-profit organisation was the epitome of organisational efficiency and effectiveness (set against the bureaucratic and inefficient nature of statutory agencies) in delivering goods and services. Over the last twenty years in the United Kingdom, following a variety of primary and secondary legislation that has required public sector bodies to contract-out a collection of services, private market provision has moved into areas of activity historically served mainly by the statutory and organised voluntary sector (see Figure 2.3).

In the particular context of community care policy, a specific intention of the 1989 White Paper, *Caring for People*, was to extend the role of the private sector and the expansion of profit-making welfare. The Griffiths Report of 1988 (Griffiths, 1988, p. 21) stated that responsibility in all cases should be on the social services authorities to show that the private sector is being fully motivated and encouraged. Local authorities were being encouraged by the Conservative government to 'maximise choice and competition by encouraging the further development of private services'.

However, the role of the private sector in welfare is not without problems. By definition, the profit motive induces private firms to search for the least costly providing methods (see, for example, Holman, 1993; Hunt and Sherman, 1990; Hutton, 1995). For example, it has been said that private sector providers have a powerful incentive to 'cream skim'; that is focus attention on securing contractual agreements for uncomplicated cases where needs might be met by a standardised package. Often this will leave those populations who are most expensive and difficult to serve and least attractive for for-profit organisations to support to fall back on the state (Le Grand, 1990; Lewis, 1993). In his broader critique of the market system, Will Hutton (1995, p. 217-218) argued that markets and public services do not make happy bedfellows:

Markets can produce perverse results. There is an in-built tendency to cherry pick. Social functions are executed poorly. Short-termism becomes endemic. Markets are not value free. Passengers, viewers and patients all become homogenised as 'customers' and 'clients' who consume 'products'. But the importance of customers is that they spend; the capacity to be a citizen depends upon spending power, without which citizenship disappears.

It is also argued that there might be a manipulation of the market where for profit providers cut costs by decreasing staff-user ratios and using the services of unqualified and/or part-time staff. It has been suggested that in the social care services there is an uneducated clientele where it is difficult for them to make informed decisions about the merits and demerits of a particular provider (see, for example, Holman, 1993; Le Grand, 1990; Deakin, 1994).

2.3.4 Informal Caring Networks

Despite the important role of the for-profit sector in welfare provision, it should be recognised that, within many communities in Britain, it is the household, extended family, friends and neighbours that together 'constitute the front-line of caring, whether this is for children, the elderly, or those with physical disabilities, learning difficulties or mental illness' (Mayo, 1994, p. 23). Green (1988, p. 73) characterised informal or family carers as those 'people who were looking after, or providing forms of regular service for, a sick, handicapped or elderly person living in their own home or in another household'. To this we might include that this is a service given without financial reward.

Research by the Carers' National Association (1997) suggests that there are around seven million people in Britain who offer a range of support services to people with care needs. Finch and Groves (1980) note that it is women in particular who are much more likely than men to carry the major responsibility, either alone or with secondary support.

Green's (1985) study found that 15 per cent of all women were family carers, compared with just 12 per cent of all men. A survey of the literature critical of the expanded role of informal care, especially of that written from a feminist perspective, suggests that services and state benefits were actively developed on the assumption that a woman's role, particularly that of a married woman, is primarily that of a family 'caretaker' (see, for example, Finch and Groves, 1983; The Wolfenden Committee, 1978; Mayo, 1994). However, as Glennerster (1994, p. 142) commented, much of the informal care that is given by women is not voluntary at all, it is commonly 'enforced by the lack of other services and is sometimes resented by those doing the services'.

It is often argued that informal or family care is a cost-effective option of providing care and tending services. Both Labour and Conservative governments in the post-war period have sought to promote policies which places less weight on institutional care and greater reliance on care in the community for groups such as dependent elderly and the mentally ill (Mallabar, 1991; Finch and Groves, 1993). There is an assumption that family care might provide, at little or no cost to the state, services that are otherwise financed by the taxpayer.

This theme – coupled with an emphasis on the moral responsibility of care by the family – has acquired great currency across political lines. For example, from the mid-1970s, the political right, with its doctrines of self-help and minimal state intervention, also embraced the significance of informal care. Conservative administrations of the 1980s and 1990s were philosophically committed to reducing the role of the state in public life, and working towards a society in which the family took a greater role in caring. There was an assumption that family members, especially wives and daughters, were both able and willing to care for relatives. For example, a 1981 White Paper, *Growing Older* (Cmnd, 8173, para 1. 9), spelt out the centrality of informal care. The official emphasis had shifted from 'care in the community', to 'care by the community':

Whatever level of public expenditure proves practicable, and however it is distributed, the primary sources of support and care for elderly people are informal and voluntary. These spring from the personal ties of kinship, friendship, and neighbourhood. They are irreplaceable. It is the role of public authorities to sustain and, where necessary, develop, but never to displace, such support and care. Care in the community must increasingly mean care by the community.

This was an early acknowledgement of the 'mixed economy of welfare', with care provided by a mixture of informal or family carers, the voluntary and private sectors and

social services. In the late 1980s, the White Paper (*Caring for People – Community Care in the Next Decade and Beyond*, 1989) that provided the basis for the National Health Service and Community Care Act 1990 argued that families, friends, neighbours and other local people would 'continue to be the primary means by which [dependent] people are enabled to live normal lives in community settings and that the first task of publicly provided services is to support and where possible strengthen these networks' (Griffiths, 1988, para 3.2).

However, the shift in policy emphasis towards the role of informal or family carers is not without its problems. For example, commentators have shown that informal care is unpredictable and sporadic, frequently concentrates on intervening in an emergency only and is not structured or accountable in the way other sectors are (Johnson, 1987). Carers also support their dependent relatives, at times at great cost to themselves. In its review of this issue, the Equal Opportunities Commission (1992, p. 22) concluded that 'community care' has, in practice, meant care by individuals on an unpaid and often unaided basis in the home. The Commission suggested that these individuals would often find themselves badly supported by statutory services and without any genuine choice as to whether they would undertake care or not. They commented that far from the community carrying the costs, the allocation of caring responsibilities has vital implications in financial, social, and emotional terms for the individuals involved.

2.4 Summary

Several key policy issues and developments have been identified in this chapter. The Conservatives came to power in 1979 with a commitment to 'roll back the frontiers of the state'. As a result, numerous social legislative changes in the late 1980s and early 1990s (Education Reform Act 1988; NHS and Community Care Act 1990; Criminal Justice Act 1991; Local Government Act 1988) have helped to re-model local and national government from that of directly providing services to planning, regulating and financing various non-governmental organisations.

This separation of the funding and production of public services was introduced in social care provision as well as other public activities such as health, housing and education. Statutory departments more and more became funding agencies, with services being provided by a variety of private, voluntary and public suppliers, often operating in competition with one another (Le Grand, 1993). In broad terms, these alterations changed the responsibility of the state for individual welfare, increasing the

individual citizen's own responsibility and delivering welfare provision to the private, informal and voluntary sectors.

In the area of personal social services, the introduction of market principles led to a residualisation of social services, where a growing emphasis is placed on care provided by independent organisations as well as the informal support of family, friends, and neighbours (Walker, 1989). This tendency had developed alongside Conservative government policies to contain public expenditure. Those in the community have become a resource as well as a recipient of care services, and service providing voluntary groups are again moving back into the political arena. Although the market in social welfare and other public services is not new in the United Kingdom, its purpose, form, and content have changed over time. Under the conservative administrations of 1979 to 1997, it has meant a much larger role for the 'independent' sector, including the for-profit, informal and voluntary sectors. It is to the voluntary sector that we will now turn.

Chapter 3

The Voluntary Sector

Chapter Themes

What is the Voluntary Sector?

Assessing the Strengths and Weaknesses of the Voluntary Sector

3.0 Overview

As noted in Chapter 2, notwithstanding the post-war consensus in Britain that there should be state-funded professional support in welfare and other services, it is well known that there has been a long and significant role for the organised voluntary sector. However, the voluntary sector has, of late, been expected to play an increasingly active role in the development and delivery of welfare services as, following the implementation of the National Health Service and Community Care Act 1990, there has been a shift away from direct public provision of welfare services.

Given that the key aim of this project is to examine how voluntary sector organisations are responding to the more market-based community care environment, the object of the present chapter is to give a more detailed understanding of the voluntary sector. The aim is to place voluntary social welfare activity within a broader conceptual framework by analysing and synthesising the diverse range of literature on the voluntary sector and by providing the necessary background to the exploration of the practice of contract-making, which is considered in Chapter 4.

This chapter is divided into two main sections. It begins by exploring what is understood by the term 'voluntary sector' and examines the various fields of activity or needs areas within which voluntary organisations work in British society. It confirms how this study is concerned with have been called 'social welfare providing voluntary organisations' (Billis, 1989). Section two explores several of the values and features that are claimed to demarcate the voluntary sector from other potential providers and producers of welfare services. However, a cautionary note is sounded here about the rationales used by various commentators to justify the use of the voluntary sector. Indeed, upon closer scrutiny, the values and characteristics commonly associated with voluntary organisations are often inaccurate; the voluntary sector has been idealised

over the years and there is research evidence to support the claim that there are constraints on voluntary action.

3.1 What is the Voluntary Sector?

It must be said that the subject of voluntary sector involvement in social welfare, after a long neglect, is starting to receive significant attention in the social and public policy literature in Britain and elsewhere. However, one of the most fundamental questions for those interested in voluntary sector studies appears to be still unanswered: that is, what do we mean when we talk about the 'voluntary sector'? The phrase appears to mean different things to different people. As will be shown, some writers are very scrupulous in their definition of what does and does not comprise the voluntary sector. Others, however, use the term more loosely.

Figure 3.1 Dimensions of the Voluntary Sector

- there are an estimated 170,000 registered charities and between 350,000–400,000 voluntary sector organisations in England and Wales (National Council for Voluntary Organisations, 1992)
- voluntary sector activities range from social welfare and community care services to other areas like the arts, sport, heritage, educational, cultural activities and the environment, etc
- available data indicates a total voluntary sector revenue figure in excess of £30 billion for the United Kingdom in 1999 (Charities Aid Foundation, 1999)
- the voluntary sector employs an estimated 485,000 people – equivalent to 319,000 full-time jobs (National Council for Voluntary Organisations, 1997)
- an estimated twenty three million people take part in some kind of voluntary activity in any one year (The Volunteer Centre, United Kingdom, 1997)
- the value of the time donated by volunteers is thought to be over £3 billion per annum (Banks and Tanner, 1998)

As a starting point, Figure 3.1 looks briefly at the breadth and depth of voluntary sector activity. Whilst the information in here is useful, numbers alone fail to capture the full complexity of the sector. Nor do they acknowledge the apparently unique capacity of the sector to encourage active participation in the social order or its ability to develop social capital. Indeed, organised voluntary activity is extremely wide-ranging, varying in types of action, age, size, intricacy, clientele, rationale, locality, degree of organisation and so on (see, for example, Handy, 1990; Perri 6 and Vidal, 1994; Marshall and Hoggett, 1997; Rekart, 1993). This chapter examines some elements of this complexity.

3.1.1 A Problem of Definition

There is a fundamental problem in defining precisely what people mean when they refer to the 'voluntary sector'. There is a considerable amount of controversy, not only outside the sector but also within it, as to what the voluntary sector is, and who belongs to it (see, for example, Johnson, 1981; Brenton, 1985; Murray, 1969). Hatch (1980, p. 28) point towards the difficulties of definition when he commented that the great diversity of the sector makes it '... difficult to ask meaningful questions' about it as a grouping. He remarks how definition is complicated because of the sector's intricate historical development but also because it is a term widely used in political discourse and in several intellectual discourses: economics, social policy, sociology, and cultural studies are among many that investigate the role of the voluntary sector in society.

What is unequivocal, however, is that the scope of the organised voluntary sector is wide. Figure 3.2 demonstrates some of this variety in size and shape from small self-help and neighbourhood groups to major nationally and internationally known agencies. Further, and as will be shown later in more detail, voluntary agencies can also fluctuate in their effectiveness and function.

Figure 3.2 Scale of the Voluntary Sector

- large national and international **grant giving organisations**, employing many full-time paid professional staff both to run the organisation and to provide services to users
- a wide network of small **self-help agencies**
- a range of local, loosely structured, **neighbourhood care schemes** – often with only the most rudimentary of resources available to them
- a large number of **not-for-profit organisations** and 'trusts'

3.1.2 Organisational Independence Versus Financial Dependency

Although the analysis and interpretation of what the voluntary sector is has been frequently disputed, one persistent theme to emerge in the literature is that, whatever their remit and purpose, voluntary agencies are (ideally) autonomous representatives of the community (see, for example, Beveridge, 1948; Finlayson, 1990; Brenton, 1984; Commission on the Future of the Voluntary Sector, 1996; Whelan, 1999). However, upon closer examination, it is argued here that it is becoming extremely difficult to draw up a picture of voluntary sector independence that – in the context of increasing state funding – has any genuine validity.

So what is meant by voluntary sector independence? Harris (1993) argued that the voluntary sector is comprised of action that is independent of statutory control and that they have an independent voluntary governing body. William Beveridge (1948), in his important book *Voluntary Action*, similarly defines voluntary action as 'private action, that is to say not under the direction of any authority wielding the power of the state'. This independence should, Beveridge argued, be closely protected. Gladstone (1979, p. 4), writing that voluntary agencies should perform functions that do not require the resources and authority of government to carry out their aims, reiterated this point:

The essence of voluntary action is [...] a question of independence and autonomy and its fundamental antithesis is statutory action, that is activity carried out under the aegis of local or central government and their associated agencies within the framework of statutory obligations laid down in legislation. By contrast, voluntary action is independent of state control and voluntary organisations are essentially those established and governed by their own members, without external intervention. Independence, in this sense of self management, is the hallmark of voluntary action.

However, this concentration on organisational self-government appears to be more a counsel of perfection than a description of voluntary sector practice. Several writers have questioned whether the extent to which the voluntary sector is said to be independent is an overstatement. Does the focus on independence fail to recognise the many pressures that have been placed on the sector in the post-war period? For most serious contributors to the debate, the voluntary sector has, over the past fifty years or so, had to confront a set of demands that have raised serious issues about the continued existence of voluntary sector organisations as independent, innovative agencies in society. Foremost among these concerns is the increasingly close working relationship emerging between voluntary sector organisations and statutory sector authorities and, in particular, the growing financial dependence of some organisations on statutory sector income (see, for example, Brenton, 1985; Nowland-Foreman, 1998; Rekart, 1993). For instance, Roof (1955, p. 66) in the in the mid 1950s commented that:

Today, [mid 1950s] however, the financial position of many [voluntary] societies is so precarious that they have been forced to concentrate their resources upon limited objectives, often devoting much of their energy to the more circumscribed agency functions. Others, who still prefer to keep their independence, have had to curtail some of their existing services, and to give anxious thought to any suggestions for embarking upon new projects. It is a considerable temptation to hard-pressed voluntary bodies to concentrate upon those services which might attract financial support, rather than upon others, which might be of greater value, but less spectacular in their appeal.

Several challenges have contributed to this threat to voluntary sector autonomy. First, with the decline of other sources of income, statutory subsidies have become increasingly important for the survival of voluntary welfare. With the advent of more public funding, voluntary agencies are having to accept – to a lesser or greater extent – regulated limitation of freedom. Secondly, commentators have argued that voluntary service providing agencies face the challenge of maintaining commitments to long-standing quality service objectives within shifting government spending priorities (see, for example, Salamon, 1994; Gutch, 1992; Wolch, 1990).

In many cases, the areas of work in which voluntary groups are engaged has been dictated by the existence, or otherwise, of state funding. It has been argued by one commentator, for example, that voluntary groups in receipt of such funding run the risk of losing their political and economic independence (Whelan, 1999). Nowland-Foreman (1988) regards funding, whether from public or private sources, as the 'Achilles' heel' of voluntary sector organisations. He points out that there has been an overall decline in the income voluntary organisations receive from individual contributions, business and trusts. Voluntary organisations have increasingly been forced to turn to governments for funding and it is apparent that governments have – over the past fifty years or so – more and more turned to voluntary agencies to provide social services.

Government support is extremely important to the voluntary sector. In Britain, a greater than ever share of the income of many voluntary agencies comes from carrying out work under service-provision contractual agreements for local authorities, health authorities and government departments. Government funding has been a crucial feature of the resource base of many voluntary sector organisations. This is especially evident with smaller community-based groups that are heavily dependent on local authority grants. For instance, a survey of public sector contracting with the voluntary sector and charities involved with service provision funding found that two-thirds of voluntary organisations now contract with local authorities and other agencies (*Community Care*, Mayo, 1995). By 1996 the proportion of income that the overall voluntary sector receives from the public sector is between 35–40 per cent (Kendall and Knapp, 1996).

The receipt of government funding by voluntary organisations is not at all unique to the United Kingdom. In the United States, too, governments have emerged as a vital source of financial support for its non-profit sector. Public funding has overtaken private philanthropy in the early 1990s by a ratios of almost two to one (Salamon, 1994; Gutch, 1992; Wolch, 1990). Similar trends have been found elsewhere. For example, data

available for New Zealand suggests that government funding represents in the region of 30–45 per cent of the total income of voluntary sector organisations; compared with around 18 per cent from individual donations, philanthropic trusts and bequests, with the rest made up from fees and charges (cited in Nowland-Foreman, 1998) Further, there is some evidence to suggest that this reliance on government funding appears to be especially important for voluntary social service provision (see, for example, Nowland-Foreman, 1998; Rekart, 1993; Wolch, 1990; Carrington, 1994; Kendall and Perri 6, 1994).¹⁸

In this context, then, some commentators have argued that the introduction of service-provision contracting is no more than one further step in a long-running trend of state financial involvement with voluntary agencies (Wolch, 1990). Results from the present study have shown that voluntary agencies are faced with a conflict between their desire for independence and the loss of authority that might be involved in accepting statutory sector funding.¹⁹

3.1.3 Shared Characteristics

Concentration on the issue of the independence of the voluntary sector has masked the need to consider other organisational features that voluntary agencies are said to share. Hatch (1980, p. 15) attributed to the voluntary sector several shared characteristics, comprising: (1) organisations, not informal groups; (2) not established by statute or under statutory authority and not controlled by statutory authority; and (3) not commercial in the sense of being profit making or, like much of the private sector in health and education, being mainly dependent for their resources on fees and charges paid by private sources.²⁰

For various commentators, however, it is the unpaid time, freely given by volunteer workers, that is the very quintessence of voluntary sector activity. Hartogs and Weber (1978, p. 302), for example, have claimed that the voluntary organisation board of directors or governing body is what constitutes one of the 'distinctive features of a voluntary organisation'. According to other commentators, too, voluntarism is fundamental in defining the voluntary sector. That is, a voluntary agency involves the active involvement of volunteers, either in the actual conduct of the agency's actions or in the management of its affairs (see, for example, Harris, 1993; Rochester, 1996; Kramer, 1990). As stated by Rochester (1996, p. 6): 'It is 'volunteriness' that provides the unifying element of the voluntary sector. Voluntary organisations exist because a group of people come together to tackle a social problems or need. Their continuance is directed by people who provide their labour on an unpaid basis'.²¹

Brenton's (1985) discussion of the definition debate usefully emphasises a view that the voluntary sector is not inevitably made up exclusively of volunteers – those people who give up time freely. In practice a voluntary sector organisation might use volunteers or it might employ many salaried staff who have gone through rigorous professional training (i.e. NSPCC, Shelter, Oxfam). She also suggests that volunteers are not restricted to working in voluntary-charitable settings. There are vast numbers of volunteers working on behalf of, or organised by, statutory sector agencies.

The question of definition was addressed by one of the most influential studies of the international voluntary sector conducted by the Johns Hopkins Comparative Non-Profit Sector Project (see Figure 3.3). One of the questions tackled by this study was whether there was any commonality between voluntary sector organisations in various countries. Salamon and Anheier (1995) note that organisations appearing to meet all the criteria established by the project were regarded as voluntary sector organisations for the purposes of research in Britain. They make reference to the definition of a 'narrow' voluntary sector. This definition excludes informal or family activity and other individual unpaid activity. It also excludes self interest groups with aims which do not incorporate an intention to benefit the community as a whole (for example, sports or golf clubs) and single issue groups established to respond to, for example, a planning application or a road building project in a locality. Salamon and Anheier's definition also requires that organisations be formally structured which thus excludes various neighbourhood support schemes.

Figure 3.3 Salamon and Anheier's Definition of the Voluntary Sector

- they must be **formal** (institutionalised to some extent)
- they must be **private** (not part of government)
- they must be **non-profit-distributing** (not returning profits to owners or directors)
- they must be **self-governing** (with their own internal decision-making structures and procedures)
- they must involve some meaningful degree of **voluntary sector participation**
- the organisation must be **non-religious**
- the organisation must be **non-political**

Another aspect of the definition of the voluntary sector is its charitable status.²² As noted earlier, there are over 170,000 voluntary organisations recorded as charities in England and Wales. However, there is much debate on this in the United Kingdom (see, for example, Knight, 1993; Leat, 1995). In particular, some analysts have argued

that charitable status should be re-defined to reflect contemporary needs in that there are now various organisations that the public might consider to be charitable but which do not qualify for charitable status (Knight, 1993; Commission on the Future of the Voluntary Sector, 1996). These might be organisations that are too political or that do not provide sufficient public sector goods or services. Some groups such as Disability Alliance have an educational (charitable) role but also a campaigning one. Such campaigning groups were threatened by the policy decisions of the Thatcher administrations of the 1980s. Many community development and mutual aid groups, as well as human rights and environmental action groups are disqualified from charitable status. On the other hand, it is argued that there are some organisations that are charities, that seem too narrowly defined to justify charitable status (Ware and Todd, 2001).

3.1.4 Other Terminology

The terminology discussed thus far refers mainly to the voluntary sector in the United Kingdom. However, a study of the international literature shows that the voluntary sector can be conceptualised in different ways in different countries. Indeed, a cross-national study of the nature of the non-profit sector found a great imprecision in the term; few countries had a coherent notion of an identifiable non-profit sector (Salamon *et al.*, 1997).

A term that occurs often in academic writings on the voluntary sector outside the United Kingdom is the 'not-for-profit' sector. One observer suggests that the idea of a non-profit sector is essentially a modern (post-1960s) legal-economic paradigm that was borne in the United States (Lyons, 1996). It has at its heart an explanation of why non-profit organisations exist and tends to concentrate almost exclusively on public serving or charitable institutions – which it often conceptualises as a special class of economic form. The non-profit label is a collective name used to describe those organisations whose goal is something other than earning a profit for owners, and usually they provide a service. However, Young (1984) notes that it should be recognised that many non-profit organisations do generate revenue which exceeds expense, but that this label is a way of drawing a distinction between such bodies and commercial profit making entities.

Other writers have explored the more general, though closely related, concept of the 'third-sector' (Rekart, 1993; Lipsky and Smith, 1993). This terminology is mainly used by American commentators and there is no single, universally accepted definition of the concept (Osborne and Gaebler, 1997). Anheier and Knapp (1990, p.3) notes that the

term is used to describe '... a myriad of organisational forms, governance structures, activities, sources of income and other support, expectations, intentions, constraints, histories and futures'. According to the *International Society for Third Sector Research*, third sector organisations are not profit-seeking organisations nor are they government institutions, although they frequently mix private and public sector finances. Third sector organisations combine the perspectives of financial survival as practised by the private sector with the political environment and operations of the public sector. These organisations are a major component of many industries including community health services, rural education, housing, sport and recreation, culture and finance (International Society for Third Sector Research, 1998).

3.1.5 Functions

Turning from definitions to classifications, the voluntary sector might involve small, local community groups as well as nationally recognised organisations; it might include organisations involved in the fields of religion, education, health care, social welfare, arts and culture, as well as professional and other groups. To help recognise the variety of activities and fields of operation that organised voluntary action is involved with, social policy analysts and voluntary sector commentators have found it useful to attempt a classification according to organisational purpose. However, it must be said that the term functions, like that of definitions, is widely deliberated and it has become a central issue in voluntary sector discussions (see, for example, Johnson, 1981; Brenton, 1985; Wolfenden, 1978; Murray, 1969). It is not intended here to undertake a critical discussion of these typologies; it is sufficient for the purposes of this chapter simply to amalgamate several of these approaches.

Although typologies provide a way of categorising the variety of voluntary sector organisations, these functions should not be seen as mutually exclusive. Any individual voluntary sector organisation might be involved in several of these activities at any one time. Indeed, as argued by Handy (1990, p. 21) there is often 'a lot of overlap' between the functions, especially in the areas of service and advocacy. Although by no means exhaustive, the list that is provided below (drawn from the work of Ware and Todd, 2001) does provide a working guide to the various forms of organisational activity, illustrating the tremendous diversity of voluntary effort today. Furthermore, it underscores a view that there can be no holistic version of the voluntary sector today.

Provision of Services, Information, Advice and Support

Organisations under this heading can be concerned with relieving social problems by providing services where they are lacking and also with assisting the statutory

authorities in the provision of services. Some are large national agencies that provide highly professional services, staffed by salaried workers alongside volunteer workers supplying services to a diverse group of people.²³ Voluntary organisations are more and more providing services under contract for local authorities and other statutory sector bodies. This topic will be discussed in more detail in the next chapter.

Mutual Aid or Support

William Beveridge (1948, p. 8) in his book *Voluntary Action* commented that mutual aid was one of 'the most important' functions of the voluntary sector. He noted how the provision of some form of mutual aid or support is often initiated by a common need or interest. It has been suggested that self-help groups are valuable because they offer help to bring together people who feel isolated from the network of service provision.²⁴

Campaigning

These are organisations primarily involved with campaigning for change, putting pressure on government to change laws and improve provision and trying to change attitudes towards a particular problem (Young, 1995). This activity is the so-called vanguard or cutting-edge of voluntary sector effort (see, for example, Reading, 1994).²⁵

Articulating Local Needs

Organisations that might speak for, or report, the views and interests of particular groups of people. By articulating local needs, increasing local awareness and participating in the work of the agencies providing services, these organisations aim to influence the latter's priorities and decisions, ensuring the retention or enhancement of service provision. This advocacy function is especially important in the field of health and social services; it was given prominence with the emphasis in the National Health Service and Community Care Act 1990 on the need to develop user and carer perspectives on services.²⁶

Enabling Participation

These organisations enabling participation. They can help to express the consumer's voice by putting public services in closer touch with those for whom they exist.²⁷

Fund-Raising Agencies

These operate for many causes, usually, though not solely, based on voluntary effort alone. They frequently involve flag days and sponsored events and sometimes company sponsorship.²⁸

These organisations might provide support to front-line organisations, information, advice, administrative services and financial support. They can research and develop new activities and bring organisations together to pool experience and resources. They can also encourage networking and the development of common strategies.²⁹

In summary, then, the term 'voluntary sector' seems to vary but is used in this thesis as one that is in common usage. The essence remains that the voluntary sector should be independent of state control and contain some form of 'voluntarism' within it. In this research, the focus is on those voluntary agencies that are classified under the direct service-providing category. Social service-orientated voluntary organisations refer to services to elderly people, children and their families; people with mental and physical disabilities; those with alcohol and drug problems; people with mental health needs. When making references to other research findings, it is noted that other terms like 'third sector' or 'non-profit organisation' might be used differently by different writers. As already pointed out, the United States literature uses these terms to refer to many non-governmental and non-commercial organisations.

3.2 Assessing the Strengths and Weaknesses of Organised Voluntary Sector Action

The voluntary sector has been much applauded by policy makers, politicians and a range of other commentators. This is especially so over the past 20 years or so where the voluntary sector in Britain has been expected to take on a much more active role in service delivery. This section considers some of the strengths and weaknesses of the voluntary sector. It does so by considering several of the virtues most often associated with its provision of social care services. However, crucially, this section also considers how far these virtues reflect reality. It suggests that there is often little systematic empirical evidence to support these *a priori* common beliefs that has surrounded the role of the voluntary sector in social welfare. It suggests that the picture is more complex than is frequently presented.

3.2.1 Providing Choice for Service Users

The issue of individual user choice in welfare has, since the 1970s, become considerably more central to the social policy debate. As previously stated, the National Health Service and Community Care Act 1990 involved important changes in the way in which local authority social services departments operated, as they moved from being major providers of services to enabling authorities within a mixed economy of

care. A central feature of their new role was to secure the delivery of services from external as well as in-house providers. The 1989 White Paper, *Caring for People* (H.M.S.O, 1989), which preceded the 1990 Act, argued that stimulating the development of non-statutory service providers 'will result in a range of benefits for the consumer, in particular, a wider range of services [and] services which meet individual needs in a more flexible and innovative way' (H.M.S.O, 1989, p. 22).

Can voluntary sector organisations extend user choice? Historically, there is little evidence to show that the voluntary sector could, without the requisite infrastructure, start to replace even a fraction of statutorily-provided welfare services. In practice, there is great deal of regional and local variation in the availability of a wide range of voluntary organisation services. In the late 1970s, the Wolfenden Report showed that voluntary bodies, unless heavily financially subsidised by the state, lacked the means to make them major providers of welfare services. According to Wolfenden, one of the main limitations of the voluntary sector was its patchy response to many areas of need (in terms of both geography and provision). The report observed that the voluntary sector's diversity, specificity and the limited financial resources at its command meant that it was less able than the statutory to remedy the mismatches between needs and resources which become evident when an overview of social provision is taken (Wolfenden, 1978).

Leat (1987) also commented that there is an almost complete lack of spatial planning by the voluntary sector in various fields of social care services provision. The voluntary sector is irregularly distributed not only between varied client groups, and different types of activity within those groups, but also between different parts of the country (Leat, 1987). Historically, evidence suggests there has been replications of effort and often wasteful competition between voluntary agencies offering services in the same cause. Several writers (see, for example, Hatch, 1980; Abrams *et al.*, 1981) have revealed that different voluntary agencies with similar spheres of activity can occasionally work in the same field and in the same geographical locality as each other. Leat (1990) suggests that the voluntary sector does not have the capacity to manage and regulate provision in such a way as to protect equity and wide geographical spread. The sector might have problems in coping with equity not least because voluntary sector initiatives do not flourish most easily in areas of high need. Voluntary sector action might therefore be supplied in inverse relation to need (Leat, 1990; Johnson, 1981, 1999).

Governmental organisations provide a mechanism for distributing fairly both the burdens on taxpayers and the benefits for recipients. While this mechanism is not always used appropriately, nevertheless, it is generally more reliable than the piecemeal efforts of voluntary agencies, even when those efforts are co-ordinated. Furthermore, voluntary sector organisations can be both parochialistic and paternalistic; access to their services can be restricted to specific target groups and eligibility further limited by the application of subjective criteria based on religion, ethnicity, gender, or geography (Lewis, 1989; Lipsky and Smith, 1993). In addition, users of welfare services might feel a sense of stigma when turning to charitable organisations as opposed to state provided welfare which acts as a further deterrent (Johnson, 1999).

In sum, it is difficult to determine whether or not voluntary sector organisations do provide increased choice to users; the subject is rarely researched in its own right. The empirical evidence suggests that increased choice, as viewed by government, might be more apparent than real.³⁰

3.2.2 Cost-Effectiveness

A second key assumption about the voluntary sector is that it has the ability to be cost-effective and to give good value for money. However, it will be shown below that several commentators are sceptical of the claim. There has been some debate about the notion of measuring cost-effectiveness in the area of social welfare. The key concern here is to examine the assumptions about how any cost advantage might arise.

It has been suggested by Johnson (1990) and Osborne and Gaebler (1992) that the government's use of the voluntary sector to deliver new programmes or services is based on its awareness of the prohibitive cost to the state should it make the provision directly. Others (Lipsky and Smith, 1993; Rekart, 1993) have suggested that the government's use of voluntary agencies is based on the availability of cheaper labour; partly due to the use of volunteer labour and partly because voluntary sector employees are normally paid less than comparable public sector employees.

Voluntarism – the free giving of one's time, experience and expertise for work that is beneficial to others – is a central characteristic of voluntary organisations. Millions of individuals in Britain give their labour free of charge – both formally, through an established voluntary group and informally, by helping other individuals directly (Banks and Tanner, 1998). Although no one knows precisely how many volunteers are

involved in health and welfare activity, it has been conservatively estimated that volunteers carry out work equivalent to that of around 146,000 full-time workers (Kendall and Knapp, 1996). It is often assumed that drawing upon a pool of volunteer labour reduces the per-unit cost of a service and might mean important cost savings when compared to the use of paid service providers.

According to the Centre for Policy Studies (1989), when the unpaid efforts of charity volunteers are added to the monetary contributions made to the sector as a whole, in the late 1980s the cost of replacing the voluntary sector in Britain would have been more than £20 billion – or some 12 to 13 pence on the basic rate of income tax. It should also be noted that volunteers have been used in a number of ways to address policy issues. The Conservative governments of the 1980s and 1990s promoted voluntary effort keenly in the area of social care, dealing with the unemployed and those convicted of offences (Ware and Todd, 2001).

However, as stated by various researchers, volunteer input might not necessarily mean cheaper services. For example, evidence given to the Aves Report (1969) indicated that the use of volunteers did not, in practice, mean cheaper services. This was because, on the one hand, such volunteers often brought new needs to light thus increasing demands on services and, on the other, extra time was required to find, recruit, train and support volunteers. Further, the historically high turnover of volunteers in many schemes is such that can raise the training and management costs of the voluntary enterprise. As the Aves Report notes, all this might actually lead to extra expense.

Social welfare voluntary sector agencies often rely heavily on the services of paid staff. However, it appears that little is actually known about the pay and conditions of people who work in the voluntary sector. What evidence there is seems to suggest that there is scope for exploitation of these staff. Voluntary organisation employees are willing to work harder and for inferior salaries because they are drawn towards the cause of an agency (Paton and Cornfourth, 1992). Those voluntary organisations that provide services under contract to public sector bodies might offer savings based upon the lower wages and poorer working conditions for employees. The wages in the voluntary sector are, on average, over 30 per cent lower than they are in the for-profit sector, comparing employees with otherwise identical characteristics (Paton and Cornfourth, 1992)

Other commentators have pointed to the erratic working conditions of the voluntary sector and its often minimal job security. A report by the trade union NALGO argued that employees in the voluntary sector are not, generally speaking, unionised which serves to heighten their attractiveness to national and local government with regards to costs, 'flexibility' and avoidance of work disputes. A 'casualisation of employment' leads to benefits such as pensions, sick pay and holiday entitlement being generally 'inferior to the public sector'. Thus one of the principal reasons why the voluntary sector can supply a low-priced service is the poor wages, conditions and job security given to staff (NALGO, 1992).³¹

The notion of voluntary sector cost-effectiveness is obscured further by evidence that the sector can secure many additional kinds of resources unavailable to other sectors of the economy. Income is received from individuals, business and trusts, central and local government grants, and earnings from commercial activities and investments. Organisations also receive fees for those services that are provided on a contractual basis. Local authorities might also provide 'hidden' aid to voluntary agencies in the form of such things as low rent or rent-free premises or the provision of photocopying and printing facilities. Leat *et al.*, (1986) estimated that 'hidden' aid could amount to more than 50 per cent of total grant-aid from local authorities.

However, voluntary sector income is frequently insecure and unpredictable. Although surveys of charitable giving of money in Britain put it at £1.9 billion in 1990 (Halfpenny and Lowe, 1994), commentators have argued that people might be losing the habit of giving to charity and that there might be serious limitations on increasing the amounts of income that can be raised through non-governmental sources. For instance, income to the United Kingdom's 150,000 or so active general voluntary sector organisations showed a growth of only two per cent in real terms in the years 1995–98 (National Council for Voluntary Organisations, 1997). There is growing competition for declining resources.

Donations from the public fell by nearly 20 per cent between 1993–96, and the proportion of individual donations fell from 81 per cent in 1993 to 68 per cent in 1996 (National Council for Voluntary Organisations, 1997). The total amount given to charity represents a lower proportion of personal disposable income nowadays than it did 75 years ago. It has been argued that this decrease is attributable, in part at least, to the rise of the British welfare state (Kendall and Knapp, 1996; Chesterman, 1979).³²

Philanthropic giving is also unevenly spread among client groups in Britain. It appears that some voluntary sector causes have a greater emotional appeal while others are comparatively neglected. British people have frequently left assets in their wills in higher proportions to non-human concerns like animal welfare charities than to societies such as the NSPCC. As one commentator ironically argued, voluntary agencies that are concerned with permanent but unfashionable problems such as drug-addiction, down-and-outs, delinquency, penal reform, racial and other group prejudices, unmarried mothers, epilepsy, deafness, incurables, ex-prisoners, homosexuality or mental illness which find little public support are even less likely to benefit in this way (Whitaker, 1979).

To sum up, it is argued that voluntary agencies have been 'great publicists in defending their strengths', amongst which are efficiency and cost-effectiveness (Leat, 1996). However, the actual empirical evidence for the cost-effectiveness of the voluntary sector is by no means conclusive. Few of the claims made for this assumption are based on direct comparisons between voluntary and public or commercial performance, perhaps not surprising given the difficulties of measuring outcome and arriving at a cost per unit measure. There is an assumption that statutory and non-statutory agencies provide comparable services in a comparable way, so that costs are also comparable. However, even comparing costs within the public sector is difficult because of varying policies, needs and geography (Brenton, 1985; Whitfield, 1982).

3.2.3 Organisational Flexibility and Innovation

A major criticism of public sector services in Britain over the past fifty years is that they have become too rigid, remote and unresponsive to the wishes and problems of their clients (Self, 1997). Public administrations and public organisations are criticised for being static and unbending in the face of change or in the needs of their users. Further, it is argued that statutory services have a tendency to estrange rather than integrate those people whom they are intended to serve (Hatch, 1980).

In contrast, it has been assumed that voluntary agencies do not share this inertia and that they can be more flexible in response to emerging needs, giving them a crucial advantage over more bureaucratic and less flexible organisations such as state agencies. According to Hinton and Hyde (1980, p. 13) the voluntary sector can lend itself more readily to 'experiment, innovation and adaptation' over time because they do not operate under the same constraints as either government or business. Historically, voluntary action has often taken the initiative in starting a service which has later been taken over by the public authorities. For example, many services for older people were

started on an exploratory basis by voluntary groups. Knight and Hayes (1982, p . 3) note that such examples are numerous:

Penal reform was pursued by the Howard League in the nineteenth century; councils for voluntary service were formed in the early part of this century to co-ordinate area based responses to social needs; and during the long period from the middle of the nineteenth century to the years following the second world war, the Charity Organisations Society pioneered new approaches to personal services, including the development of family casework.

However, this flexibility of the voluntary agencies is open to question. Several critics (Kramer, 1981, 1990; Johnson, 1999) have commented that most voluntary agencies have a built-in opposition to change. Kramer (1990), for example, claims there are organisational tendencies to submit to the so-called 'forces of inertia' that are produced by years of experience of working in a particular way and towards set objectives. This tendency can inhibit flexibility and hinder an acceptance of change. It has also been shown that voluntary agencies frequently replicate the pattern of statutory authority organisations. Brenton (1985), for example, suggests that there is a distinctive tendency within the voluntary sector, even for quite new organisations, to adopt hierarchical/pyramidal forms of administration and authoritarian styles of management.

Nevertheless, it should also be recognised that the statutory sector is not without the ability to innovate. Indeed, Johnson (1987) notes that it should not be assumed that statutory agencies never themselves initiate new developments and programmes; notable examples of such activity include initiatives in the late 1960s and early 1970s where the United States Federal government mounted a sizeable attack on the problems of hunger and malnutrition.

It is also clear that opposing views are held on the so-called 'pioneering role' of voluntary provision. It is debatable if the voluntary sector can now be said to be necessarily more innovative than the public sector. Innovation is routinely found in state provided care services, especially in the social care services field. For example, in the sphere of social services for the physically disabled, one of the most forward looking developments in the post-war period was the establishment, under the Disabled Person's Employment Act (1944), of the Ministry of Labour's Disablement Resettlement Service. For various observers, the attribution to voluntary sector agencies of a unique capacity to innovate perpetuates a stereotype based on their early historical role, before established state provision existed. The mystique of this 'vanguard' role lacks supporting evidence and might be over-stated (Kramer, 1981). Johnson (1981, p. 149) suggests that while it is 'probably true that voluntary agencies are capable of

responding more quickly than government agencies, this applies only to new organisations'.

Others have commented that voluntary agencies have rarely been expected to account for themselves in relation to service delivery, as state agencies are obliged to do; it is accepted that a more systematic and critical evaluation of voluntary sector provision is long overdue. Until the 1990s in the United Kingdom, there were few checks made by the state on staff in voluntary agencies or on the services they provided and internal accountability has been lacking (Ferlie *et al.*, 1989). Morgan (1988, p. 111) further notes that:

It is a little ironic that a number of enthusiasts of the voluntary sector claim that it is actually more accountable than the public sector. This might be true in the sense of more direct involvement of volunteers in the affairs of the organisation. Yet there are many voluntary agencies whose policy makers are not elected by members and supporters of the organisation.

It is argued that the flexibility, which is held to be a virtue which enables voluntary agencies to respond quickly to new needs and circumstance, is only possible because of a lack of accountability and consultation that would not be tolerated in the public sector (Morgan, 1988, p. 111). Although this situation has been modified to some extent by the National Health Service and Community Care Act 1990 and other legislation, local authority social services departments have had to comply with legal accountability not formally required of most voluntary agencies. Local authority social services departments are answerable to the public for their financial management and the control and conduct of their staff in a way that has not been obligatory in the voluntary sector, except when it is being supported by public sector funds or when an agency sees it as its moral duty.

3.2.4 A Critical Voice

The fourth issue relates to the ability of the voluntary sector to act as a critical voice in society. In the early 1960s, J.K. Galbraith popularised the conception of 'countervailing powers' in the market place (Galbraith, 1962). The idea, in its most basic form, was that rivalry in the market place acts as a monitor and accountability mechanism for the common good. Various writers have suggested that voluntary agencies can be included as a 'countervailing' power in welfare. The Nathan Report of 1990 commented that the voluntary sector does have an important role to play in providing a critical voice to government:

The environment, penal reform, community care, human rights, overseas aid, poverty, homelessness, and mental health, are some of the areas in which voluntary sector campaigns has challenged the conscience of the nation and strongly influenced the views and policies of Government and other decision makers (Nathan Report, 1990, p. 25).

There are in the United Kingdom voluntary sector organisations like Child Poverty Action Group (CPAG) (which campaigns for higher welfare benefits), Shelter (associated with homelessness and other aspects of housing the poor), Gingerbread (an organisation devoted to improving the plight of single-parent families), Age Concern and many other public interest groups who became critics of the status quo in society when they call for higher social and moral standards. Chesterman notes (1979) that at a local level, too, numerous smaller organisations, such as residents' and tenants' organisations, try to put pressure on purchasing authorities and other state agencies to make better welfare provision or amenities in specific regions.³³

However, the future viability of the important role the voluntary sector of acting as pressure groups has been questioned by various commentators. Brenton (1985) and Johnson (1981), for example, have drawn attention to the way in which growing dependence on central or local government funding has the potential to restrict the ability of voluntary organisations to pioneer and act as pressure groups within society. Marilyn Taylor (1992) has also argued that political, as well as financial, pressures might restrict the critical voice of the voluntary sector. She suggests that the financial climate for agencies that represent disadvantaged consumers has deteriorated considerably with the collapse of consensus politics. Legislation to curb the use of local authority funds for political publicity also constricts the freedom of local authority funded organisations to make political statements.

3.2.5 A Vehicle for Participation

The final theme considered in this discussion is participation. There is a view that one of the main strengths of the voluntary sector is its ability to create and reinforce a sense of citizenship through participation. Voluntary organisations provide opportunities for people to get engaged. There is little doubt among many social commentators that Britain in the 1980s and 1990s saw an acceleration in the disintegration of social solidarity and of communities. Several authoritative observers have remarked that the rise of individualism in Britain has been at the expense of sociability and civic-mindedness (see, for example, Furedi, 1997; Etzioni, 1995). Many social problems, such as family breakdown and crime, have been attributed to the intense sense of individualism that is now supposed to prevail in most communities.

In particular, those on the political left have highlighted potential advantages for developing and strengthening civil society through voluntary sector activities. Possibly the example held out as illustrating the most advanced and developed move in this direction is that of the now dissolved Greater London Council (GLC). As part of the so-called 'new urban left', politicians like Ken Livingstone looked to the voluntary sector as an ally in the 1980s. It was thought that voluntary agencies could: (1) act as counterweights to state power; (2) meet new needs which local authorities had not previously recognised; (3) augment local authority services, protect human rights; (4) open up channels of communication and participation; (5) promote better pluralism (Livingstone, 1988). The radical pluralism of the GLC targeted the voluntary sector as a means to increase democracy and promote involvement by ethnic minority groups, women, gays and lesbians and many other local community groups. According to this 'pro-civil society' approach, the voluntary and informal sectors should be encouraged as a means of achieving public participation and user involvement, not only in welfare provision but also in the political sphere, through their involvement in policy making at local government level. People participating in voluntary agencies would not only feel less alienated from society but also be active in altering its nature (Livingstone, 1988).

However, it should be recognised that some commentators are dubious of across-the-board assumptions about the extent to which voluntary agencies can increase participation. To begin, there are inconsistent trends in civic participation. There have, in recent years, been significant declines in membership of established voluntary organisations (like, for example, the Women's Institute), although there have been increases in membership of environmental and education organisations (like, for example, Greenpeace, Friends of the Earth, Amnesty International, and so on) (Rodger, 2000). There is today much debate about the lack of civic participation by members of society.

There are other problems with the notion of participation. According to some writers, the history of voluntarism is not simply of benevolence and altruism but also of self-interest, self-protectionism and class interest. As Ferris (1984) observed, individuals might volunteer their time because they expect to benefit from the contacts they make or the feeling of being needed. Further, voluntary action might be beyond the means of some people. Doing voluntary organisation work can involve costs that fall heavily on the less well-off volunteer. For example, having access to a telephone and a car, with flexible working hours (or even no financial need to work), are distinct advantages if one wishes to be active in voluntary organisation work. Some commentators have also

shown other forms of exclusion that exist in the voluntary sector. For example, there is evidence to suggest that few black people have received support from traditional voluntary agencies (Farrah, 1986), and low take-up of services is often attributed to the neglect by voluntary services of the needs of black communities. A growing number of 'black' voluntary groups grew up because of the lack of representation elsewhere (Ahmad, 1988).

This section has identified the key organisational dimensions which have supposedly marked out the voluntary sector from other potential providers of services in society: consumer choice, cost-effectiveness, flexibility, innovation, the critical role of the sector and its ability to widen user participation. These assumptions have been shown to be flawed. Weaknesses of the voluntary sector have been highlighted. They include its uneven and incomplete coverage in provision and representation and its lack of co-ordination, internal democracy and accountability. Furthermore, given the numbers and diversity of voluntary agencies, it is difficult to sustain the belief that the alleged merits of the voluntary sector can be found in all organisations.

In conclusion, several key concepts and important issues have been reviewed in this chapter. The question of what defines the voluntary sector has been central to the discussion, and this has necessitated an attempt to understand other aspects like typologies and the perceived advantages and disadvantages of the social welfare voluntary sector. A review of more of the relevant literature will follow in the next chapter before key issues are summarised and important research gaps are identified for investigation.

Chapter 4

Contracting and the Voluntary Sector

Chapter Themes

The Contractualisation of Public Services

Assessing the Advantages and Disadvantages of Contracting

Lessons from the United States

4.0 Overview

As noted, the central operating mechanism or instrument for the reform of community care in Britain has been the contracting process. The previous two chapters have shown that as a consequence of the implementation in 1993 of the National Health Service and Community Care Act 1990, voluntary organisations (and other independent sector providers) are increasingly involved in the contracting process for the delivery of a range of closely defined community based services. This chapter explores various aspects of contracting policy and uses previous research to explore the implications for voluntary social service organisations.

The chapter is in three parts. The first begins by acknowledging that contractual-type relationships have long existed between statutory and service-delivering voluntary organisations – although their numbers and significance have increased dramatically over the past two decades as changes in community care provision have taken effect. Some definitions and typologies of service-providing contractual relationships are then examined. The second part explores the literature on the advantages and disadvantages of social care service agreements from the perspectives of both the purchaser and the service-delivering voluntary agency. The third part begins by recognising that governments around the world are making increasing use of contracting to purchase services from voluntary organisations; specifically it explores the empirical evidence from the United States that has focused on the effect of contracting on service-delivering voluntary organisations.

4.1 The Contractualisation of Public Services

It must be emphasised at the outset that there is a long history of British national and local governments offering 'contractual agreements' and 'service agreements' that serve as a mechanism for the transfer of public funds to voluntary sector organisations, although these 'contractual agreements' have often been only loosely defined. The origins of the state forming contractual type relationships with service-delivering voluntary organisations lie in the late nineteenth-century practice of local authorities placing children in agencies run by voluntary and independent providers, and also in services provided for people with learning difficulties – these public funds often did have stringent conditions attached (Wistow *et al.*, 1994; Perri 6 and Kendal, 1997).

In the mid-twentieth century, the practice of contracting was used further in health care and income maintenance. For example, the Ministry of Health (H.M.S.O, 1944, p. 21) commented that the use of non-statutory sector organisations to carry out public social welfare functions under service-provision contractual agreements went back into the origins of British welfare:

The concept of a public authority discharging its duty by service-based contracting with others for the provision of services has long been familiar. As early as 1875 local authorities were enabled both to provide hospitals themselves and to enter into agreements with other (voluntary) hospitals for the reception of people from their districts. Later legislation followed similar lines; in recent Acts dealing with special services (for example, the Midwives Act, 1936, the Cancer Act, 1939) the use of voluntary agencies has been clearly contemplated. There are already large numbers of agreements under which existing local authorities arrange accommodation in hostels, sanatoria, dispensaries, or clinics, sometimes belonging to other local authorities and sometimes to voluntary agencies.

However, as suggested in Chapter 2, the application of contractual relationships accelerated significantly following the election of the 1979 Conservative government. A considerable amount of local authority contracting out took place following the provision of the Local Government Planning and Land Act of 1980. These provisions were mainly for a range of activities normally provided by local authority direct labour organisations. Further, the Local Government and Land Planning Act of 1980 and the Local Government Act of 1988 saw a much more comprehensive range of services that local authorities were obliged to put out to competitive tender (Ascher, 1987).³⁴

The popularity of contracting out of a range of services in the National Health Service also grew considerably between 1980 and 1986 in Britain. In 1978, the year before the

Conservatives took power, the presence of contractors in both local government and the health service went practically unnoticed. Ascher (1987, p. 25) commented that 'very few contractors thought that public sector work would grow significantly, and none would have predicted the explosion that was about to occur'.

However, the general introduction of service-provision contractual relationships in the context of social services had acquired a deeper importance by the National Health Service and Community Care Act 1990. This has brought fundamental changes to the local authority–voluntary sector funding interface, where contracting has emerged as one of the main sources of funding for many voluntary sector organisations in the United Kingdom for those delivering personal social services. According to Deakin (1995, p. 9)

the [community care] reforms, and in particular the introduction of service-providing contractual agreements, opens a new chapter for the [voluntary] sector as a whole and considerably extends the range of organisations at the local level who have had to move from the straightforward grant regime under which they previously operated to cope with the complexities of the contracting process.

An important aspect of the legislation was the recommendation by central government that there should be clear agreements between local authority social services departments and the service-delivering voluntary organisations, either on a fee-per-client basis, or through a contract laying down a given level of service. In either case, this would allow the social services department to hold the not-for-profit body to account for the proper use of public funds. Although many voluntary organisations are still supported by grant-aid for non-service-delivery functions, the upsurge of the service-providing contractual agreements in social care was substantial following Tory government policies. A study by the National Council for Voluntary Organisations (1993) found that voluntary sector organisations lost £12 million in grants during 1992–3, while contract fees increased by £79 million (134 per cent). Further research in the early 1990s by Wistow *et al.*, (1993) into the new funding arrangements suggests that contractual relationships had become the fastest growing component of statutory sector support for non-statutory organisations.

Thus it can be seen from this evidence that while the practice of local and central government contracting with service-delivering voluntary organisations is not new, it has become a much more significant feature of the social welfare landscape in Britain in the 1980s and 1990s.

4.1.1 Definitions

What do we mean by the term social care contracts? Although there is a growing amount of literature relating to the growth of social care service contracting (see, for example, Perri 6 and Kendall, 1997; Gutch, 1992; Kendall and Knapp, 1996; Lewis, 1994, 1993; National Council for Voluntary Organisations, 1993; Pinder, 1993; Rathgeb-Lipsky and Smith, 1993; Nowland-Foreman, 1998), there seems to be little that is precise about the use of the term 'contract' itself. It is deployed in a variety of contexts and used with respect to varied issues. Even among researchers and experts in the field, contracting is conceptualised in different ways. Given this ambiguity, it is worth considering first the various ways in which the voluntary sector has been funded by local statutory sector organisations in Britain.

Figure 4.1 **Types of Funding from Local Authorities**

Grant-in-Aid	Service-Agreements	Contractual Agreements
<ul style="list-style-type: none"> • takes the form of a gift • can be withdrawn whenever local authority chooses • given to assist a voluntary organisation to carry out broadly defined objectives • does not represent a formal agreement between the two parties • no defined services to be provided in return for grant • although conditions might apply, no intention to create legal relationships between the two parties 	<ul style="list-style-type: none"> • a more specific form of funding agreement in which the nature of the service to be provided is specified • normally a longer term agreement lasting for at least a three-year period • although technically a contract, normally lawyers are not directly involved in drawing up this type of agreement 	<ul style="list-style-type: none"> • a legally enforceable agreement • can form the basis for legal action if either side fails • sets specifications to be provided that have to be performed in return for an agreed sum of money • will embody a considerable amount of detail about the commitment made by both the funder and the provider of goods or services to the user <p style="text-align: right;"><i>Source: Adapted from National Council for Voluntary Organisations, 1991</i></p>

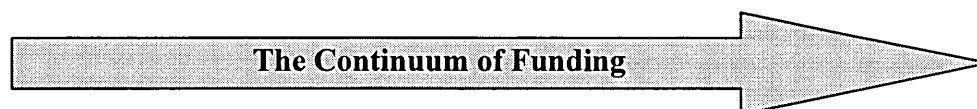


Figure 4.1 draws upon the work of the National Council for Voluntary Organisations (1991) which describes the continuum of possible funding relationships between British local authority social services departments and voluntary associations. The National Council for Voluntary Organisations propose that this can be viewed as a continuum with open-ended grants at one end and more tightly specified contractual relationships at the other. Service agreements between the statutory and voluntary sector sit somewhere in the middle of this spectrum, being more detailed than grant agreements but less legalistic than full-blown contractual relationships. Drawing upon this typology, Kendall and Perri 6 (1994, p. 19) argue that in the 'pure' case, a grant can be thought of as a pure donation, entirely at the discretion of the donor, the payment of which is not legally enforceable. They note that, typically, traditional grant-aid arrangements are supplied on an annual basis and 'given in support of the general aims of the organisations and not necessarily subject to any restriction on its use unless the donor chooses to make such restrictions'.

By contrast, however, a contract can be defined as a legal agreement, voluntarily entered into between two parties, for the exchange of goods and services. In the social care services context, such contractual relationships have been described by Smith (1971, p. 14) as 'agreement[s] between a government department and a non-governmental institution to purchase a good, perform a service or carry out an assignment in general terms or in specific terms, for which the government meets all or part of the monetary cost'. With regard to the National Health Service and Community Care Act 1990, the practice guidance issued by the Conservative government (H.M.S.O, 1991) indicates that a contract is 'a formal written agreement, which might be wholly or partly in lawyers' language, between one or more of the local statutory sector purchasers and a service supplier'. The DoH (1990, paras. 4, 23–4, 25) states that a service-provision contract should define how a particular community care service is to be provided and, typically, it will include the amount of service, costs and specific conditions and performance standards. It was required that local authority social services departments should develop an increasingly contractual relationship with providers. Contractual agreements will require clear specifications, be enforceable in law, by or against the parties concerned and be one means of safeguarding services (H.M.S.O, 1990).

While these definitions are helpful, from a social policy perspective, references to a legally binding contractual relationship between the voluntary and statutory sectors might be misleading. For example, in the community care provision context any differences of opinion that occur between a statutory sector purchaser and a non-

statutory sector provider have traditionally been resolved through (internal) arbitration mechanisms rather than through recourse to the courts. From this perspective, then, contractual agreements are not legally enforceable contractual relationships in the accepted sense (see, for example, Payne, 1995; Mackintosh, 2000; Taylor and Lewis, 1997).

Another issue here relates to the blurred boundaries that exist between various funding streams. For example, in her discussion of the spread of contractual behaviour in the public sector in the 1990s, Lewis (1993) suggests there is a tendency in the academic and popular discourse on this issue to simplify the concept of such relationships. Indeed, upon closer examination, the boundaries between traditional grant aid arrangements and service-provision contractual agreements appear blurred; grant aid was rarely unconditional and therefore all statutory sector funding could be seen as a form of 'contract'.

Woolf (1992), in her study of contracting, also indicates that there might be no clear line to be drawn, in practice, between service-provision contractual relationships and traditional grant aid arrangements. The introduction of legally defined contractual agreements has coincided with a widespread move by local authorities to the use of more clearly specified agreements and tightly defined traditional grant aid arrangements. Woolf proposes that it is difficult to limit the debate over 'contractual agreements' to instances where there is an actual written contract; the defining issue seems to centre on the expectations of the public funding body, whether embodied in the statement of a traditional grant-aid agreement, or in a letter of understanding, or in an actual contract.

4.1.2 Partnership or Competitive Approach?

So far the discussion has concentrated on the definition of contracting. However, alongside the various interpretations of exactly what social care service contracts are, there is also discussion in the literature of the *different approaches* that statutory sector purchasers can adopt to purchasing services through contractual agreements. Here the work of Kettner and Martin (1985), based on the North American experience of contracting, is used to exemplify the dominant understanding of the contractual approach to social care services. Kettner and Martin have defined two main models for service-provision contractual agreements: a partnership model and a competition model. The partnership approach to contracting is defined by them as a set of policies and practices (on the part of the government contracting agency) which 'views government and the private sector as part of a comprehensive human services system,

and where the determining factor in selection of contractors is a concern for the development and maintenance of the human services system' (p. 206).

In the partnership model, the statutory sector purchasers and the non-statutory sector providers are viewed as partners in which consensual decision making is the norm. In its ideal form, the contracting process is viewed from the perspective of two equal partners attempting to maximise the social services output through joint action. Where the statutory agency purchases a service, contractual relationships are developed and negotiated within the context of maintaining and strengthening the stability of the system. The author suggest that this approach involves a high degree of interaction between government agency staff and private agency staff over planning, designing, budgeting, monitoring and evaluating. Figure 4.2 lists some of the principles of this model of contracting taken from Kettner and Martin (1985).

Figure 4.2 The Partnership Model for Contracting

- emphasise the strengthening of working relationships between the government funding source and the service delivery agency
- be flexible and open to compromise in the development, negotiation, and administration of contractual agreements
- make contracting decisions mainly on the basis of concern for the stability of the human services system
- be cautious about experimentation with differing modes of service provision
- prompt specialisation, rather than competition, among contractors in order to capitalise on public/private sector strengths

Source: Adapted from Kettner and Martin, 1985

In contrast to the above, the market model is characterised as a set of policies and practices (on the part of the government contracting agency), which encourages competition among potential contractors and, where like contractors are competing to provide a like service, price is the determining factor (p. 206). The authors argue that the market model places a high value on cost efficiency. Figure 4.3 offers some of the principles of this model of contracting.

At the heart of this model is a view that the government contracting agency is a buyer or purchaser of social care services and the non-statutory sector contractor is seen as the supplier or seller. In essence, the contracting function is viewed as a procurement process with both sides attempting to maximise efficiency and effectiveness through precise definition of contractual expectations. Generation of competition and the subsequent lowering of costs are intended results of the market approach.

Figure 4.3 The Market Model for Contracting

- emphasise the development of criteria for measuring efficiency and effectiveness
- negotiate with a high degree of specificity on issues of performance expectations, programme design, and budget
- make contracting decisions primarily on the basis of cost and price, other factors being equal
- encourage experimentation with alternative methods of delivering services
- devote resources to the recruitment and development of a pool of potential contractors

Source: Adapted from Kettner and Martin, 1985

However, it is stressed by Kettner and Martin that the partnership-market continuum might not be defined as either 'pure' type as it possesses aspects of both approaches. In Britain, also, it should be emphasised that much of the literature on social care contracting challenges the applicability of a 'market model' to contracting. Instead, it has been claimed that less formal agreements, which might be termed 'partnerships' or 'compacts', are often much more appropriate for the building of relationships and the sharing of information. For example, Hoggett (1994, p. 15) lays emphasis on the joint objectives of the organisations involved in the contract and defines contractual agreements as co-operation between actors:

The negative impact of the replacement of grant-aid by contractual relationships has been worsened by the particular model of the market which has been imposed by government. Public policy has been guided by a largely unrealistic model of market relations which fails to appreciate that in the real world contracting rarely takes place on an arm's length basis between anonymous suppliers, contractual agreements are rarely purely legalistic documents but often merely documents of last resort for relationships which are based upon trust and purchasers are often directly involved in collaboration and development activities with those they contract to.

One early study of the use of contractual relationships in the implementation of new community care provision arrangements in Britain found that there had been little evidence of a market driven approach to contracting. Common and Flynn (1992) have shown that there is a tendency in Britain for service-provision contractual agreements to be offered to known providers. In particular it was found that statutory sector purchasers were working with existing voluntary sector providers to develop service delivery. Furthermore, it has been claimed that in the area of social care services there is a need for purchasing statutory sector organisations to trust those who provide services to share their public service ethos and to demonstrate a track record in pursuit

of a co-operative mission; trust between purchasers and providers is a valuable commodity and one which the private sector cultivates to make contracting easier (Kramer, 1991; Taylor and Lewis, 1997). There is other evidence from social services markets in Britain that 'purchaser preferences for maintaining known and trusted providers represent an intentional alternative to a fully competitive approach' (Charlesworth *et al.*, 1994).

The theme of partnership is central to much of the policy related discussion. In the implementation of community care plans in the 1990s it was recognised by the post-Conservative government that a local authority might have a need to sustain relationships that had been built up over time with non-statutory organisations. The guidance notes produced by the government acknowledged this and concluded that the new relationship could be conceptualised as being a 'contract culture', involving a close ongoing relationship with providers rather than being based on anonymous short-term price competitiveness (DoH and Price Waterhouse, 1991).

However, in case this seems too optimistic a picture it should be said that the idea of partnership between the voluntary and statutory sector has also been much criticised. For example, a study conducted by Clark (1991) showed that the voluntary sector has had limited influence on policy decisions in the field of employment. Drawing upon a study of eight voluntary projects working in partnership with the then Manpower Services Commission in Scotland, he found that the relationship was 'seldom harmonious and bore all the stigma of unequal compromise between fundamentally different aspirations'. It is also acknowledged by Maria Brenton (1985, pp. 111-123) that historically there have been real problems with this notion of partnership:

[voluntary organisations have not] yet obtained the kind of weight and status, roughly comparable to the statutory providers of mainstream social services, which would entitle them to be all participants in social planning processes [...] The understanding of 'partnership' as a collaborative relationship between local authorities and local voluntary organisations through which each carry out a joint responsibility for planning, policy making and implementation as part of the whole, and where voluntary agencies enjoy parity of status and influence, is one that exists more in theory than in reality.

Researchers who have engaged in exploring the voluntary-statutory sector relationship, especially following the implementation of the National Health Service and Community Care Act 1990, have found evidence that some local authority social services departments have adopted a competitive model to social care. For example, in describing the early experience of service-delivering voluntary organisations working

with the new service-provision contractual agreements, Jane Lewis (1993) suggested a conflictual approach was in operation; there was evidence to show that local authorities who were introducing the new funding arrangements had been unnecessarily conflictual in their approach, using staff from treasury and legal backgrounds who had little appreciation of the needs of client groups or of the sector's provision as a whole.

Summing up, there are varied views about how contractual agreements are defined. Many of the definitions in the literature are so broad as to include almost any form of relationship between two or more actors. To avoid creating at this stage a fixed image of what purchase-of-service contracting is all about in the social care context, it is probably more helpful to view grants, service agreements and contractual agreements as forming part of a continuum rather than as clearly different sets of approaches (National Council for Voluntary Organisations, 1995). An expanded discussion on the voluntary sector interpretation of what service-provision contractual agreements mean is found in subsequent chapters.

4.2 Assessing the Advantages and Disadvantages of Contracting

4.2.1 Advantages

What are the benefits of purchase-of-service contracting in the social care field? This is a question asked by many policy makers, social commentators, politicians and academics. There are, in the literature, a large number of points of view that have been made in favour of social care contracting. A selection of these themes identified in the literature are presented in Figure 4.4.

The anticipation of reduced costs in the provision of public services appears to be one of the most compelling reasons for central government to favour contracting out social care services. At its most basic, the view is that it might be cheaper and more efficient for a statutory sector purchasing body to issue a service-provision contract to a non-statutory sector organisation than to provide these services directly.

Figure 4.4 Advantages of Contracting

- Provider organisations under contract offer better and more **economical services** as they compete with each other
- Contracting compels public authorities to **consider the cost** and level of existing service provision and forces the public sector to become commercially orientated
- Services delivered under contract are **more flexible** because voluntary providers know their clients better than statutory services
- There is more scope for **service innovation**
- Contracting provides access to expertise that public agencies might not have on hand
- Contracting might promote **more volunteer participation** in programme delivery and governance than most statutory sector bodies
- Contractors can be penalised for **poor performance**, for poor quality, delays and unreliability

The 1989 White Paper *Caring for People* (H.M.S.O, 1989) picks up this theme noting that, in economic terms, the advantages of contracting out services include: (1) increased efficiency and innovation through competition; (2) establishing the true costs of care; (3) reducing costs by putting provision of services on a less bureaucratic basis; (4) increasing scope for innovation and specialism and therefore allowing improvement of management skills. The introduction of competition for contractual agreements among potential providers is a theme that is promoted in much of the literature on social care contracting. The theory is that competition leads to greater cost-effectiveness because the true cost of providing services is revealed at the bidding and proposal stages. Service-provision contractual agreements are awarded to those offering the best quality service at the least cost (De-Hoog, 1985; Rekart, 1993). It is claimed that competition among bidding agencies might help them both to improve the quality of programmes and to lower the costs associated with them (Born, 1987).

The assumption is that were competition for contractual agreements to be actively encouraged, potential suppliers would be compelled to sharpen their proposals; they would be more painstaking in the preparation of cost estimates, and more creative in their development of service content and procedures. This, in turn, might produce lower unit costs, by way of economies of scale and specialisation, as well as improvements in the quantity or quality of services. According to one pro-marketisation writer, privatisation has many benefits:

Privatisation by contracting for services clearly works. It works because it introduces competition among service providers and gives government agencies a choice among them. To survive a competitive environment, service providers have to become efficient, innovative, and flexible, and adapt rapidly to changing circumstances (Savas, 1999, p. 7).

Other arguments advanced for reducing costs include contractual agreements that avoid many of the costly bureaucratic rules and regulations associated with public sector institutions. Government agencies are subject to cumbersome procedures for providing services, as well as wage levels and work rules that stem from collective bargaining with trade unions (Pommerehne and Grey, 1977). Until the 1980s, trade unions were often especially powerful in the public sector, in part as a result of the reliance of politicians on union support for survival.

Some commentators have also claimed that service-based contracting can offer financial stability to service-delivering organisations. Given that many voluntary agencies are attempting to provide services on increasingly precarious budgets, state finance has been seen to be an appreciated source of regular income (Lipsky and Smith, 1993). Service-provision contractual agreements introduce a degree of certainty and clarity that was often missing from traditional grant aid arrangements and they enable many service-delivering voluntary organisations to preserve, expand and diversify their usual services in ways that would not be possible without such funding. The question of the benefits of contracting for voluntary sector providers is explored in Chapter 8 .

4.2.2 Disadvantages

There are, then, a range of distinct benefits associated with social care services contracting. At various times it has been said that contracting can introduce competition, clarity, choice, flexibility and accountability into the social care setting. However, it is now time to consider the other side of this debate where, in contrast to the issues just discussed, the perceived benefits of social care contracting has been questioned. The range of demerits identified is summarised in Figure 4.5.

There have been uncertainties about the implications of competition for social care service agreements. Concern has been expressed that if contracting funding arrangements are motivated by price and profit, the result could simply be a lower quality of voluntary sector services. It is not entirely clear from the literature and research whether, if voluntary sector agencies were to adopt a more commercial ethos and mentality, this would mean that they might ignore the 'social meanings' traditionally attached to voluntary sector effort (Booth and Phillips, 1990). Further, if funding

becomes channelled increasingly through the contractual agreements mainly concerned with service provision, there is the possibility that groups might be constrained in other work concerning advocacy and representation.

Figure 4.5 Disadvantages of Contracting

- **Increased transaction costs** – for both voluntary sector organisations and government funding organisations, as more specification, supervision and reporting is required
- **Continuity** - basing the choice of providers on which agency submitted the lowest bid might lead to shifts in supply from time to time, and this can disrupt the continuity of care to the user
- **Local authority priorities** – increasing emphasis on the initiative coming from government-determined priorities and a diminution in the importance of the initiative of voluntary sector organisations
- **A shift in the locus of control** – from voluntary sector organisations to government funders, in relation to determining what services are provided, for whom, and in what way
- **An increase in the financial risks** – to which the voluntary sector organisations are exposed (and a resulting decrease in government exposure)
- **Increasing expectations** – on, and requirements for, voluntary agencies to behave competitively
- **Loss of independence and innovation** – a major concern is that contracting might reduce the ability of voluntary organisations to individual response to user and force them to move towards more uniform response; they might lose some of the authority that is a precondition of creativity and innovation
- **Impact on smaller voluntary agencies** – larger organisations are expected to be better placed to take on contractual agreements, having access to the necessary professional skills and expertise to handle agreements
- **Demands on time** – the process of negotiation and subsequent monitoring of contracts may mean less time for other important areas of work for the organisation
- **Impact on volunteers** – the supplementary responsibility, liability and formalism that contracts entail, may deter potential volunteers in both management and service delivery
- **Erosion of value base** – voluntary groups may be forced to develop a more business-like 'ethic' and that this will compromise their value base

However, it should be said that the evidence available in Britain at least for the 1990s seems to suggest that there has been limited competition for service-provision contractual agreements. For example, Davies and Edwards (1990) concluded that only one of the fifteen contractual agreements that they studied had been agreed as the result of a bid under a compulsory competitive tendering process, and there were few examples where contracting had undercut previous public-sector arrangements. Another study of the early practice of contracting conducted in 1992 (Common and Flynn, 1992) demonstrated that nearly all service-provision contractual agreements

went to agencies well known to the local authority social services departments – in many cases to national charities and those with a long historical relationship with the local authority.

The problem of stimulating competition amongst providers in the United Kingdom has meant that patterns of service delivery have not been radically transformed. For example, it has been shown that in the health sector, the ability of new providers to enter the 'market' is held back by the costs of setting up a new service. Further, if purchasing authorities show a preference for entering into contractual arrangements with larger, more experienced and better resourced voluntary organisations, there is an obvious implication for the smaller voluntary organisations. Smaller voluntary organisations might thus be disadvantaged with the introduction of competition for contract funding (Association of Metropolitan Authorities, 1990; Taylor, 1990). These groups in particular have little or no experience of service-provision contractual agreements and they have little access to legal advice. The Local Government Management Board (1991) in a publication on this issue claimed that without such advice, the terminology of a legal contract can appear intimidating and unduly restrictive or an unsatisfactory contract might be wrongly accepted on trust.

Some commentators (Taylor and Lewis, 1997) have been critical of the whole question of competition on the grounds that there might be 'unfair' competition from internal providers in the public sector. The question asked is whether statutory sector purchasing departments might be tempted to select an in-house government agency rather than a voluntary sector organisation. It might be that internal providers have an undue advantage regarding administrative charges and the support services to which they have access, such as legal and accounting help as well as possible access to 'inside' information (Flynn and Hurley, 1994). Several observers have also claimed that service-delivering voluntary organisations might have to cut costs to the minimum in an effort to secure contractual agreements in the social care market. Holman (1993), for example, has claimed that it is the larger, more established, voluntary sector organisations in Britain which would be in a better position to develop the skills to formulate and win contractual agreements .

In addition to those barriers mentioned above, there are other difficulties (especially for the smaller, less established and community-based organisations). The Association of Metropolitan Authorities (1990) in Britain, among others, has questioned whether less established organisations, such as agencies representing black and ethnic minority groups, lose out in the competition for contractual agreements. They argue that such

agencies might be disadvantaged in competing for and managing government contractual agreements because of the size of the funds that can be involved, their limited staff and their less developed internal management systems.

It is claimed that smaller agencies, furthermore, often lack experience in proposal writing, budget development, contract negotiation and other aspects of government-voluntary sector relationships (National Council for Voluntary Organisations, 1991). In particular, it has been claimed that there is a danger that black service-delivering voluntary organisations could be 'squeezed out' of the social care market by the large private or national voluntary care agencies, resulting in standardised community services which might be insensitive to the needs of black people (see, for example, Williams, 1990; Johnson, 1991; Hendry, 1990). Hendry (1990, p. 74) suggests that the greatest danger that the 'contract culture' poses is that:

small new voluntary organisations will be starved of funds and the traditional sources of ideas for meeting new needs will dry up. In effect the wellsprings of social innovation will be blocked. This would be a great loss for society in general. For specific communities with distinct cultural needs it will mean increased marginalisation and alienation.

A further collection of problems connected with the new contracting funding arrangements lies in the risk that service agreements might restrict voluntary sector innovation and produce too rigid an approach. Such contractual funding for the provision of a 'mainstream service' might put at risk involvement in such tasks as advocacy and the involvement of local people in self-help and community projects. It has been suggested that providers might limit themselves to only offering tried and tested services rather than developing new ways of meeting needs (Batsleer *et al.*, 1997).

A further issue concerns the new relationships and flows of power that can be introduced by contracting (Clarke and Newman, 1997). It has been suggested that what from one angle can be perceived as the diminution of the role of the state, from another can be seen as the extension of state power but through new and unknown means. Although there are various types of power, the greatest power generally rests with those controlling resources. Several voluntary sector organisations, for example, have been worried about their ability to retain their independence and their mission in the new contractual environment. They fear that they might have to fit in more clearly with statutory priorities rather than developing their own agenda and taking a critical stance (Gutch and Young, 1988; Billis, 1993).

Allied to this is the fear that service-delivering voluntary organisations might compromise their position as independent observers and critics of social policy by associating themselves too closely with the government. Murray (1985, p. 15) argued that: 'You can't have your cake and eat it, be financially dependent and implicated in the structure of provision and at the same time pretend to be independent of it'. Flynn (1996) gives an example of how one voluntary sector organisation, involved in dealing with drug and alcohol abuse, moved into the field of caring for people with long-term mental health problems, motivated by the offer of a service-provision contract. It is suggested (Gutch, 1990) that service-delivering voluntary organisations are in danger of becoming the agents of local government, functioning more like local authority departments than independent organisations.

It should be said that there are few existing studies of the way in which contracting affects the autonomy of the voluntary sector; the research that has been conducted suggests that there is little evidence to show that the independence of voluntary action is being compromised by the acceptance of state funding (Kramer, 1981). However, results from the present study aim to show, in later chapters, that service-delivering voluntary organisations are indeed faced with a conflict between their desire for independence and the loss of authority that might be involved in accepting statutory sector funding.

A further set of emerging concerns identified in the literature relates to the effect contracting might have on volunteers. There were fears that increased responsibility devolving upon voluntary sector management committees for the negotiation and management of service agreements would deter potential volunteers (Harris, 1997; Ware and Todd, forthcoming). Harden (1992) suggests that the extra legal dimensions of the liabilities of a formal contract, and the increased technical complexities of such agreements, would be a distraction from their genuine task of providing services and could dissuade members from continuing their voluntary sector management.

The large formal structure of the purchasing authority might be intimidating for many volunteers and the liabilities might also deter users from becoming involved in a management capacity. There is an expectation that service-delivering voluntary organisations have to adapt themselves to the new needs of 'being business-like' about service-based contracting and to developing their internal accounting and management capabilities (Charlesworth *et al.*, 1996). The National Council for Voluntary Organisations (1993) have claimed that volunteers might be seen as less dependable

than paid employees in ensuring the provision of the level of service specified in their service contractual agreements.

Summing up this section, it is possible to state that there are both many potential merits and problems for those service-delivering voluntary organisations working in contractual agreements with statutory sector purchasers. These revolve around competition, impact on smaller and community-based organisations, restrictions on organisational flexibility, power distribution, voluntary sector independence and 'volunteerism'. There is, of course, a need for caution in ascribing all moves towards formalisation as resulting from changing funding arrangements. It is important to bear in mind that there are many internal and external factors at work in the unfolding of organisational change. Salamon (1987, p. 121), for example, suggests that 'pressure for improved agency management, tighter financial controls, and the use of professionals in service delivery do not, after all, come solely from government'. An organisational life-cycle perspective, in particular, is likely to stress that it is characteristic of voluntary sector organisations to begin their life as voluntary associations and then become more complex and formalised if and when they seek to provide social services (Renouf, 1995).

4.3 Lessons from the United States

There is no doubt that the trends outlined above have prompted widespread discussion about the 'contract culture' in Britain in the 1980s and 1990s. The experience of the recent community care reforms brought about new awareness of the contractual mechanism and the voluntary sector community has debated the development at some length. However, although service-provision contracting has become an increasingly important theme in the social policy debate in Britain, the research community has given little attention to this subject. Indeed, the debate has been grounded on ideological argument both for and against such a policy rather than on empirically-based research evidence. Hostility towards purchase-of-service contracting arrangements has led to growing scepticism about the potential merits of various service delivery approaches. Culpitt (1992) comments that policy-makers often enthuse about service-based contracting social services, 'even while accepting that there is a dearth of research' that would fully support such practices.

It would appear that the terms of the debate in Britain today appear to rely (in part) on policy developments that have emerged in the United States, where governments have long contracted with for-profit and non-profit organisations and paid them to provide

services specified by the government. Since the 1960s and 1970s governments at the local, state and federal level have been contracting for a wide range of activities, including welfare services, often under competitive conditions. This role of the independent sector was, in part, a response to the federal policies of the Nixon administration that encouraged community-based services and, through financial incentives, shifted responsibility for various federally-sponsored social and economic programmes to the states and other localities. Nathan (1996, p. 24) notes that over the past 25 years in the United States:

State and local Governments (in the United States) have contracted with non-profit organisations for these (Governmental) services [...] One can think of the non-profitization movement that has occurred over the past two and a half decades as moving power and responsibility from a higher level (state and local Government) to community-level organisations.

There are distinctive comparisons to be made between the United States and the United Kingdom. There are, for example, similarities in social and political structure and in the development of social welfare policies since the early 1980s. Gutch (1992) argues that the post-1979 Conservative government looked extensively to the United States for ideas on how to develop what have become known as 'internal market' systems, to liberate user choice of welfare and increase efficiency.

Given these developments, there is in North America a source of comparative material for United Kingdom researchers and a considerably more developed network of academic and policy-related research into the voluntary sector within which service-based contracting-out is a focus for investigation. Important lessons can be learnt from the volume of experience built up over a thirty-year period in the United States. It is from here that some evidence regarding the implications of service-provision contractual agreements might emerge and provide the reader with an understanding of the rationale on which this thesis is based. A selection of the main research findings are reviewed.³⁵

4.3.1 Increased Bureaucratisation

Service-provision contractual agreements specify what is to be provided and impose a legal responsibility on the provider organisation to ensure that the terms of the agreement are satisfied. Fulfilling the contract agreements requires professional management and efficient procedures. This can present a number of problems for voluntary organisations. For example, a document published by the National Council for Voluntary Organisations in Britain suggested that voluntary sector organisations

might have to expand to ensure that they could provide the necessary administrative capability. There is a fear that voluntary developmental work and risk taking might get squeezed out and that the accountability of voluntary management committees could decrease, with voluntary organisations becoming more like not-for-profit companies (National Council for Voluntary Organisations, 1989).

Another shortcoming of the contracting process from the perspective of the voluntary service provider is that there might be costs involved in implementing a particular contracted service. Evidence from the United States, cited by Gutch (1992), suggests that there have been additional overheads and co-ordination costs associated with service-provision contractual agreements. The maintenance, monitoring and re-negotiation of service-provision contractual agreements can be a resource-intensive period and can lead to greater transaction costs. Gutch observed that both complicated monitoring and administration have frustrated the aim of increased clarity through service agreements. The financial security of the non-profit sector has been eroded rather than increased. The transaction costs of negotiating service agreements were found to be costly to many of the agencies in Gutch's study.

This theme is also discussed by Bernstein (1991) who describes, in a small-scale ethnographic study, the ways in which seventeen New York executives of voluntary sector organisations 'play the game' against the staff of the government funding agencies with which they have contractual agreements. The respondents evidently decided that, because there is such a conflict between the rules and expectations of purchase-of-service contracting and reality as they perceive it, behaviours suitable for a game are the only appropriate way of coping with the often absurd and onerous requests for information. Bernstein also fears that this has led to the development of dual systems: one superficial, to maintain expected feedback to the funding organisations and the other more comprehensive, to assist the organisation to get on with the genuine work. Such an approach completes the cycle whereby a low-trust approach is self-justifying and requires even tighter checks and increased accountability.

According to Smith (1993) another concern to consider here is that of cash flow. They argue that for the service-delivering voluntary organisations this can be crucial, given that they are typically undercapitalised and experience problems in money management. The experience of organisations in the United States suggests that there might be delays in payments for services. For example, Grossman (1992) documented how New York State had systematically delayed payments that were owing to voluntary

sector organisations providing services on their behalf. In New York State alone, the cost of the delay in payments to voluntary sector agencies was estimated at 12 per cent per annum for an annual sum of \$800 million.

Government sees an advantage in delaying payment for services as long as possible in order to secure interest on its funds (Demone and Gibelman, 1989). Cnaan (1995) argued that intentional or inescapable administrative or accounting delays in the payment of contract funds produces a disparity between the costs incurred by the non-profit-organisations and the true rate of governmental return, thus acting as an indirect subsidy to government. Tuckman and Chang (1993) suggested that, for the larger service-delivering voluntary organisations, the uncertainty of payment might be offset by varying degrees of 'organisational slack' that permit them to cover uncertainties with funds from other sources or from their reserves.

4.3.2 Subsidising

A review of the international literature on the contracting of social welfare by Ohlin reveals that there is little evidence about whether contracting for social care services is more cost-effective than other arrangements. Ohlin (1990) observed that, while on average unit costs of contracted services are reduced, there are enormous variations reported for savings and losses across service types. Further, there is also little evidence that cost savings are passed on to consumers. Gutch (1992) reported that there is evidence that United States government funders are not funding the full costs of voluntary sector contracted projects. Statutory contractual arrangements have made voluntary sector organisations make use of public funds to support projects— leading to subsidies. He found in his study that most government service-provision contractual agreements ended up being subsidised by the voluntary sector provider itself to the tune of around 15–20 per cent – often because the voluntary sector agency was simply too inexperienced in bidding for a service agreement (Gutch, 1992).

Other researchers too have found that voluntary sector organisations often make use of donations or other income to compensate for the deficit in contract funding. For example, Richman (1995) discovered widespread evidence of 'top-up funding', as did Mencher (1958) in his post-war study of service-provision contractual agreements and the voluntary sector.³⁶ These subsidies were also often paid for in the form of lower wages for the voluntary sector employees, longer working hours and a substitution of unpaid labour for paid workers. Lipsky and Smith (1993) commented that this would have particular implications for the type of organisations able to afford to enter into service-provision contractual agreements. They claim that this is one of the reasons

why government officials often prefer to limit their purchase-of-services to the more stable and affluent providers. These contractors are more likely to be able to withstand the hardships that, as experience has taught, would probably occur.

4.3.3 Monitoring and Evaluation

The community care reforms of 1990 in Britain state that monitoring and evaluation are critical to successful contracting. Writing on the United States experience of purchasing social services, De-Hoog (1984, p. 214) notes that such contract monitoring requires 'relevant, accurate and complete information' in order to judge costs, performance and effectiveness. However, in consequence it is claimed that the emphasis on stronger accountability, frequently associated with contracting, can subtly shift responsibilities away from voluntary sector management boards, members and other stakeholders. An international review of externally imposed evaluations by Smillie (1995) suggests this can effectively disenfranchise and undermine legitimate governance structures – ultimately leaving committees and members as mere bystanders in the process.

In his research in the United States, Gutch (1992) showed how service-delivering voluntary organisations have complained about over-regulation which leads to the requirement, by government funding departments, of infinitely detailed and arduous reports. One of Gutch's respondents stated that nearly one-third of staff time had been consumed by conforming to the purchaser's requests for paperwork. In her study of the voluntary sector in Britain and the United States, Wolch (1990) notes that funding to the sector has been increasingly accompanied by oversight, monitoring, evaluation and a general curtailment of the freedoms of the agency. Nielsen (1979, p. 19) also observed that seemingly sensible and necessary bureaucratic response provisions have often led to a '... profusion of petty but altogether burdensome difficulties'. Nielsen's study shows how some medium and large voluntary sector organisations have service agreements with various state agencies, each with its particular reporting needs and volumes of rules and regulations. The result, for the service-delivering voluntary organisations, 'can be an [...] endless drudgery of paperwork and administrative disputes'.

Poertner and Rapp (1985) have observed that the focus on tight monitoring had led to input becoming more important than the desired outcome. Other commentators have suggested that accountability mechanisms for purchased services have been concerned, essentially, with accountability for finance spent and the numbers of clients served; insufficient attention has been paid to monitoring client outcomes and little thought given to establishing performance standards. Day (1980) notes how the

regulation of nursing homes in the United States and the United Kingdom, for example, has been concerned mainly with physical standards, which are easily measured, rather than with personal care and relationships. As Hoyes and Means (1993, p. 112) point out, it is often 'the less tangible and less easily quantifiable aspects that are of most importance to the consumers'.

However, in contrast to the above perspectives, there is evidence that the monitoring of services in the voluntary sector is not always rigorous. A study of social care contracting by Roper (2000) in New Jersey, United States, found that purchasing officials in government departments said that independent agencies who win service-provision contractual agreements do so on the basis of the quality of the proposal submitted and the reasonableness of service delivery costs. Roper notes further that the quality standards against which proposals are measured have tended to be rather loose. They are often applied with greater or lesser rigour depending upon the agency which is submitting the proposal. Roper notes that in New Jersey the nature of the relationships is very significant in the process of awarding and monitoring contractual agreements for social services.

This observation is consistent with the findings from Smith and Smyth (1996, p. 277) in a study of contracting for substance abuse services in North Carolina. They claim that the 'relationship between government contract administrators and the personnel of the service agency is of critical importance in contract and decision-making'. Government officials, they claim, purchase and monitor services from non-profit and for-profit providers that they can trust to provide good quality service at a reasonable cost.

Several other studies in the United States have revealed that there is generally little monitoring of a contract once it has been awarded. Edward's and Hulme (1992), for example, have explored the extent to which large-scale donor funding has compromised voluntary sector organisations and weakened links with their grassroots. Their book, examines how historically voluntary sector organisations were rarely required to account for themselves and acknowledges that a more systematic and critical evaluation of voluntary sector work is long overdue. However, government departments have claimed that service-based contracting can strengthen the independence of a voluntary sector agency.

4.3.4 Threats to Voluntary Sector Autonomy

The loss of independence for voluntary sector agencies has already been raised. There is a fear that, when voluntary organisations act as contracted service providers, the

purchaser can legitimately expect to influence the voluntary agency on such provision. Gutch (1990), for example, found that this fear was well-founded for those groups who were dependent on a single source of funding. Drawing upon the United States experience of service-provision contractual agreements, he observed that the voluntary sector in Britain could be in danger of becoming the agent of local government, acting more like a department of the local authority than as an independent organisation.

Some commentators have revealed how for smaller, newer, and community-based organisations, contracting with local authorities and health authorities is frequently the chief, if not the only, source of income. For example, Lipsky and Smith (1993, p.72) study of 25 service-delivering voluntary organisations of varying sizes and types in Massachusetts revealed many drawbacks to contracting. For example, they argued that 'contract income has transformed non-profit-organisations into agents of the state' preventing them from offering alternatives to the public standards services and thereby corrupting their mission. Lipsky and Smith (1993) also claim that voluntary organisations in the United States were co-opted and controlled, with their independence, flexibility and innovative capabilities reduced as a result of the imposition of purchase-of-service contractual arrangements.

Gutch (1992) also found that organisations involved with several service-provision contractual agreements had to curtail their campaigning functions as the management of their contractual arrangements became a full-time activity (Gutch, 1992b, p. 76). When a voluntary sector organisation accepts government funding, tensions can also arise between them about which clients should be served. Smith and Stone (1988) have shown how state officials have tended to be interested in targeting their services to the needier clients while voluntary sector organisations might be interested in delivering services that are consistent with their staffing patterns, service objectives and funding priorities. Often, this can mean choosing to serve the most straightforward and easier-to-treat cases. Smith and Stone (1980) discovered that government funding of voluntary sector organisations tends to shift their services to a more difficult clientele and more acute care.

Lipsky and Smith (1994) observed further that government regulation has often had an effect on the mission of a voluntary sector organisation in other ways, often through subtle means and over a period of time. They observed, for example, how many service-delivering voluntary organisations, in receipt of contracted finance, started their lives staffed by volunteers, semi-professional and non-professional workers. The interests of government officers in accounting for the expenditure of public money led

to regulations requiring or promoting the substitution of such a staff by professionals. Evidence by Kramer and Grossman (1987, p. 47) suggested that not only do paid staff become more specialised but that members of governing organisations also display increasing professionalism. They commented that business and corporate leadership is sought not only for its formal and informal linkages to sources of contractual agreements but also for advice regarding profit making and marketing strategies.

However, as suggested by Kramer (1995), there is a wealth of evidence to suggest that voluntary sector concern over the issue of independence is, in many instances, exaggerated; the conventional dualism between accountability and autonomy might be more artificial than real. There is evidence provided by Kramer (1988) to suggest that as long as the money that voluntary sector agencies receive is coming from multiple sources, voluntary sector agency independence is not threatened.

Bernstein's (1991) analysis of service-delivering voluntary organisations attempted to portray how the workers in such organisations confront what she called 'the game of contracted services'. She interviewed managers from 17 voluntary sector agencies in New York City that provided a variety of family and children's services, mental health and services relating to mental health and medical handicap and services to older people and the homeless. The seventeen agencies had a total of ninety-five contractual arrangements with thirty-three different federal, state, and local government agencies. Bernstein (1991, p. 180) allowed these managers to describe the world of contractual services in their own words and he cited the manager of one non-profit agency receiving 80 per cent of its funds from governmental sources,

We have more autonomy because we contract with several different Government agencies, and we do make decisions that the City cannot make. We decided to stop providing a service because we decided it was not the best use of our effort at that time. We decided not to serve certain clients because they are not appropriate for our purposes. We decided to have different standards than the City.

Kramer (1994) study of voluntary sector agencies and service-based contracting shows that the knowledge of business methods, the employing of administrative personnel and the embracing of a more bureaucratic structure can strengthen the independence of a charitable organisation by improving its efficiency.

4.3.5 Care-Markets

Doubt has been expressed that a genuine competitive bidding approach for social care service-provision contractual agreements is fully developed in the United States. For

example, Roper's (2000) study of contracting for welfare services in New Jersey found that state welfare agency contracting staff had established what he calls 'strong working relationships' with the staff of the service-providing contracting agency. Roper notes that contractual agreements give the purchaser flexibility in the management of such issues as who gets invited to bid and who subsequently gets selected to provide services. Roper reports on officials who, in various instances, renew contractual agreements without going through the bidding process. The reasons given for this are that officials believe it is in the public interest to keep successful contractual relationships in force for as long as possible. Once a provider has demonstrated the ability to deliver average or better services on a consistent basis and has become familiar with the County's administrative and programme needs, then, officials claim, the case for continuing a contractual relationship is quite strong. Roper adds that officers also believe that if the supply of potential provider service is finite in a locality, it is difficult to justify not sticking with the provider already known.

Gutch (1992) also reported that there was little 'sealed bid' competition for care services. Much more likely was an invitation to bid followed by negotiations. Where competition was encouraged, Gupta and Gattis (1993) suggested in their research that this did not produce a better service at lower costs. These negative accounts of service-based contracting in the United States were followed up by a series of studies that suggested improvements were being made. These later studies, summarised in a report by Richardson (1993), suggested that the United States contract system was recognising the need for reform. Across the United States, procedures for applying for service-provision contractual agreements, reporting and monitoring were being streamlined and standardised in order to reduce paperwork and bureaucracy. Standards of good practice were being developed and agreed by purchasers and providers. There was interest in measuring effectiveness by results rather than burdensome monitoring procedures.

4.4 Summary of Literature and Re-Statement of the Research Themes

In this and the previous chapters an attempt has been made to look at the literature on public sector reform (Chapter 2) and the role of the voluntary sector (Chapter 3) in welfare delivery through purchase-of-service contracting (Chapter 4). Earlier research findings and a comprehensive literature search suggest that there is a strong case for in-depth qualitative research in this area and various questions arise from the full

literature review in Chapters 2–4. A number of research questions which are addressed in the thesis are listed here.

The Meaning of Social Care Contractual Agreements

It has been suggested in Chapter 4 that the meaning of social care contractual agreements is ambiguous. There appears to be little consistency in the literature on this subject. Specifically how voluntary sector providers conceptualise this new funding mechanism is a subject little explored. There is a fuller discussion of this issue in Chapter 7.

The Introduction of Market Principles

As was suggested in Chapter 2 of this thesis, central to the public sector reforms of the 1980s and 1990s was the introduction of 'market' principles into social care services. How are these markets being developed? How are voluntary agency providers selected for service contractual agreements? How are voluntary providers responding to this more competitive environment? For a detailed exploration of this issues, see Chapter 7.

The Contracting Process

It was noted in this chapter that despite the growth of the contracting mechanism in social care, the actual contracting process itself has been little examined in the United Kingdom. Specifically, how do voluntary organisations experience the negotiation of service agreements? What approach do statutory sector purchasers adopt? What are the problems involved in this process? These questions are covered in Chapter 8.

The Monitoring of Contractual Agreements

As noted in this chapter, an important element of the contracting process is the monitoring of contractual agreements. Once again, however, it was suggested that little is actually known about the practice from the voluntary sector perspective. What, then, is involved here? What types of data are collected? What are the mechanisms in place in the four study localities? What benefits and challenges does this present to voluntary agency providers? This is discussed in Chapter 8.

Voluntary Agency Aims and Goals

Chapter 3 suggested that the voluntary sector is valued for many of its activities beyond that of simply providing welfare services. What are voluntary agency aims and goals and how has contracting impacting upon these roles? What does the sector bring

to the social care market and is this being valued by the statutory sector purchasers? Chapter 9 will explore these and other questions.

These questions and others are explored here by means of a pilot study and a number of in-depth interviews in four study localities in Britain. By exploring voluntary agency managers' experiences and perspectives of social care contracting in the United Kingdom, an improved understanding of the 'contract culture' will be achieved.

Part Two

Methodology

Chapter 5

Research Design and Rationale

Chapter Themes

Defining the Research Agenda

Methodological Framework

Data Collection Tools

5.0 Overview

The literature review in the previous three chapters has sought to set the context for an investigation into the voluntary sector's experience of contractual process. This chapter sets out the overall research design used in the present study. Each stage of the research process is examined stating different strategies adopted, the instruments used for data collection and the methods of analysis.

The limitations of the research methods and the problems encountered in the research process are integrated throughout the chapter and they are also addressed in the presentation of the findings. Specific reference is made to the time-specific character of the research study and also the fact that the study adopted a particular focus upon voluntary sector perspective of social care contracting. A rationale is offered for both these approaches.

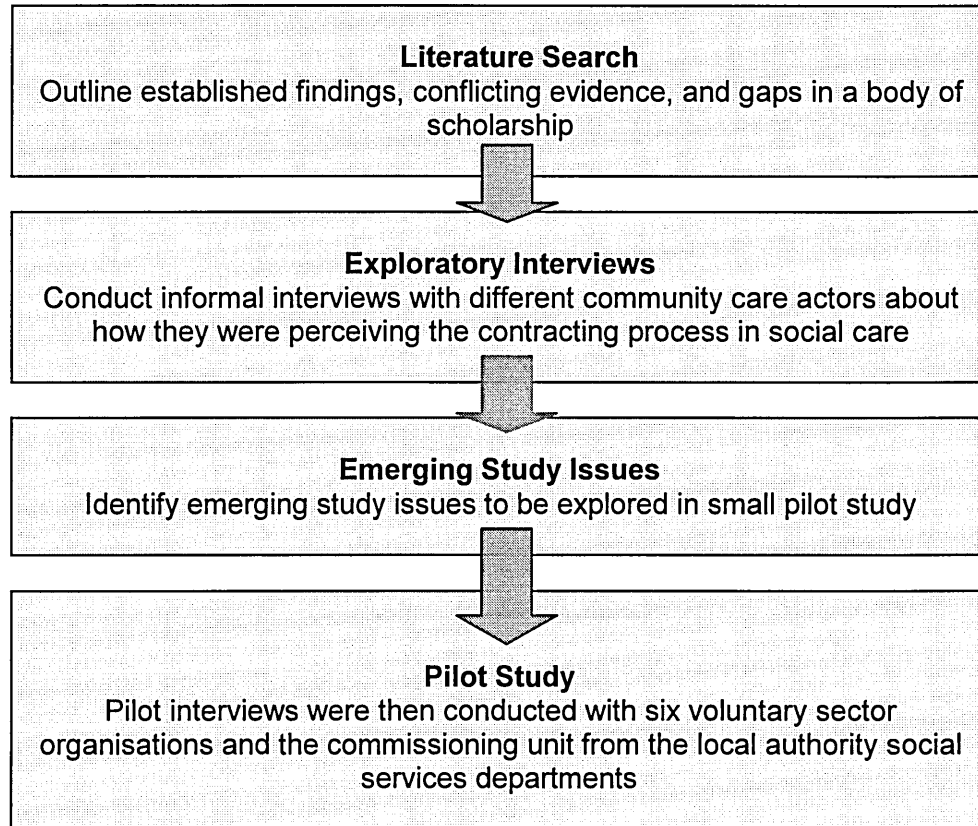
The first section presents background information on the way in which the research initially developed. Section two briefly describes the methodological framework adopted. The final section outlines more specifically the data collection tools adopted for the study.

5.1 Defining the Research Agenda

The research on which this thesis draws started with the issue-formation stage. This involved a critical review of the relevant theoretical, empirical and policy-related literature as well as other sources of data, some exploratory interviews and a pilot study as detailed in Figure 5.1 below. The preliminary research started with a review of the literature, undertaking critical compilations of previous research that outlines

established findings, conflicting evidence, and gaps in a body of scholarship. Two issues were explored in this review: the definitions, purposes and attributes of organisations in the voluntary sector (Chapters 2 and 3) and the policy movements in the direction of social care contracting which have developed for the management and operation of local community care services (Chapter 4). This review helped to shape the research agenda.

Figure 5.1 Defining the Research Agenda



After the library search, exploratory interviews were conducted with a range of different community care actors about how they perceived the community care reforms in general and specifically the contracting process in social care. The main purpose of these interviews was to sample the views of community care participants talking about the way the purchase-of-service contracting mechanism had developed in their own locality and to help to define/refine the research questions.

The issues to be discussed in these meetings were derived from data gained from the literature review, and this helped to form the basis of an interview instrument (see Figure 5.2). However, the twelve participating respondents, representing a sample of local community care stakeholders, were allowed to talk openly and at length about their concerns. All the interviews were tape recorded and transcribed verbatim. Respondents were drawn from the intermediary voluntary agency organisations, local

voluntary agencies and local authority social services departments purchasers of social care services. The respondents came from four different local authority areas in the north of England, chosen mainly because of easy access to contacts for the researcher and partly because they provided a good mix of voluntary-statutory actor relationships.

A diversity of people was interviewed in order to obtain data on different perspectives. However, this preparatory part of the fieldwork focused on the experiences of voluntary sector 'intermediary bodies'. In the past, local generalist intermediary voluntary sector organisations (like the Council for Voluntary Services) have proved to be a useful starting point for research into the local voluntary and community sector in Britain. The significance of these agencies is increasing as the voluntary and community sector is discharging more public services. According to Blackmore *et al.*, (1995) intermediary organisations occupy a useful position from which to study the wider voluntary and community sector, as they form a nexus between statutory agencies and voluntary agencies. Because they are both intermediary and multi-role organisations they can provide useful insights into various aspects of voluntary sector activity.

Figure 5.2 Topic Guide for the Exploratory Interviews

- outline and introduce the research ideas
- explore the respondents' own experiences of the contract funding process
- ask respondents to think through what particular merits/demerits these changes might have introduced
- ask the respondents what issues they would want to look into/what issues they would consider important, if they were undertaking the research themselves

The data collected in these preliminary interviews, together with the review of the literature, provided a set of issues to be explored with regard to the contracting process in social care services (see Figure 5.3). Understanding the experiences of voluntary sector managers became the objective for this research. A structured interview guide was designed with the aim of gathering systematic data from voluntary sector respondents and local authority social services departments staff. (The interview format is reproduced in the Appendices).

It was then necessary to consider which personnel and locations should be involved with the study. Although there are many actors involved in community care provision transactions, this project focuses on respondents who had direct experience of the contracting process and its impact. Statutory purchasers can be both in Health and

local authority social services agencies but as the focus of the research was on social care services, local authority social services departments purchasers were selected for inclusion. Secondly, as the study's focus was on the voluntary sector perspective of the 'contract culture', only agencies that were providing services on behalf of local authority social services departments under contract agreements were contacted.

Figure 5.3 Research Themes

Contract Negotiation and Contract Monitoring	Voluntary Agency Goals	The Voluntary-Statutory Interface
<ul style="list-style-type: none"> • how are contractual agreements negotiated and drafted? • how are contractual agreements monitored and evaluated? • how demanding are these processes? • what are the different experiences of voluntary agencies in different localities? 	<ul style="list-style-type: none"> • are the tasks, purpose and ethos of voluntary agencies changing as a result of the pursuit of the mixed economy? 	<ul style="list-style-type: none"> • how are local authorities choosing which providers to contract with? • how are voluntary agencies adapting to the new language of the social care market? • what effects is the social care market having on voluntary providers?

5.1.1 The Pilot Study

Exploratory pilot interviews were conducted with six voluntary agencies along with respondents from the commissioning units of the local authority social services departments. The voluntary agencies that took part in the pilot study area varied with respect of their client base, organisational structure, constitution and resources, and in the extent to which they had financial arrangements with the local authority social services departments. The purpose of the meetings with these voluntary agencies was to learn from voluntary sector management how the contractual model had developed in that particular area. The respondents were asked to describe their experiences and views of the contracting mechanisms. In addition, in each of the sample organisations, the study examined a variety of voluntary and statutory organisational documentary evidence, including annual reports, mission statements, data on user characteristics,

copies of contractual agreements, and service agreements. The next section provides an overview of the case study design.

5.2 The Methodological Framework

The main thrust of the investigation takes as its base a qualitative approach. This type of research has achieved increasing recognition since the 1970s in social, and social policy research. In an attempt to summarise what researchers had to say, Bryman (1988) listed six criteria which characterise qualitative research which are presented in Figure 5.4. For this research to conform to the spirit of the model, various considerations should be noted here.

Figure 5.4 Characteristics of Qualitative Research

1. 'seeing through the eye of ...' or taking the subject's perspective
2. describing the mundane detail of everyday settings
3. understanding actions and meanings in their social context
4. emphasising time and process
5. favouring open and relatively unstructured research design
6. avoiding concepts and theories at an early stage

Adapted from Bryman, 1988

The present research project did attempt to 'see through the eye of...' voluntary sector respondents whose experiences were the main focus of this study. Their perspectives are reported, 'emphasising time and process'. An open and unstructured research design was favoured and there were no imposed concepts and theories at the outset, with the exception of the literature which guided the pilot interview. However, it should be said that no attempt was made to describe the 'mundane detail of everyday setting', although efforts were made to explore voluntary sector respondents' experiences and to offer understanding of actions and meanings 'in their social context' (Bryman, 1988, p. 61-69).

It was decided that a better understanding of a local area, and the history and context of the local market for social care services, could be developed using this approach. It was suggested that issues could be explained to respondents to check for any misunderstandings. Further, respondents could be encouraged to be reflective and attempt to overcome any reluctance to participate in the study. The study was confined to a limited number of case studies, rather than a more broadly based quantitative study. This was considered to be the most adequate and efficient research strategy for

this study. To simplify the approach, the case study design is presented under five sub-issues.

5.2.1 Rationale for the Specific Focus on the Voluntary Sector Perspective of Social Care Contracting

As has been noted in the literature review chapters, the use of purchase of service contracting by the public sector in the United Kingdom has been in place for many years; throughout the nineteenth and twentieth centuries local authorities, health authorities and the NHS have all made significant use of the purchase of service mechanism from the private, voluntary and charitable sectors. However, in the 1980s and 1990s in the United Kingdom, in a period of increased privatisation and marketisation of public services, a much greater role was seen for the use of contracting out services. The election in 1979 of a radical right-wing Conservative administration witnessed a growing political commitment to the market provision of public services (Johnson, 1999). In the 1980s and 1990s local authorities in particular were increasingly required by central government to externalise more and more of the services they had traditionally provided.

As has been noted in Chapter four, this reorientation of the local authority role has been much debated and studied. At the beginning of this research project a number of academic studies had been - or were in the process of being - conducted on the adjustment that statutory sector bodies were having to undertake from that of a service 'provider' to that of a service 'enabler' (see, for example, Common and Flynn, 1992; Wistow et al, 1992; 1996). These and other studies have explored in some detail the way in which local and health authorities in England and Wales have been taking up and implementing this new enabling role. They have attempted to examine the challenges and opportunities that the 1990 community care reforms have raised for public sector bodies and the new types of relationships they have been expected to engage in.

At the same time, however, it appeared from the relevant literature in the United Kingdom that little work was being carried out on exploring the service provider perspective of this change. As Chapter 4 of the thesis shows, there had been a limited amount of work conducted on individual voluntary organisations operating with social care contracts (see, for example, Lewis, 1993; 1994; 1995) and there had been a British examination of the very significant US experience of the contract culture (Gutch, 1992).

Nonetheless, at the start of this study the empirical research was rather sparse on British voluntary organisations in a range of local authority settings. Hence in designing the proposal for this study to evaluate the 'contract culture', a case study was developed - using a variety of data collection techniques - that takes as its focus the issue of contracting from the voluntary sector perspective .

5.2.2 Selecting Study Localities

The original research proposal suggested that the research should take place in five or six study localities in England. However, during the pilot study it was recognised that this would be too demanding in relation to the time and resources available and that using a smaller number of localities would yield richer, more in-depth data. In the event, case studies were undertaken in four English local authority settings (summarised in Figure 5.5). Each focused on the contracting process between statutory sector purchaser and voluntary sector provider.

The study used what Yin (1984) has summarised as a 'case study approach', involving multiple levels of analysis that are used to develop a representation of a particular case or a number of cases. These case studies were created to assemble as comprehensive a portrait as possible of local purchaser-provider models and to facilitate comparative analysis between the localities. In selecting case studies, consideration was given to contrasting social, economic, political and geographical characteristics (Yin, 1984).

Figure 5.5 Profile of Study Localities

Type	County Council	2
	Unitary	2
Party Control	Labour	2
	Conservative	1
	No overall control	1
Locality	Urban	2
	Rural	0
	Mixed	2

While the four local authorities were clearly diverse, it could not be claimed that the final choice of the research settings used in this study was representative, in a statistical sense, of the whole population of local purchasing authorities in England. Given the complex nature of social phenomena no local social care service markets could be said to be fully 'representative'. The selected areas have distinctive settings and circumstances and, therefore, generalisations and replication are difficult. The logic and power of this form of 'judgement' or 'purposive' sampling of the study sites lies in selecting 'information-rich' cases for study in some depth (Burgess, 1984).

One of the main criteria for identifying potential localities for the research was that the local authorities were contracting with local voluntary sector organisations and had put the commissioning process to use in various ways. To ascertain this, letters were written to 65 of the more than 200 local authority social services departments in Britain, ranging from the large to the small unitary authorities, requesting data and policy documents on the commissioning of personal social services from the non-statutory sector. At the same time, requests were made for community care plans.

It was necessary to send several follow-up letters to non-respondents and several telephone calls were made to chase up documentation. It appeared from the documentation which was received that contracting appeared to be one aspect of the local statutory sector-voluntary sector relationship that was not understood, defined or carried out consistently across local authority social services departments in England at that time. Local authorities were responding to the National Health Service and Community Care Act 1990 and the policy guidance on purchase-of-service from the non-statutory sector. The evidence was that several of the local authorities were more ready for the policy changes than others.

Having collected, reviewed and analysed this material, preliminary discussions were then held with several fellow academics and researchers who were working in related fields, and preliminary consultations made with the representatives of several local umbrella voluntary and community sector organisations, to determine those local authorities that were already active in promoting the contracting-out of social care services to the non-statutory sector.

5.2.3 Making Contact With Local Authorities

Having identified the sample local authority social services departments, it was necessary to negotiate access to them. In the first instance, an approach was made to the social service directors in each of the four localities by way of a formal letter. The directors were invited to give their informed consent and to participate in the study. They were also asked to define other vital staff who needed to be interviewed within the department and to provide information on the links maintained by officers with local voluntary and community sector groups. This letter also guaranteed confidentiality of any data that emerged from the local authority social services departments' participation.

This correspondence was followed by a telephone contact to explain the project more fully and to answer any questions. All the local authority social services departments approached as case studies agreed to participate in the study. Several difficulties did arise over such issues as to whom to interview and how many, and as to when and where interviews should take place. Other problems arose due to internal reorganisations by local authorities at the time of the study. Time, effort, patience and persistence were necessary here. Having decided upon the choice of the case study localities, a sample of local voluntary sector organisations had to be secured.

5.2.4 Choice of Voluntary Agencies

The purpose of the case studies was to explore the experiences of particular voluntary agencies as they moved into social care services contracting. It was not intended to conduct a survey of all local voluntary activity involved in social care contractual agreements. A list of criteria was employed to draw up a sample frame to identify potential participating voluntary agencies (see Figure 5.6). These variables were intentionally broad and the sample frame was not fixed at this stage. It was revised in the light of practical experience. The criteria were chosen to examine what influence, if any, they might have on the experience of service agreements and its effect on voluntary agencies.

As will be shown in later chapters, this approach covered a wide range and type of voluntary activity. The composition of the sample agencies provided a rich source of information from the mainstream local social welfare voluntary sector organisations. The sample criteria aimed to represent, within the research constraints, the rich variety of the local voluntary sector organisation in England.

Having identified the ideal criteria, it was then necessary to choose several local voluntary associations from the four research localities. A 'data-base' was compiled from which a population could be identified and a sample constructed. Three main sources were used to draw up the four lists: (1) the local voluntary sector intermediary organisations supplied a list of voluntary agencies recently registered with them and providing social care services; (2) the local authority social services departments provided lists of all agencies, individuals and companies which they funded for social care delivery by contract or service agreement; (3) the local library in each area proved to be useful in providing data on local voluntary sector activity.

Figure 5.6 Criteria for Selecting the Sample Voluntary Agencies

- involved with **contractual agreements or service agreements**
- include different **contractual forms**, from the formal to the less so, with the purchasing local authority social services departments
- include **local voluntary agencies**
- focus on **formally-organised** voluntary associations
- include a range of **smaller agencies**
- to include providers of **various types of services** in the social welfare field

The lists received from the three sources were then refined for each of the four areas included in the study. As already pointed out, this study was concerned in particular with just one part of the local social welfare voluntary sector – namely those organisations which have entered into contracting arrangements to provide social care services on behalf of the local authority social services departments. A decision had to be made as to whether to attempt to contact all agencies which fulfilled the criteria or whether, rather, to focus upon a more limited number. The latter approach was adopted. The practical limitations – lack of time and resources – to the scale of research meant that to contact all 85 voluntary agencies with service agreements in the study localities was not possible and therefore the focus had to be narrowed down.

5.2.5 Contacting Voluntary Agency Respondents

The organisations approached were confined to a sample of those within the four local authority study sites that were thought to meet the criteria as presented in Figure 5.6. The director or manager of each voluntary agency was sent a standard letter describing the purpose of the study and seeking to obtain their informed consent. This first approach was followed up by telephone contact to explain the project more fully and to answer any questions. An enthusiastic response to this initial letter was received from the study localities and the response rate was high, with 36 out of 50 voluntary associations sending back the requested material. Where no response was received, a follow-up letter with a copy of the previous letter was sent after approximately one month; up to three follow-up letters were sent.

A few of the voluntary organisations contacted in this way declined to participate. Several factors appear to have contributed to their decision, including a lack of available personnel or resources. This in itself provides possible testimony to one of the implications that contracting might have for small voluntary groups with tightly-stretched human resources. Other factors contributing to refusals were existing

research involvement, concerns over the breaching of confidentiality and, in one case, an unwillingness to participate in academic research which would not result in a change in policy by the local authority.

Altogether twenty three voluntary sector organisations participated in the study. As far as numbers are concerned, there are always 'trade-offs' with sample size (Blaue, 1970). Since organisations are complex it is difficult to study many at a time and the smaller the sample, the less possible it becomes to generalise from the findings. However, there is always the possibility of gaining insight from a more in-depth investigation. In the event, the vast amount and utility of the material that was generated alleviated any fears concerning the adequacy of the sample size.

5.2.6 A Quasi-Historical Approach

The empirical research, on which this thesis draws, was collected between 1996 and 1997, from twenty three voluntary sector organisations in four different study localities in England. A number of unexpected and unavoidable personal circumstances intervened that hindered the writing up of the original study. The lapse of time between completing the fieldwork and writing up the data has thus been over three years. This break clearly gives rise to questions about the claims that the study can make about its present policy relevance on social care contracting and the voluntary sector. Indeed, the concluding chapter of this thesis acknowledges that aspects of the voluntary-statutory sector contractual interface may be very different now (2001) from that of the experiences explored in this thesis.

A number of authors writing on social science research methods have also documented the potential problems of the dating of evidence. For example, Marten Shipman (1988, p. 129), in his book entitled *The Limitations of Social Research*, addresses the possibility of the 'redundancy of data and ideas' in books, articles and other forms of research dissemination. He points out that this can occur because of the often long time lag between completing an academic research project and getting the findings disseminated. Similarly, Catherine Hakim (1987) contends that all social scientists who are considering writing-up their research findings for publication and dissemination need to ask themselves if the results of the study are dated or time-specific, particularly when some years have elapsed since data collection (1987, p. 128).

However, whilst acknowledging that these limitations will influence the applicability of the research findings to the current social policy context, it should be emphasised here

that this particular study was designed to offer a 'snap-shot' of the voluntary-statutory sector contractual interface in the mid 1990s. It is thus very time-specific in that it aimed to depict the way in which a relatively small number of voluntary agency managers were experiencing and interpreting the introduction of a specific piece of government legislation. It is expected that the evidence from this research which was disseminated prior to the thesis (Todd, 1997; Todd, 1999; Ware and Todd, 2000) will have been of value not just to the academic community but also by the voluntary and statutory sectors and other practitioners operating with purchase of service contracts.

This approach to a very specific period of time also informed the manner in which data was to be collected in the study, which is the focus of the next section.

5.3 Data Collection Tools

As argued, it is proposed that through a qualitative approach this study aims to capture the intense, complex reality of the work involved in the contracting process. Such an approach can offer a distinctive and particular insight into problematic areas in the contracting process. The face-to-face interviews which comprised the main research method in this study programme are now described.

5.3.1 Interviewing

Interviews should be flexible and allow for the reality that respondents often provide answers to questions the interviewer did not intend to ask or was to ask later in the interview (Burgess, 1984). It was decided that the use of this technique would enable the researcher to ask vital questions of all respondents whilst maintaining sufficient flexibility to allow changes in sequence or to probe for more information. One of the aims of the research programme was to explore issues from the perspective of the respondent and further, to understand how and why he or she came to have this specific perspective.

In pursuit of these aims, qualitative research interviews display several advantages. First, there is a low degree of structure imposed by the interviewer. Second, there is a preponderance of open questions. Third, there is a focus on specific situations and action sequences in the world of the interviewee rather than abstraction and general opinions (Kuale, 1983, p. 176). Writers have suggested that topics where the issues are ill-defined, poorly-understood or complex, as in this study, can greatly benefit from the kind of communication that is possible in a qualitative interview (see, for example, Hedges and Ritchie, 1987).

The focus interview method involves four central needs, described by Cohen and Manion (1989). The first is that the persons to be interviewed should be involved in a particular situation. In the present research, respondents were either members of formal social welfare agencies in the local voluntary sector or personnel from the local authority social services departments in the localities studied.

The second theme relates to content analysis. In this study, the content and design of the topic headings selected for discussion with respondents arose directly from three sources: a consideration of the background material (described in the literature review section), the advice of academic colleagues, exploratory interviews, conducted with several voluntary sector umbrella agencies, information from which was analysed to identify factors relating to the implications of negotiating purchase-of-service contractual agreements. It was recognised that these were initial 'sensitising ideas' and were extremely tentative but they did not impose a straitjacket on the research (Cohen and Manion, 1989).

Third, using the analysis as a basis, 'the investigator constructs an interview guide'. This can allow the researcher to 'identify the areas of enquiry and the hypotheses that determine the relevant data to be obtained in the interview'. Therefore, interviews were conducted using open-ended questions with the help of an aide-memoir. The flexibility of the use of a broad template indicating broad areas of interest, with as few direct questions as possible, was one of the chief attractions of this method. All the voluntary sector respondents were involved in at least two individual interviews. To help save time and aid subsequent understanding, the first phase of interviewing aimed to elicit mainly objective, factual information about the state and character of the sample voluntary sector organisations (Cohen and Manion, 1989).

This interview was tape-recorded and analysis was carried out before the next interview. The second interview focused especially on what staff do and do not do, and on their beliefs, attitudes, experiences and feelings in response to the contracting process. Each respondent was asked to describe the contractual arrangements for their organisation, drawing on their experiences of the social care markets with which they had recently been involved.

A separate schedule was drawn up for the interviews with local authority social services departments. A single interview with local authority staff in each research area focused upon a range of issues connected with the development of the relationship

between statutory sector purchaser and voluntary sector provider through the process of contracting. Copies of the interview schedules are included in Appendix I.

Fourth, the interview should be focused on the subjective experiences of the persons who were exposed to the situation. Their responses enabled the researcher to test the validity of the hypotheses and to explore further hypotheses arising from unanticipated responses. The data obtained through interviews can be said to be a product both of individuals' spontaneous comments and the researcher's guidance of the discussion through a range of issues that had been identified in advance as being of likely relevance to the research theme (Cohen and Manion, 1989).

5.3.2 Selecting Respondents

Respondents were sought who possessed knowledge about the subject area. These were people who occupied senior managerial positions within the sample voluntary agencies. An attempt was made to see the contracting process from the local authority social services departments purchaser's viewpoint and the director of the social services department in each local authority study site was requested to nominate members of staff who were clearly involved in the contracting process with local voluntary sector providers. Several informal conversations with a variety of people connected to the research issue added to the interview programme.

This approach guaranteed that participants in the study had the necessary knowledge and memory to discuss how the contracting mechanism worked in their area. It was recognised that interviews with the voluntary sector and statutory sector respondents might have produced data constrained by a desire to project a positive image. This idea is similar to what one observer calls 'front work', the public version of what voluntary sector and statutory organisations are all about (Goffman, 1959). Nevertheless, the interviewer was impressed by the frankness of the respondents as reflected in their willingness to participate in a lengthy and open interview.

Individual interviews lasted between one and two hours, with a few lasting nearly three; the average length was approximately 70 minutes. In addition, a series of other spontaneous meetings and discussions took place with other members of the organisation's staff and volunteers. Following the visits to several of the voluntary agencies, supplementary data had to be sought after the interview stage. The organisations showed themselves willing to help in this way. A measure of the overall success of the fieldwork was that in all organisations the researcher left with an offer of future access should any follow-up information be required.

5.3.3 Recording and Transcription of Data

There are several benefits in tape recording interview material (see Figure 5.7). All the interviews in this study were tape-recorded as this was more appropriate than taking detailed notes given the open nature of the interviews. This enabled the researcher to engage more fully with respondents and such an approach can often facilitate a more natural flow of conversation. The tape-recorder was given to the respondents at the start of the interview and they were then shown how to operate the pause button. The respondent was made aware that she/he could switch off the tape recording machine in giving a particular answer if she/he wished to do so. It was found that, in practice, the existence of the recorder generally appeared to be forgotten once the interviews were under way. The researcher transcribed all the interviews which, although time-consuming, was a good way to become familiar with the raw interview data.

Figure 5.7 Benefits of Tape Recording Interviews

- quotations from an interview provide evidence for the issues that emerge from the data
- the researcher was able to evoke the respondent's world accurately and vividly
- the ability to represent statements as quotation also means that the source of the author's interpretations can be reproduced and subjected to independent analysis
- using tape-recorded interviews led to more correct reporting and avoided the memory problems that are often associated with note-taking as the only form of recording

Adapted from Hakim, 1987

5.3.4 Confidentiality

To encourage candour in the interviews, the respondents in the study were assured that no references to individuals, communities, organisations or situations would be identified in any publications. On reflection, the researcher feels confident that the frankness shown by respondents in interview might not have been obtained if either they, or their organisations, had been individually identified.

5.3.5 Supplementary Methods

Although the case studies are based on face-to-face interviews, other sources of information within the study sites were also used to underpin the interviews. First, document reviews were used; information was collected from voluntary agencies and local authority social services departments. Further, analysis was also made of 35

actual service agreements or contractual agreements, obtained from the voluntary sector respondents in the four chosen localities.

5.3.6 Exiting Case Studies

As a courtesy, a letter of appreciation was sent to each respondent after the research was conducted. Arrangements were also made to test the author's description and interpretation of respondents' views by feeding back summaries of interviews. Although respondents were asked to correct any inaccuracies, comment on items of confidentiality and to amplify their views if they so wished, it was pointed out by the researcher that this did not change the original meaning of the data. All corrections are included, all confidential items struck through and comments have sometimes been included in respondents' replies.

5.3.7 Analysis of Data

Interview data from each voluntary organisation and each local authority was analysed by the process of content analysis (Lofland, 1971) for distinctive features and consistent and contradictory elements. Within identified issues and broad topics, sub-topics emerged. For all individual interviews, each transcript was read and re-read carefully, and then those words, phrases or sentences that made important points or brought out issues were highlighted under a coding system using numbers and colours. After this, a summary of each interview was made under several headings, such as 'contract drafts' 'problems of contracting', etc. Then, according to the prominence and frequency of the issues, all-important points from the interviews were summarised.

5.3.8 Dissemination of Results

A final relevant methodological point concerns the disclosure of the findings, not only to those voluntary sector providers involved in the study but also more broadly. It was recognised that the actual value of the project, from the respondents' perspective, depended on such feedback to both the voluntary agencies and the local authority social services departments. Therefore, before the results of the study were written up, a report was produced and sent to all participating voluntary sector organisations and local authority social services departments. Several of the respondents wrote back with comments and updates of recent experiences of contracting. Another aspect of dissemination was through a series of papers presented to seminars and conferences or published in relevant journals and periodicals (see, for example, Todd, 1997; Todd, 1999).

5.4 Summary

This chapter has offered a brief review the research process, outlining the way in which various stages of the research process took place and discussing the obstacles and barriers that had to be overcome to make the study operational. The next chapter will provide an overview of the background characteristics of the voluntary sector respondents, which will then allow ensuing detail to be fitted into a basic organisational framework.

Part Three

Findings

Chapter 6

Background Characteristics of the Sample Voluntary Agencies

Chapter Themes

The Sample by Areas of Interest

Age Range, Number of Service Users, Catchment Area and Affiliations

The Sample by Human Resources

Income Sources

Service Agreements

6.0 Overview

Chapters 6 to 9 present the main findings from the field research. This chapter sets out the background characteristics of the sample voluntary organisations that participated in the study. It focuses on their aims, activities, size, scope, funding base and a range of other organisational characteristics (at the outset of the research, it was considered important that such relevant variables be taken into consideration). This chapter contextualises the qualitative data obtained from the four study localities, thus allowing later detail to be fitted into a basic voluntary organisation profile. Subsequent chapters analyse the voluntary organisation managers' experience and perceptions of the contracting process and its effect on voluntary organisation aims and goals.

The sample voluntary organisations were very varied, ranging from well-know, large national agencies to very small, local, community-based groups. A coding system was adopted in order to classify and identify these groups and to help protect their anonymity. This and subsequent chapters report on the organisations in an anonymised form, indicating neither the names of the organisations nor the precise geographical locality from which they are drawn. To achieve this it has been necessary to change several minor details in respondent's quotes to avoid any possibility of identification. The coding system is adopted throughout the research findings and was formulated as follows: Voluntary organisation respondents from the four case study localities were given a prefix, NE (North-East), SE (South-East), SM (South-Midlands), WM (West-Midlands) to identify their general locality. They were then given a number to identify the actual agency (for example, NE20 is respondent number 20 from the NE

locality). The respondents from the four local authority social services departments are given a prefix for the location (NE), plus a title (for example, NE Director of Social Services or NE Officer).

6.1 Areas of Interest

There were voluntary organisations involved in a diverse range of activities in all four of the local authority areas included in the study. These included lobbying and campaigning through to research. However, as indicated in Chapter 5, it is the service-delivery aspect of the participating agency activity that is of prime concern in this study. The tables below clearly show that the sample agencies are involved in a range of service areas for various life situations. Of the twenty three participating voluntary organisations, four offered services to older people; five worked with people with physical disabilities; three worked with people with sensory impairment; five provided services to people with mental health problems; three to people with learning difficulties; two provided services to family carers; one organisation worked with people who misused alcohol.

As can be seen, several of the voluntary organisations concentrated their attention on a specific type of activity and had a specific focus and client base; for example, one (NE21) focused on counselling and support services while another (WM7) was the only agency from the sample to offer services dedicated to ethnic minority persons. However, several other organisations (WM4, WM3, and NE20) offered many services to their clientele. All of the sampled agencies provided services to both men and women. Figures 6.1 to 6.4 illustrate the diversity of the voluntary organisations in the study.

Figure 6.1 Voluntary Agencies in the WM locality

1. An organisation offering social work services to children and families where there is a risk of family breakdown or where child abuse has occurred.
2. A long-established voluntary organisation offering a range of services to blind and partially sighted people.
3. An organisation offering older people the opportunity of remaining in the community through the provision of services designed to enhance quality of life.
4. An organisation that attempts to encourage and support the development of many services for older people and campaigns on their behalf.
5. An organisation offering relief to disabled people through ministering to everything affecting their general welfare - particularly disabled people and their carers.
6. An organisation that aims to enable deaf and hard-of-hearing people of all ages, irrespective of race, ethnic origin, religion, gender, sexual orientation or disability, to play their full part in community life, to be in control of their lives and affairs.
7. An organisation that offers an advisory service to people experiencing mental health problems and their carers, by offering information, advice and support; priority is given to Afro-Caribbean and Asian people; information on mental health issues is made available to any enquirer.

Figure 6.2 Voluntary Agencies in the SM locality

8. A voluntary organisation whose main aims are to send people for respite care; provide welfare advice; promote research to find a cure for multiple sclerosis.
9. This organisation aims to offer an impartial and confidential service of information, advice and, in some cases, practical help by people with direct personal experience of disability. Includes advice and assistance on claiming benefits, advice on income, access and mobility, holidays for the disabled, information on other voluntary sector and statutory organisations. Home visits are arranged.
10. A voluntary organisation that offers support to families and others concerned; to provide practical help and information on Alzheimer's disease and related disorders, benefits and other resources available for sufferers and carers from health and social services, voluntary sector organisations and the private sector.
11. The main aim of this organisation is to relieve stress for families who are caring for a disabled person. The agency provides occasional replacement care with trained care attendants carrying out the same tasks as the family would do.
12. This organisation offers a confidential counselling support to bereaved people, adults or children, which respects their individual needs. The agency also acts as a forum for bereaved people who would like to meet others in the same situation.
13. This agency offers support to older people in a wide variety of ways; day centres; outings; shopping trips; gardening / decorating services;

Figure 6.3 Voluntary Agencies in the SE locality

14. This organisation works in a preventative way with the parents of pre-school children to strengthen the family unit, prevent family breakdown and enable the child to achieve its full potential and take its rightful place in society; offers services to pre-school children and parents of families where social, emotional and intellectual needs are not being met; these are families in the [local] area who have been identified by local professionals as being in need of extra help.
15. This organisation aims to offer full-time affordable nursery day care for children aged between two and five years, especially from low-income/lone-parent backgrounds. The primary purpose of the association is to promote educational and cultural excellence, and to ensure that the schools and the education system give proper respect to the religion, history and culture of all groups.
16. The main aim of this organisation is to increase public awareness and understanding of the problems of the mentally handicapped.
17. This organisations provides support for, and encouragement to, people who are recovering from mental illness or who have long-term mental health problems; to promote a sense of self-esteem, to boost confidence and to encourage social interaction.
18. This organisation provides a range of services for visually impaired people in the locality. It offers specialist social services in addition to general services such as information and advice, advocacy, home care and supported housing.
19. This organisation offers information services in any language/media for people with disabilities, carers and other service providers in the locality.

Figure 6.4 Voluntary Agencies in the NE locality

20. This organisation provides care services that help older people to retain and regain independence. Support at times of great need is the starting point with the provision of day and night sitting; night visiting and cleaning services. Also provide day care places each week; advice, information, benefits advocacy, insurance service, charity shops.
21. This agency provides a confidential counselling service to problem drinkers and those affected by others drinking. The service is free and easily accessible.
22. This organisation aims to alleviate basic problems caused through loneliness, by personal contact, befriending and group social activities.
23. The aim of this organisation is to increase public awareness and understanding of the problems of people with a mental handicap; to secure provision for them commensurate with their needs and to help their carers with their problems.

6.2 Age Range, Number of Service Users, Catchment Area, Affiliations

Having briefly outlined the stated aims and activities of the participating voluntary organisations, this section now turns to examine other aspects of organisational structure. It considers the sample voluntary organisations from several perspectives which might help to identify any factors that explain variations in experiences of the contracting system: age range, number of service users, catchment areas and affiliations.

Figure 6.5 Age, Geographical Scope, Affiliations and Numbers of Service Users

Location/ Organisation	Date founded	Geographical scope	Affiliations	Number of s ervice users
WM1	1951	County	Yes	210
WM2	1858	City and County	Yes	4800
WM3	1947	County	Yes	6000
WM4	1982	City	Yes	4200
WM5	1898	City and County	Yes	3600
WM6	1897	City and County	Yes	9000
WM7	1988	City	No	230
SM8	1976	Borough	Yes	100
SM9	1986	Borough	Yes	1000
SM10	1990	Borough	Yes	653
SM11	1985	Borough	Yes	160
SM12	1986	Borough	Yes	200
SM13	1983	Borough	Yes	5000
SE14	1979	Location within Town	No	73
SE15	1991	Town	No	60
SE16	1973	Town	No	350
SE17	1868	Town	Yes	150
SE18	1910	County	Yes	2500
SE19	1989	County and beyond	Yes	3480
NE20	1981	Town	Yes	3400
NE21	1982	Town	Yes	360
NE22	1990	Borough	Yes	423
NE23	1946	Borough	Yes	900
TOTAL	-	-	-	46,849

6.2.1 Age Range

Figure 6.5 shows the age profiles of 23 individual organisations. The data indicates that the majority of agencies were well established: the average 'age' being 37 years. The origins of four agencies (WM2, WM5, WM6, SE17) go back to the latter part of the nineteenth century or early part of the twentieth century, while 12 of the agencies were established much more recently, having emerged in the 1980s, with the newest agency being formed in 1991. The prevalence of longer-standing voluntary organisations with local authorities contracts may be consistent with statutory sector purchasers attempting to establish relationships with experienced and knowledgeable providers.

6.2.2 Number of Service Users

The number of service users by agency is shown in Figure 6.5. The sample agencies dealt with over 46,000 clients and their families. However, there were differences between client numbers for individual agencies. On the one hand, several of the organisations offered services to small numbers of people in a specific bounded locality (WM1, WM7, SM8, SM11, SE14, SE15, and SE17). On the other, several of the voluntary organisations were dealing with a considerably larger client base (WM1, WM2, WM3, WM4, WM5, WM6, SM13, SE18, SE19, NE20). This, in part, reflects the different types of services the groups offered but also the needs of the service-users and the scope for expansion.

6.2.3 Catchment Locations

As discussed in the literature review, depending on the definitions in use, research has shown that there are in the order of 400,000 voluntary and community sector organisations in Britain. Many of these organisations are involved with providing social welfare services. However, there has been little debate – and even less research – in the literature on the spatial dimension of this coverage. In the present study, information was sought from respondents about the geographical basis of their operation and details of this are given in Figure 6.5. Of the twenty three voluntary organisations studied, eight of the organisations provided services at a Borough level, seven at the Town or City level while the operations of the remaining seven were County based.

6.2.4 Umbrella Organisations

Turning now to umbrella organisations, the data in Figure 6.5 shows the proportion of organisations that held formal relationships with a national body. However, the majority of the local organisations operated as self-governing agencies, selecting their

management committee and deciding what work they wanted to carry out. The local branches of large national agencies can be quite small with no funding available from their parent body. Many respondents commented that membership in an umbrella organisations with reference to having access to some management and training support and especially with regard to advice on contractual negotiations with local authority purchasers. (This theme is explored further in Chapter 8).

6.3 The Sample by Paid Workers and Volunteers

6.3.1 Paid Workers

Figure 6.6 summarises the employment profile of the sample organisations. At the time of the study, 751 people were in paid employment in the twenty three voluntary organisations; 447 were employed on a part-time basis and 304 worked full-time. There were wide variations in the numbers of paid workers in the different organisations. The WM2 agency, for example, had 187 paid staff (part-time and full-time) while SM10 had no paid staff at all.

6.3.2 Volunteers

Turning our attention to other forms of labour, it was found that in the sample agencies there was a total of 3,074 volunteers (excluding committee members). The figures show big variations within the sample. For example, one agency (WM2), which provides services to blind and partially-sighted people, used around 1,000 volunteers while another (SE14) agency, working in a preventative way with parents of pre-school children to help strengthen the family unit, had only four volunteers. With few exceptions, most of the voluntary organisation respondents commented favourably on the fundamental role played by volunteers. This is clearly relevant to the debate about the role of volunteers in contracted service provision – an issue that is returned to in Chapter 7.

Figure 6.6 Numbers of Paid Staff and Volunteers

Organisation / Location	Number of Paid Full-Time Staff	Number of Paid Part-Time Staff	Number of Volunteers
WM1	10	8	18
WM2	134	53	700
WM3	25	155	1000
WM4	36	97	500
WM5	18	34	42
WM6	16	11	10
WM7	4	0	9
SM8	0	0	10
SM9	0	1	10
SM10	0	4	40
SM11	0	14	10
SM12	0	5	30
SM13	8	26	292
SM14	4	3	4
SM15	5	4	4
SM16	6	1	35
SM17	1	3	46
SM18	3	6	200
SM19	1	1	12
NE20	10	16	32
NE21	3	0	15
NE22	1	1	28
NE23	28	4	27
TOTALS	304	447	3074

6.4 Income Sources in the Sample

The general funding pattern and total income of each organisation (the figures quoted are for the year 1996–7) varied greatly (see Figure 6.7). The overall income for the twenty three sample voluntary organisations came to almost £10 million. The agency with the greatest income (WM2) received over £2.8 million while that with the least (SM9) received just £7,870.

6.4.1 Sources of Funding

The sources of funding for the twenty three voluntary organisations are presented in Figure 6.7. The results from this data confirm research elsewhere (Russell *et al.*, 1995) that voluntary associations depend heavily on government sources of finance. At the time of the study, over 67 per cent of all general income came from government/quasi-government sources (local authority social services departments; City–County

Council–Joint Finance–Health Authority–Home Office–TEC–DoH). The majority of this funding came in the form of traditional grant arrangements or contract funding from mainly local authorities and health authorities.

However, it was found that there were wide variations in the degree to which the sample was dependent upon statutory funding sources. Seven of the sample agencies (WM1, WM7, SM9, SM8, SM12, SE14, and SE17) received over 80 per cent of their budget from state organisations and only four (WM2, SM13, SE16, and SE18) received less than 30 per cent of their income from statutory sources.³⁷ Several other sources of funding were mentioned (fees, income from commercial activities like charity retail services, legacies, church, investment income, interest on savings).

6.4.2 Assistance in Kind

Public sector support of voluntary organisations does not always take the form of cash payments. Indirect assistance might be given, for instance, through free or reduced rentals of council premises or free access to local authority equipment or mailing facilities. This aid might be of a temporary or permanent nature. It is an important addition to resources, not generally available to non-charitable and for-profit organisations, and this could be of importance to small community-based agencies.

Figure 6.7 indicates that voluntary organisations in the present study benefited from a range of other forms of in-kind aid: advice and support from the local authority: for example, accountancy, finance, personnel and legal services; free premises provided by the local authority; community use of premises; rate relief; free office furniture and equipment; local authority staff on secondment; acknowledgements and involvement with the local authority (for example, consultation) and corporate donations were all mentioned.

6.4.3 Financial Stability

As noted above, the sample service-delivering voluntary agencies received income from several sources, individuals; businesses and trusts; central and local government grants; earnings from commercial activities and investments; fees from central and local government for those services provided on a contractual basis.

Figure 6.7 Income and Other Aid

Organisatio n / Location	Income – all sources	Proportion of income –statutory sources per cent	Proportion of income –other sources per cent	Other forms of aid
WM1	300,000	91	9	• Tax subsidies
WM2	2,801,286	30	70	• Local authority office equipment and furniture
WM3	1,268,336	50	50	• Rate relief
WM4	1,340,000	60	40	• Rate relief
WM5	586,848	78	22	• Rate relief
WM6	476,965	78	22	• Help with finding accommodation
WM7	99,380	98.1	1.9	• Free premises, Tax subsidies
WM8	9,000	75	25	
WM9	7,870	94	6	• Free premises, Free telephones, Free office equipment provided by BT (fax machines, computer)
WM10	65,091	63	37	• Free premises, Reduced rates, Tax subsidies
WM11	83,099	90	10	• Free premises, Free lighting and heating
WM12	22,459	81	19	• Free computer and printer provided by local bank, Tax subsidies
WM13	464,000	19	79	
SE14	86,692	98	2	• Rate relief
SE15	91,172	54	46	• Free premises
SE16	173,000	30	70	• Rate relief
SE17	47,052	85	15	• Free premises
SE18	210,349	19	81	• Reduced rates
SE19	83,923	66	34	• Free office furniture, Corporate donations
NE20	350,000	70	30	• Rate relief
NE21	65,000	95	5	• Rate relief
NE22	35,021	80	20	• Rate relief
NE23	1,222,000	50.3	49.7	• Rate relief
TOTAL	£9,863,530	67.58 per cent	32.42 per cent	

However, the stereotypical picture of the voluntary sector securing proportions of their income from voluntary sources was not borne out in reality as reflected in this study. In practice, voluntary sector finances, especially for the small community based organisations, tended to be heavily reliant on the statutory sector.

Respondents were encouraged to provide comments exploring their experience of fund-raising. Several of the respondents commented how securing funding is an on-going problem for voluntary organisations. In this respect, the financial stability that the new funding arrangements can provide in the short/medium term was regarded as an advantage. Several made the point that they had previously experienced fluctuations in their income that made financial planning especially difficult and they were now appreciative of the security that three- or five-year contractual funding agreements brought. This was essential to the smaller, community-based, voluntary agencies. One respondent said: 'We at least know where we are for the next three years [...] it means we can employ staff and that we have a certain stable income'.

Another agreed, noting that 'I think that the Council's responsibility towards us [the voluntary sector] is much more clear now its stated in writing'. For example, one organisation that provides social work services to families in need of emotional and counselling support received over 90 per cent of its income from the local authority. They had found it difficult to attract non-statutory sector sources of income in the past but reported that the move to the new funding arrangements had provided them with predictable sources of funding for the development of the service in the future.

It [local authority service agreement funding] does provide us with a certain degree of peace of mind. Of course extra money is [non-statutory income] always very welcome [...] but as we work to raise additional funds for the unit we know that we're very fortunate in having so much support from the local authority, and it [service agreement] gives us that security, which is greatly appreciated (WM1).

One of the respondents reported that the long-term stable funding source of service-provision contractual agreements had made the funding base of their project much more secure and that was 'to the ultimate advantage of the [service] users' (SM11). This respondent said that in an uncertain financial climate, the value of service agreements is in providing a stable backdrop to enable organisations to get on with their tasks, rather than concentrate energies in seeking annual funding. However, several respondents reported that service-provision contractual agreements do not provide financial security. One respondent pointed out that, in reality, local authorities could offer no specific financial commitment to voluntary providers in advance of the

annual approval by the local authority of each year's revenue base. Thus, funding was only actually guaranteed for one year at a time. The local authority stated that:

[...] all funding for voluntary and community organisations, whether new applicants, on going, or requests for increase to an existing project, has to be justified each year. The County Council will seek to provide security of funding subject to satisfactory monitoring, continuing need, and availability of finance (WM local authority).

It was also pointed out that local authority service-provision contractual agreements often contain clauses in them that give the local authority an option to end the agreement at relatively short notice. Indeed, the majority of the contractual agreements included in this study had a termination clause allowing either party to bring the agreement to an early termination. The general thrust of these clauses argued that where the local authority finds itself unable to maintain its financial support of the service-provision contractual agreements then it would give a written notice of its intention to cease to fund the agreement. This notice varied from three to six months. The authority stated that 'All payments are made subject to continuing satisfactory performance in the operation of the Service agreement. Non-compliance might lead to a requirement to repay the County Council for the relevant period' (SE local authority). While the study came across only one example where the local authority had invoked this clause, it does undermine the view that service agreements offer the voluntary providers long-term security of funding. This was recognised by one voluntary agency respondent who said:

To me, it really does seem a one-sided affair and it [the contract] starts to fall down at this stage as this appears to give them [the local authority] the ability to withdraw while we do not have this elasticity given the requirement for salaries and costs to be met.[...] If its a contractual agreement, and I accept entirely the need for a more formal [funding] agreement, then its one that would default if social services themselves have got no money to fund it [...] which is not the way a contract normally works. If you contract with somebody to provide a service you expect to be able to pay for it before you start (WM5).

The views listed above from voluntary agency respondents not only highlight the essential role played by social care contractual agreements and service level agreements but also illustrate what the new funding arrangements can do to shape their way of thinking and their actual experiences. Taken together, these findings go some way towards explaining how the more positive attitude towards, and experience of, contractual agreements by voluntary agency respondents can act as important indicators for a successful contractual relationship.

To summarise, the data relating to the various income streams of the sample voluntary organisations suggests that, although there were high levels of income for the sample as a whole, there were great variations in its distribution. The proportion of income coming from statutory organisations was high but disproportionately so for those agencies with lower levels of income overall. This would obviously have an impact on the organisation's involvement in the contracting process.

6.5 Service Agreements, Worth and Services Provided

It is clear from the data that the statutory sector is an important source of support for voluntary organisations, financially and in other ways. All the 23 voluntary organisations in the sample are contracted to local authority social services departments and other public sector bodies. Figure 6.8 summarises the contract value, the particular services to be supplied for each agency and the source of the funding.

6.5.1 Contract Values

Voluntary organisation respondents were asked to supply information on the value of the contractual agreements that they held with statutory sector organisations. Figure 6.8 illustrates this and shows the total number of such contractual agreements per agency for the year 1995–6. As can be seen, at the time of the research the twenty three organisations were involved with a total of 43 service agreements or contractual agreements with local statutory sector purchasers. There were huge differences in the value of the contractual agreements, with WM2 receiving £738,980 in contract fees while SM8 received just £6,000.

6.5.2 Duration of Contractual Agreements

The organisations that were studied reflected the wide variety of service programmes offered by the voluntary and community sector. A review of the contracting documentation shows that the duration of contractual agreements varied from provider to provider. However, usually it was either on a three-or four-year period (with one or two examples of a five-year contract offered).

Figure 6.8 Contract Value and Purpose

Organisation /Location	Contract/s Value - per year	Purpose of Agreement
WM1	229,520	<ul style="list-style-type: none"> To provide an assessment and intervention service using a range of family and individual therapeutic services for families where child abuse has occurred or where there is risk of family breakdown.
WM2	665,980 25,000 48,000	<ul style="list-style-type: none"> Rehabilitation service to blind and partially sighted, an information service, aids to daily living, day care, guide help scheme, register of volunteers. Mobility service to blind and partially sighted children. Audio book rentals.
WM3	650,000 85,000 100,000	<ul style="list-style-type: none"> Provision of information, neighbour care, luncheon clubs, carer support, day care services. Day care and services to people with mental health problems. Joint finance.
WM4	28,604 344,715 91,837 286,847 82,800 43,084	<ul style="list-style-type: none"> Information services and welfare rights. Day care services. Home support services. Services to Asian elderly. Mental Health Services (Community). Community Mental Health Services (Health Authority)
WM5	269,000 77,100	<ul style="list-style-type: none"> Care attendants, information centres, young people day centre, transport, holiday and recreation, telephone rentals. Out and about scheme.
WM6	286,600 24,530 2,800	<ul style="list-style-type: none"> Personal social work service, information service, interpreting service, day centre services, aids and adaptations, community care assessment, rehabilitation. Mental health service. Support for elderly Asian hard-of-hearing group.
WM7	74,034	<ul style="list-style-type: none"> Advocacy to individual clients experiencing mental health problems and carers, particularly African-Caribbean and Asian people, outreach liaison with statutory and voluntary sector agencies on areas of mutual concern, development – identify unmet needs of client groups and raise with other organisations. Training – including talks, health fairs, conferences, and workshops, consultation – specialist advice to all sectors.
SM8	6,000	<ul style="list-style-type: none"> To help send people on respite care.
SM9	6,000	<ul style="list-style-type: none"> Advice and information services.
SM10	35,500	<ul style="list-style-type: none"> Help-line, information, advocacy, day club

		and counselling service.
SM11	37,100	<ul style="list-style-type: none"> • Provide care attendant service to 102 families/carers.
SM12	7,000 8,730	<ul style="list-style-type: none"> • Bereavement referrals for assessment and one-to-one counselling. • Bereavement referrals for assessment and one-to-one counselling.
SM13	45,000 2,500	<ul style="list-style-type: none"> • Carers' relief service. • Information.
SE14	84,500	<ul style="list-style-type: none"> • Parent and child(ren) come for 2 days per week. Staff work with parents to follow individual programmes tailored for each family, give advice and support to parents. Offer a drop in mother and toddler group.
SE15	50,000	<ul style="list-style-type: none"> • Provide affordable childcare for children 2-5 years, provide 3 free places to be used by locality, 50 per cent of places dedicated to children from low-income families, 25 per cent of places dedicated to people who occupy poor housing in the locality.
SE16	13,900	<ul style="list-style-type: none"> • Family welfare and support services for mentally handicapped children and adults in the locality.
SE17	36,992	<ul style="list-style-type: none"> • To provide day care for people in the (local) area with mental health problems, in particular for people recovering from serious mental illness, or who have long-term mental health problems.
SE18	50,000	<ul style="list-style-type: none"> • Providing facilities, support, equipment or literature.
SE19	40,000	<ul style="list-style-type: none"> • Establishment of information services for people with disabilities, carers and other service providers in (the locality).
NE20	56,850 55,700	<ul style="list-style-type: none"> • Day care services for older people. • Locally based day care services for older people.
NE21	61,750	<ul style="list-style-type: none"> • Advice and counselling services to people in locality.
NE22	31,600	<ul style="list-style-type: none"> • Visiting scheme for isolated and lonely people especially the elderly and the disabled with the aim of meeting their community needs.
NE23	200,000 95,000 105,000 115,000 50,000 50,000	<ul style="list-style-type: none"> • Supported housing scheme. • Community support. • Employment scheme. • Housing scheme. • Community and Leisure development. • Family advice scheme.
TOTAL	£4,627,984	

6.6 Summary

This chapter has provided a selection of contextual information by highlighting issues on voluntary sector funding, user base, human resources and the core missions of the sample organisations. It has given a background and context for the reports on voluntary organisation respondents' experiences of the 'contract culture'. The research findings reported in chapters 7 to 9 show the ways in which voluntary agency respondents involved in providing local social care services perceive and experience the contractual process and its impact on service delivery. Further, they look more generally at the changing policy environment brought about by the National Health Service and Community Care Act 1990. This study is underpinned by the assumption that the views of these respondents offer crucial insights into the policy process of community care, which in itself provides important information on how the contractual tool can be improved and adapted most effectively to the needs of social care markets at the local level.

Chapter 7

Providers and Purchasers: A Changing Interface

Chapter Themes

The Statutory-Voluntary Sector Funding Interface

The Language of Contractual Agreements

The Challenges of Competition

7.0 Overview

This and subsequent chapters draw further upon the qualitative data collected from the interviews carried out with voluntary agency respondents and local authority personnel in the four case study localities in England. This is further supplemented with information obtained from local authority and voluntary agency annual reports, copies of contracts and service agreements, promotional literature and committee reports. It is worth pointing out that although all the semi-structured interviews covered the same ground, respondents were given the opportunity to concentrate on what they thought was relevant and to express their views freely. In other words, although each interview used a similar set of questions, responses varied a great deal, largely because of the differences in organisational experience and perspective.

An important step in the research was to explore the changing voluntary and community sector-local authority interface in order to contextualise the voluntary sector's perspective of social care contracting. Three specific issues emerged: first, an exploration of the general change from grant-aid to contractual agreements; second, the new language of contractual agreements; third, the changing nature of the voluntary-statutory sector interface. The data and analysis presented here develop some of the issues and ideas explored in the literature (Chapters 2, 3 and 4) with a view to providing a better understanding of the relationship between statutory sector purchasers and the experiences of voluntary agency respondents.

7.1 The Statutory-Voluntary Funding Interface

To gain an insight into the local authority-voluntary agency interface with respect to social care contracting, a series of questions was presented to both the statutory sector purchasers and voluntary sector providers. The principal purpose was to arrive at a better understanding of the way in which the local authorities selected voluntary agencies.

7.1.1 Selecting Voluntary Agency Providers

A key theme emerging from the data is the process by which local authorities select voluntary agency providers. As noted elsewhere, the National Health Service and Community Care Act 1990 did not require local authority social services departments to introduce a formal competitive tendering process for social care contractual agreements although it did not exclude it. The White Paper, *Caring for People*, (H.M.S.O, 1989) stated that it 'favours giving local authorities an opportunity to make greater use of service specifications, agency agreements and contractual agreements in an evolutionary way' (H.M.S.O, 1989, para. 3. 4. 7).

The later practice guidance issued by the Social Services Inspectorate went on to elaborate this general statement and identified three main ways that local authorities could select providers: (1) open tendering, in which all providers are invited to tender; (2) select list tendering, in which providers are short-listed on certain pre-defined criteria, thereafter competing mainly on price; and (3) direct negotiation with suppliers whereby service specifications are developed jointly between purchaser and providers (H.M.S.O, 1991).

According to much of the literature on contracting, one of the most basic conditions to be met in order to achieve a competitive social care market is the presence of multiple bidders for a given service contract. It is claimed that without several bidders, providers have little incentive to keep their bid prices low or to be responsive to all contract specifications (Hunt and Sherman, 1990). However, as other studies of contracting for social care services have found, competitive tendering has not been the preferred method by which purchasing agencies choose providers. For example, a study of contracting in social care by Common and Flynn (1992), found that following the introduction of the 1990 Act local authorities were reluctant to develop a competitively based social care market. It must be noted that more recently, however, research by Bemrose and Mackeith (1996) suggests that the trend has turned towards greater use of tendering.

In this study, there was little evidence of a competitive market involving tendering and bidding in the areas of care provided by the twenty three sample voluntary agencies. Informants from the local authorities were asked about what processes were in place for a social care market. Two of the sample local authorities reported that they did not have a tendering process for voluntary sector providers. Indeed, it transpired from the interviews with voluntary agencies that there were only two voluntary agencies in the SE locality that had been invited to bid competitively for a service they had previously provided under grant-aid funding (and, in fact, both these agencies had lost out on the contractual agreements to private sector providers) (for the effect of competition on voluntary providers, see Chapter 9).³⁸

The local authority informants were asked to explain what methodology had been used to select voluntary agency providers for contracts. The general impression gained from the four localities was that, in the vast majority of cases, the new contract or service agreement was mainly replacing an existing funding agreement. However, there were a few examples highlighted where purchasers had initiated the contracting process by identifying and approaching a known voluntary agency in their locality to develop and provide a particular service. It seems most likely that the sample local authorities had entered into individual negotiations with voluntary providers on a non-competitive basis. Local authority respondents from the study localities described how they were almost exclusively placing contractual agreements with known voluntary agencies who were often already running specialist services in the local authority catchment area. Frequently the local authority had a history of working with the voluntary agency in the social care field. This approach seems to accord with the model offered by the SSI, which suggested direct negotiation with suppliers, with specifications developed jointly between purchaser and provider (H.M.S.O, 1991).

The WM local authority provided a useful example of the negotiated contracting approach with voluntary providers (an approach that was shown to a lesser or greater extent by all four of the sample local authorities). This local authority had, in the run up to implementing the National Health Service and Community Care Act 1990, produced a policy document setting out its working relationship with voluntary and community agencies. The following extract makes reference to the process by which service agreements were to be negotiated:

There are no hard and fast rules concerning which agencies will be offered service agreements, as this will depend upon the type of service provided as well as the level of funding involved [...] The County Council

will determine those agencies with which it will seek an agreement and will initiate the process [...] This does not prevent voluntary agencies from approaching the County Council (WM local authority).

Why did the local authorities adopt this approach to selecting voluntary agency providers rather than a more competitive market approach? Local authority respondents were encouraged to provide comments exploring their apparent preference for contracting with voluntary and community sector providers. In answer to this question, the voluntary and statutory sector respondents revealed several key features that they believed helped to shape the nature of the social care market for local authority purchasers. The two that seem to be of greatest influence were: (1) the limited provider choice with appropriate expertise and skills for local authorities and (2) the tendency for local authorities to want to maintain stable relationships with known and trusted providers.

First, both voluntary sector providers and statutory sector purchasers were of the same opinion that there was, overall, a limited number of possible providers in the non-statutory sector who were in a position to supply the services required by the community. Several of the local authority respondents stressed that, although the thrust of the National Health Service and Community Care Act 1990 presupposes that there is a 'market' already there for local authorities to contract with, the reality is that in many instances the choice of suitable providers (with the relevant experience and administrative capacity) is limited to just one credible supplier in a particular geographical locality. This point about the limited provision of specialist service providers was also repeated by many of the voluntary agency respondents. Indeed, many of them were aware of their monopoly status in this respect. The following statement by a respondent in the WM locality makes this point clear:

I think that given the specialist nature of both our client group and the services [rehabilitation services for blind people] we provide, we are the only people that the local authority in this area can turn to. Now I am not silly enough to think that this situation might remain the case but, clearly, nationally there are not enough specialists' services to go around. So one might take the view that before any other [non-statutory sector providers] branch into [WM locality] to compete with us, there are many parts of the United Kingdom where there is little or no service at all. So from the rehabilitation services point of view, there is still an element of us being the only provider they [Social Services] can turn to (WM2).

The second issue underlying the negotiated approach to contracting appears to be the overall impression that the local authority social services departments had a predisposition for establishing contractual relationships with providers in the voluntary sector over the private sector. With very few exceptions, local authority officers

remarked favourably on the voluntary sector and its role in service delivery. The comments include issue like: (1) the historically good voluntary-statutory sector relationships; (2) the voluntary sector commitment to quality services; (3) reliability and continuity.

A frequently made comment concerned the historical relationship that existed between the two sectors which was believed to be particularly highly valued. Several voluntary sector respondents in the study also considered that this might have been because the statutory authority had not only nurtured them into existence in the first place, but might also have been the only purchaser or source of funding. Many of the local authority respondents shared the following views displayed by two officers:

There's a cliché about [statutory sector bodies] going to the voluntary sector because its low-cost and we clearly wouldn't want to fall into that trap, but what I've experienced in my time is that the voluntary sector brings strength in terms of flexibility, in terms of innovation and new ideas that often mean they can achieve more than we [Social Services Department] can in some services [...] the [community care] reforms have provided us with an opportunity to build upon our strong partnership with voluntary organisations (NE local authority).

We are pleased that voluntary and community bodies have responded well to our wish for partnership arrangements, and have taken a large and growing share of our purchasing and commissioning [including] the use of STG. This is consistent with our desire to develop a close relationship with the voluntary and community sector (WM local authority, Community Care Plan).

A common perception among statutory sector respondents was that working with voluntary agency providers was one way for the Council to guarantee the delivery of quality services to people in the community. There were, for example, at least three instances reported where mainstream services run by voluntary agency providers were more costly than private for-profit agencies supplying similar activities. Indeed, many of the local authority respondents reported that, although the financial cost of the service was a necessary consideration when deciding on service-provision contractual agreements, it was not the decisive factor.

Among the respondents from the sample local authority social services departments interviewed, several reported that both the reliability and traditional ability of the voluntary and community sector to encourage user involvement were essential to the role that this sector played in the provision of services. One respondent thought that it was the continuity of service that was more important than purely cost issues in deciding who ought to be awarded a service-provision contract. In one area, a local

authority officer referred to the need for purchasers to 'strike the right balance' between cost, the broader understanding of value and concerns for the user-provider relationship. As one local authority respondent explained:

Of course, we wish to see value for money being achieved in the provision of services, but our understanding of value for money includes not only the material results, but also the factors that are qualitative [...] factors that concern the development process of individuals and their communities. What we are trying to do with the agreements [in describing services and measuring their results and effectiveness] is to develop a more comprehensive understanding of value for money (NE local authority).

This illustrates the value given to the quality of service as opposed to purely financial considerations. There was agreement among the local authority respondents that the social services departments were receiving additional quality through their contractual agreements with voluntary agency providers. It was viewed to be essential that a social services department take this 'added value' into consideration when deciding upon contractual relationships with a voluntary agency provider.

This apparent preference of local authorities for working with voluntary agency providers seems to be supported by a growing body of evidence in the literature. Lewis (1994, p. 212), who looked at the early experience of voluntary organisations in contracting relationships with local authority social services departments, and found that the degree of informality in choosing a voluntary contracted provider, 'reflects the existing relationship between the local authority and the voluntary organisations in terms of established working relationships and the degree of trust'. Further, the study by Bemrose and Mackeith (1996) on the relationships between local government and voluntary organisations found many examples where local commissioners had a preference for contracting with voluntary and community sector providers over private sector providers. Hardy *et al.*, (1993) also suggested three main reasons for this preference: (1) voluntary bodies engender trust because their directors or trustees do not gain financial benefit if the organisation prospers; (2) many welfare service voluntary agencies have a long track record and good reputation and their management boards often share local authority service philosophies and principles; (3) the transaction costs of contracting with voluntary agencies are perceived to be lower than those with private agencies. (The value that voluntary agencies can bring to service provision is discussed further in Chapter 9).

To summarise, the evidence from the data suggests that although social care service provision is increasingly subject to formal contractual agreements or agreements, these

contractual agreements are generally replacing grant-aid funding. There was evidence to show that contractual agreements have tended to go to known providers and have not been subject to competitive tendering. The overall impression was that local authorities might have a preference for contracting with voluntary and community sector providers, with an emphasis on the collaborative aspects of the contractual relationship. Indeed, as is shown in more detail in the next chapter, local authority purchasers reported that they wanted to minimise competition within the system and to develop close ties with providers. As noted, such relationships are not conducive to the arms-length trading relationships envisaged by market theorists.

7.2 The Language of Contractual Agreements

It was suggested in the literature review that a further dimension to the debate about the changing nature of the local authority-voluntary and community sector interface is the new language and vocabulary being established by the purchaser-provider split. In an effort to understand the meaning of this new language, this section explores the ways that voluntary respondents have experienced this transition. It offers an overview of the comments of the voluntary agency respondents on the definition and status of service agreements, before looking at the way in which these agreements are evolving.

7.2.1 The Meaning of Contractual Agreements

A review of the documentary data collected in the case study localities found variations in the way in which the local authority social services departments defined the documents which could be categorised as a 'contract'; 'service level agreement' (WM local authority); 'service agreement' (SM local authority and SE local authority); 'partnership agreement' and 'memorandum of agreement' (NE local authority) (See Appendix II for sample copies of service agreements).

The majority of services are purchased in a 'block' with voluntary agencies. A block contract is where the type and number of cases is only loosely specified. It specifies the quantity and quality of the inputs rather than the outputs. It enables annual guaranteed purchase of access to the facility, while allowing the purchaser to specify an estimated size of client base. This type of contract are often for a three year period and thus provide a level of financial support for the voluntary agency. This means that there has not been any significant deviation from existing patterns of service delivery. As noted above, the 'service agreements' which the sample voluntary agencies had with the local authorities adopted a lighter touch than they did with the private sector organisations where services are purchased on a 'spot-basis' contract. A number of the

sample voluntary agencies were engaged in both sorts of funding, providing a basic level of service under a service level agreement and further work on a call-off basis.

Alongside differences in contractual terminology, the service agreements prepared by the four local authorities for welfare providing voluntary groups varied with reference to their legal status (see Figure 7.1). Two of the local authorities (SE and WM) give emphasis to the contractual responsibilities on both parties. For example, reference is made in these agreements to the willingness by the local authority to consider legal redress in the case of non-compliance with contract terms by the provider. However, in contrast, the other two local authorities (NE and SM) made clear statements that the contractual agreements with voluntary providers were not intended to be legally binding.

Respondents were encouraged to provide comments exploring their understanding of these documents. An analysis of the interview data reveals varying levels of understanding and awareness of contractual agreements on the part of voluntary agency respondents. Some subscribed to a view that what they had entered into with the local authority social services department were 'formal agreements'. Reference was often made here to the notion of legal accountability. A number described how the agreements were 'formal', 'tightly written' and 'legally binding' contractual agreements. They reported that it made the relationship 'more explicit'. There was also an assessment that there would be implications for the provider if the terms of the agreement were not met. One respondent reported

I think there was a real change in approach by them [the local authority] It [the grant arrangement] was much less definitive [...] it noted the general aims and we had a lot of discretion really [. . .] What the contract does now is tie us down to numbers and it makes us much more accountable to them [the local authority]' (WM7).

There were, amongst voluntary sector respondents, many comments in a similar vein. However, in contrast, a small proportion of respondents expressed concerns about whether the contractual agreements were lawfully binding, while one or two were quite dismissive of the legal basis of the service agreements. One speculated on how the local authority would react if the voluntary agency did not fulfil the terms of the agreement, 'It might look and sound like a contract but it isn't [...] I regard the document as a complete waste of paper [...] either part can jump out of it – look, it actually states quite clearly on the first page that it isn't a legal document'(NE23).

Figure 7.1 Descriptions of Agreements

'[The agreement] will be a legally binding document recording in full details terms and conditions of service delivery following a specification, providing payment conditions, monitoring procedures and remedies for default and deficiency on the part of the provider including termination clauses' (SE local authority).

'The aim of the agreement is to put the relationship between the Council and the organisation on a more businesslike footing, thus enabling the organisation performance to be measured against the outputs specified. [...] Service Agreements are legally binding contractual agreements' (WM local authority).

'The agreement is intended to indicate the intentions of each party but neither party intend the agreement to create a legally enforceable contract' (SM local authority).

'This partnership agreement is not intended to be legally binding nor does it represent a formal contract between the [NE local authority] and the [provider] organisation for the provision of services. Rather, it is a statement of understanding of the purposes for which funding is provided and what is expected to be achieved. As such it forms the basis for monitoring and evaluation of performance by the Council' (NE local authority).

The third main description offered by voluntary agency respondents was that the contracting system represented a new way of defining the voluntary-statutory sector relationship. Several respondents made a clear distinction between grant-aid and contractual agreements in that the latter represented a move to a more equal relationship with the statutory sector purchasers. This reference to 'partnerships' is used by voluntary providers in an apparent attempt to move away from the focus on 'buyers and sellers' to a language of 'sharing and joint action', a finding shared by Macintosh (2000). Indeed, several respondents used the term 'partnership' – or variations of the term – to describe this new funding relationship. Many voluntary agency respondents in the present study shared the sentiments expressed by two of the respondents:

Contractual agreements to me sound much more official and in my mind they're more negative [...] they [contractual agreements] make me think about restrictions and having things imposed that we don't want to do. But the agreement we have with the Council is positive [. . .] its a two way process [...] its given us a significant input into the debate about the needs of black mental health in the locality and so we tend to think about our relationship with them [local authority social services departments] to be more of a partnership (SE17).

I suppose we are partners in that we've a good relationship with Social Services, a long standing and trusting one and when they are prepared to say that this agreement was made in good faith, we are prepared to accept it (SE19).

There were, however, several negative comments. A common issue to emerge from the data relates to the way in which service agreements were causing confusion when compared to the relatively straightforward grant-aid documentation. Several respondents objected to the technical language employed in the contractual documents (see Appendices). Relevant evidence is summarised in the following extracts from the interview data:

I've got a legal background myself and this [document] does seem to be unnecessarily complicated (SM11).

The people responsible for drawing up this document [the agreement] appear to have picked the whole thing from some manual and transplanted it into this 16 pages [...] it all makes little sense to me (SE16).

And why is it so wordy? [...] Its [the contract] clearly designed by a committee [laughs] [...] couched in their 'social services' speak [...] (WM7).

The whole tone of it [the agreement] is very different from the past (NE23).

This questioning of the necessity for local authorities to adopt such a legalistic approach in drawing up contractual agreements was a common complaint. Respondents appeared apprehensive that such legally-framed contractual agreements suggest a lack of trust and a lack of appreciation of historically good working relations. A number reported that the tone of the contract documents implied a separation between purchaser and provider rather than emphasising the partnership element in the relationship.

In addition, an analysis of the interview data shows that a few agency respondents complained that the technical language adopted by local authorities in drawing up service agreements could have an effect for the voluntary agencies on user involvement. The concern was that users of the agency's services might be deterred from participating in the affairs of voluntary agencies if this necessitated the adoption of inaccessible legalistic or otherwise specialised language. For example, a review of the contractual agreements shows the use of the following terms: 'Input', 'Outputs', 'Outcomes', 'Performance Indicators', 'Quality Assurance', 'Service Specifications', 'Quality Management', 'Efficiency Measures' and so on.

As Cohen (1985) suggests, such language is 'technobabble', and its use can effectively exclude the uninitiated. The complexity of such language has been well documented elsewhere. For example, Bemrose and Mackeith (1996) found that contractual relationships between local authorities and voluntary agencies were often expressed in legal language and sometimes drawn up by people with little experience of the service provision entailed. They further claimed that the adoption of such a legalistic approach by local authorities might be due to the fact that they themselves are still involved in a learning process about the new tasks required of them, such as drawing up contractual agreements and monitoring the tendering process and performance.

To summarise, whilst the above comments do not provide a comprehensive definition of contracting, they do illustrate the spectrum of awareness and understanding of respondents based on their experiences of contracting with four different local authority social services departments.

7.2.2 The Evolution of Contractual Arrangements

Another key finding is the way that local authority service agreements were changing in character and content when they were coming around for their annual review. An analysis of the interview material shows that respondents in those agencies that were in the process of renewing agreements with local authorities, believed that the new agreements now on offer contained more precise statements about outputs and monitoring procedures than had previously been the case. Several of the voluntary agency respondents articulated a view that these changes threatened voluntary and community sector autonomy. (Further information on this issue is provided in Chapter 9). For example, in the SE local authority, several voluntary sector respondents who were facing the end of the first three-year contractual agreements believed that the new service agreements on offer differed from earlier ones on many levels. This was in part seen as relating to the pressure for greater accountability and better monitoring procedures. Several of those interviewed offered the following comments:

I think that this time they're [the local authority] approaching what I think a genuine contract is because it says how many hours and what type of service we provide [... ...] (SE15).

They've now got quite a lot of statistical monitoring in place to check that we're doing the number of hours that we said we would [...]. They're now getting much more official (WM3).

Oh yes, we have noticed that there's a lot more target setting in this one [in the new agreement] (SM9).

Several of the voluntary agency respondents mentioned the lack of consultation by the local authority over these changes to the agreements. The significance of these differences in approach is demonstrated vividly by the voluntary agency respondent from SE17. The agency he ran had been providing care for a number of clients under service-provision contract to the local authority for three years – and also had several contractual agreements with other statutory sector purchasers. The agency worked hard to cultivate good relationships with local authority funders and they had valued the contacts that had been built up over many years. However, in the run-up to contract renewal the respondent reported that there had been a ‘marked change’ in the attitude of the Council towards their service providers:

We are now being asked to sign new contractual agreements, mid term, that are totally oppressive in their terms and which lack any semblance of mutuality. For example, only a few days ago we were sent the contract from [name of local authority], which we were asked to sign and return. The following statements were included in the accompanying letter, “This is a standard term of contract for use across all service user groups for whom the City Council has responsibility. It is not our intention to amend the contract in response to suggestions from providers. (Correspondence from SE17).

Further analysis of this revised agreement showed that a clause relating to the annual revisions of fees did not permit any negotiation whatsoever. The contract stated that the provider agency would be compelled to accept whatever increase the purchasing authority decided to offer and the new contract on offer – unlike the existing one – was not fixed for any term. The respondent reported:

After enjoying good working relations with our local authority purchasers for many years, we are currently faced with a threat from them, stating that they will withdraw their clients if we do not surrender our rights to negotiate our own fee levels [...] You will appreciate that voluntary organisations face a dilemma. No service provider in their right mind would wish to enter into an adversarial encounter with their local authority purchasers on a whim we are all critically dependent for our business [...] On the other hand, no self-respecting charity, when faced with the forcible removal of beneficiaries, can do otherwise but fight and fight hard (Correspondence from SE17).

The local authority review of service agreements after the initial three-year period might incorporate a different set of expectations and requirements from voluntary agency providers. Although there was only limited evidence of this change in the tone of the local authority approach to service contractual agreements thus far, the above quotes might, as time goes on, become more indicative of the difficulties arising at the point of renewal or re-negotiation.

Clearly, there are dangers with this approach. As was discussed earlier, a more market-driven approach might lead to what Richard Gutch (1992) called a 'bureaucratic paper chase' and might reduce voluntary co-operation as each organisation seeks to protect itself from legal repercussions arising from a failure to meet contract terms, even if the situation has changed and a more appropriate activity could be carried out. The emphasis on such strict service-provision contractual agreements also permits funding to be reduced or clawed back with the implications, and sometimes even the blame for this, falling upon the contractor.

To summarise, voluntary agency respondents expressed confusion about the terminology and language of the local authority contractual arrangements. There was a view expressed that, while the partnership element perceived to be implicit in the agreements was to be welcomed, the contractual agreements themselves were too legalistically framed. In common with the findings of other researchers (see, for example, Taylor and Hoggett, 1994), it did appear that the shift from grants to contractual agreements suggested a move away from relationships based on trust and discretion towards impersonal mechanical transactions. It was evident that the language and discourse used in these funding agreements could serve as a symbol of the new social care market relations.

7.3 The Challenges of Competition

This section explores data from the study which illustrates the challenges that the social care market has raised for voluntary providers. Overall, an analysis of the interview data suggests that, despite the apparent enthusiasm shown for the principle of contracting with service-delivering voluntary agencies, there was evidence to show that the voluntary and community sector was not always perceived to be the most advantageous choice in an increasingly competitive market.

In discussions with several statutory sector purchasers it became evident that, with the development of the market in social care, the service-delivering voluntary agencies were ceasing to be particularly distinctive. For example, one local authority officer, who was operating a grant-aid budget for voluntary agencies, reported that the local authority's decision to work with several service-delivering voluntary agencies in the locality was 'historic and opportunistic' rather than part of any strategic plan for developing the social care market (SE local authority).

Other comments also reflected these uncertainties about the future role of voluntary agency providers in the social care market. For example, although local authorities might have a preference for contracting with voluntary agency providers as a way of guaranteeing the provision of quality services in the locality, several of the local authority respondents indicated that this assumption might not be altogether valid. For example, one reported that private provider agencies are 'now just as quality conscious as voluntary ones' and often they are 'more flexible' over service provision (WM local authority).

Several other reservations were expressed by local authority respondents about the supposed distinctiveness of service-delivering voluntary agencies. The general impression gained from these respondents was that, as time went on, a different set of relationships with independent sector providers would emerge. Many respondents made comments similar to that of one local authority officer, who said that there was a need to develop a more 'level playing field' and a more 'vibrant non-statutory sector'. The dominant view was that, once there is more competition for services in the non-statutory sector, there should, in theory, be no differences between welfare service voluntary agencies or commercial providers. The contractual and monitoring documentation should control the quality of services, thus ensuring a level playing field and specifications applicable to all, equally.

Another local authority officer similarly commented that, if a voluntary agency were to provide a higher quality of service to a specialist group of users, then a premium might not be paid by the local authority for this. It was suggested that the specifications provide the basis of the service, not the additional services/quality that an organisation is prepared to provide. This respondent added that, if the service provided by the voluntary agencies went beyond that suggested by the documentation, then this extra dimension should not be taken into consideration.

A small number of voluntary sector respondents commented that the local authority had been favouring the private sector in their development of services and that statutory sector purchasers did not appreciate the particular constraints under which the voluntary sector operated. Indeed, a local authority respondent from the SM locality was negative about the role of the voluntary sector, arguing that they were holding on to outdated objectives and failing to match the speed of change within the commercial sector. The respondent added that many of the agencies in the local voluntary sector were presenting 'barriers' to negotiation rather than looking for solutions. In response to questions about the problematic nature of voluntary sector provision in the social care

market, several of the local authority respondents made the point that the growing need for local authorities to set clear specifications and to monitor expenditure more effectively has led to a more distant relationship between local authorities and voluntary agencies. For instance, one local authority officer, responsible for grant-aid, claimed that the changes in funding could lead to a lack of trust between the two sectors:

Its clear that the move [towards contracting] does represent a tightening up in which much less is now left to their [voluntary] discretion. The emphasis shifts now much more to monitoring and checking up by us [the funding authority] and I suppose the focus in the funding agreement can be perceived in terms of what can go wrong and what sanctions can be applied [...] I understand why this might be seen to be a threat (NE local authority).

As local authorities clarify their requirements from the voluntary agency providers, and as voluntary groups attempt to maintain their financial support from the local authorities, there is evidence to indicate that the special ethos of voluntary agencies might be challenged. For instance, a community care respondent from SE local authority predicted that this voluntary philosophy might be threatened by the financial constraints of local authorities. He claimed: 'I think that the traditional image of voluntary organisations as being uniquely caring and altruistic is less convincing. Funding is getting very tight and they [the voluntary sector] can't trade on the past anymore' (SE local authority). As shown in Chapter 9, this led to worries, expressed by voluntary agency respondents, that the characteristic added value and specialised nature of what voluntary agencies can offer might not be appreciated in the tight competitive financial situations in which local authorities find themselves; added value might not be a consideration when it comes to awarding contractual agreements and service level agreements.

As suggested elsewhere, there have been suggestions from local authority respondents that voluntary agencies might be distinctive in quite unhelpful ways. If local authorities are moving towards more direct service provision in their funding of voluntary groups, it might be that they want a simple, clear relationship where services are provided to local authority specifications (Ware and Todd, forthcoming). In the current study, one local authority officer claimed that commercial sector organisations were far easier to deal with than voluntary agencies, as the latter could indulge in a kind of moral blackmail.

The voluntary-statutory sector interface was influenced in other ways. The discussion on social care contracting in Chapter 4 indicated that the voluntary-statutory sector relationship has been based, historically, upon trust and a sense of common purpose.

However, the research indicates that this relationship might be tested by the introduction of a more market driven approach to social care services. Nearly all those local authority respondents interviewed reported that contracting had brought about the need to develop a more distant relationship with the voluntary agency providers than that which existed under grant-aid. It appeared that one of the main consequences of the shift to a more defined relationship between the two sectors is the recognition of possible conflicts of interest.

Several of the statutory sector respondents described how, in the past, the loosely-defined traditional grant arrangements between the local authority funders and voluntary agency providers enabled statutory officers or councillors to assist the voluntary and community sector in several ways. One respondent, for instance, observed that traditional grant funding had allowed the local authority to be quite closely involved with advising the management of voluntary agencies – there were several examples of local councillors and officers serving on the boards of voluntary agencies as trustees. The respondent reported that such relations had also promoted a climate of trust and facilitated the general interchange of information, views and ideas.

However, this intermeshing contradicts the policy of separating these functions and could lead to charges of bias/unfairness. There were several examples in the case studies where local authorities, having recognised a possible conflict of interest between purchaser and provider roles, had ceased to appoint their staff to bodies with whom they had a service agreement. For instance, one local authority purchaser observed in an internal document that although in the past Council member representation on voluntary boards has been seen as ‘... an important mechanism for ensuring accountability’, the introduction of service-provision contractual agreements and service level agreements with their accompanying monitoring systems meant that there was now ‘less of a case for elected members being involved directly in the management of these voluntary bodies’ (WM local authority). An officer from this authority commented that this might constitute a loss to those voluntary agencies that had appreciated the expertise and information that such personnel could provide.

There were other examples where the informal nature of the local authority-voluntary sector relationship was challenged. In the SE locality, where voluntary agency respondents reported the emergence of a greater insistence on a more competitive ‘level playing field’, it was believed that this was leading to a rigid and legalistic framework which was not to the advantage of either the authority or the voluntary providers. For example, one voluntary agency respondent recalled how he had just

been informed of a memo that had been issued by the local authority purchaser stating that local authority personnel could not have discussions with voluntary providers putting in bids for care services; the authority lawyers had insisted that all potential providers had to be treated the same. It was considered to be unfair to conduct discussions with known providers about the way the authority required services to be delivered since it would be giving advantages to these providers. However, it was reported that this approach could prove to be a loss to both the voluntary agency and the local authority. The respondent went on to suggest that this approach failed to recognise and build upon the goodwill and trust with agencies and could also lead to situations where agencies do not have enough information to develop their bids and so lose out on providing services.

There was a view that the voluntary and community sector had, in the past, enjoyed a somewhat 'special status' within the broader non-statutory sector, working in 'partnership' with the local authorities that had funded them. However, this relatively close relationship was seen to be under threat as other potential providers in the social care market emerged. Good working relationships at local government level had been disrupted by the introduction of the purchaser-provider divide. It was suggested that for these relationships to continue, given the present emphasis on the 'level playing field', local authorities might have to be more explicit about the rationale for their specific choice of voluntary agency services.

Equally, as local authority funding gets tighter, voluntary agency providers need to be more categorical about the benefits they introduce to a locality and their service users, and about the 'value-for-money' they can offer to potential funders. Several of voluntary agency respondents reported that in the new community care environment their charitable or non-profit status was no longer a satisfactory rationale for their continued legitimisation. There was an awareness of the need to adapt to such changes. Many made comments like that of one respondent who argued:

We're getting to a stage now where you can't rely on the currency of being called 'voluntary' in the same way that you could in the past [...] for them [the local authority] it seems to count for less and less now [...] I think we have recognised that you do need to change with the times (NE21).

Particular concerns were raised about the notion of competing for service agreements. Although, as previously noted, a competitive-bidding approach for service-provision contractual agreements and service level agreements was not widespread in the four case studies, there were one or two examples where voluntary agencies were

competing not only with each other but also with 'not-for-profit' agencies, public trusts and private (for-profit) agencies. This represented a cultural change to which voluntary organisations were responding in different ways. For instance, several of the larger voluntary agencies from the study sample, especially those with paid professional workers, appeared to have warmed to the changes and opportunities that had been introduced by the National Health Service and Community Care Act 1990. Several respondents commented that they were keen to exploit the new culture to develop new forms of partnerships and to increase their market share. Many made the point that they were particularly pleased that extra funding meant that they could expand services or employ more paid staff. They recognised that they had to become better organised and more 'professional' in their approach.

It is stressed, however, that for others the new funding arrangements necessitated a bigger change in their operations and many thought that this was detrimental. The increasing clarity of local authority requirements from voluntary agency providers, alongside attempts by voluntary groups to maintain their financial support from the local authorities, fuelled the concern that the special ethos of voluntary agencies might be changed. Several of the voluntary agency respondents spoke of the arrival of alien values – and objected to taking on a more competitive approach to developing services.

While recognising that the stereotype of voluntary agencies as being co-operative and sharing information with one another might not always be borne out in reality, this was still a guiding belief for many of the voluntary agencies in the research. The overall impression gained from a small number of the interviews was that there was an increasing sense of competition for limited funding resources and especially social service agreements.

People tend to talk of the voluntary and community sector as if it was a homogeneous group. It isn't – you are talking about a group that's so diverse and a group that, to be honest, often doesn't like working together and is protective of its services and its locality [...] and I think that's getting worse to some degree because of the competition [for resources and contractual agreements] that now exists between us [voluntary agencies] (NE20).

In this [learning disability] field there are lots of interest groups, many of whom are working to the same ends but who want to look after their own [organisation and employees and volunteers] [...] In the present-day climate of community care they [voluntary organisations in the locality] are keeping things very close to their chests (NE23).

Other research evidence on contracting supports this view. Ware's (1996) study of the implications of the National Health Service and Community Care Act 1990 for voluntary sector domiciliary services for the elderly found that increased competition had led to the emergence of a 'predator mentality' in the voluntary sector where information about grants and available funding was not shared between agencies (Ware, 1996). Research by Bemrose and MacKeith (1996) found that bidding for contractual agreements that are put out to competitive tender can create costs that are hard to recover if the contract is not won. It might also lead to competition between different providers, thus undermining co-operation between them.

The comments by voluntary agency respondents imply that the new contractual funding regime might demand the type of competitive distance that is often associated with the commercial sector. This observation is consistent with the findings of Nowland-Foreman's (1995) study of purchase-of-service contracting in New Zealand. He observed that the contracting approach is built on a competitive ethos – in theory and practice. Its aim is to tackle the problems of 'provider capture' by breaking up too close a co-operation between 'purchaser' and 'provider' and by promoting greater competition among voluntary agencies. In practice, it led to less co-operation, greater secrecy, distrust and a less integrated service system (Nowland-Foreman, 1995).

In assessing the general findings from the data, it is clear that voluntary agency respondents believed that they were the preferred providers in the non-statutory sector, even though local authority staff were critical of a number of aspects of voluntary sector workings. However, a dilemma might arise if local authorities make it part of their strategy to encourage voluntary providers because of their expertise or added value; this could be construed as not giving the broader non-statutory sector equal access to the market. This raises the interesting question of whether there should be a market in which all types of providers are encouraged to compete to provide services, or whether it is better to select providers on the basis that they offer a particular strength, traditional expertise or a special cost advantage.

7.4 Summary

In sum, this chapter has outlined the research findings in relation to the changing local authority–voluntary agency interface. The twenty three voluntary agency respondents' views have some similarities as well as contrasts which allow for generalisations and comparisons. For example, in the beginning of the chapter, it was pointed out that one striking thing to emerge from the data was the scarcity of instances of competition for

service agreements. Contractual agreements were issued on a mainly non-competitive basis; local authority purchasers cited the limited choice of potential non-statutory sector providers and the tendency for purchasers to want to create stable relationships with known and trusted providers to justify this approach.

Secondly, the ways in which local authorities defined the new contract agreements and voluntary sector respondents conceptualised this shift in language were explored. The picture emerging from the data was a general sense of confusion with reference to the legal status of contractual agreements. Further, reference was made to the complexity of language being employed in the documents. Concern was also expressed about the effect this language could have on user involvement in agencies. Finally, contract terminology and the expectations such agreements placed upon voluntary providers appear to become more exacting and demanding as contractual agreements come up for renewal.

When discussing the challenges faced by voluntary agency providers in the social care market, one of the most striking things to emerge from the data was that local authorities did not always perceive the voluntary and community sector to be an advantageous choice. While local authority purchasers' views varied, there appeared to be a consensus that, as the market for social care develops, the voluntary sector might lose its distinctive nature. A view was also expressed that the creation of a 'level playing field' in this context would necessarily bring about a more distant relationship between local authorities and voluntary agencies.

The above data was derived from the individual interviews and offered a number of conclusions on the experience of contracting from the voluntary sector perspective. It should be stressed that this analysis does not end here, as the following chapter moves on to explore the way in which contractual agreements have been negotiated and monitored.

Chapter 8

Aspects of Contract Implementation: Negotiation and Monitoring

Chapter Themes
Contract Negotiation
Monitoring

8.0 Overview

This chapter moves on to examine the way in which voluntary agency respondents in the study experienced and interpreted the negotiation and monitoring of service-provision contractual agreements. It also reports throughout the discussion their views on the advantages and disadvantages of the contractual approach. These empirical findings expand upon a number of the issues and themes explored in the literature review and aim to bring about a better understanding of the way in which voluntary agency respondents understand the contract culture.

8.1 Contract Negotiation

Chapter 7 looked at the way the sample local authorities selected voluntary agencies to provide contracted services. Local authorities had adopted a policy of 'negotiated contract' with selected providers rather than relying upon open competitive tendering. Once a provider has been selected for a particular service, the service-provision agreement has to be negotiated and approved by both parties. Rekart (1993) observed that the tone of the local authority-voluntary sector relationship can be set in the negotiations that precede the actual contract. Kramer and Terrer (1984, p. 203) found that while some elements of the contractual relationship are not negotiable, perhaps reflecting rules laid down by central government, the local drafting process can involve a 'great deal of give and take'.

In order to understand fully the voluntary sector perspective of contract negotiation, several questions needed to be resolved. How did voluntary agency respondents perceive the contracting process and what did they expect from the negotiations? Had

these expectations been fulfilled or had respondents been disappointed by the outcomes? The interviews addressed these and other questions and the respondents were also encouraged to make general comments on the voluntary-statutory relationship. The interviews revealed several key factors that help to shape the contract negotiations process, but there were four which seem to be of greatest importance: (1) examples of successful negotiations between purchaser and provider; (2) conflicts between purchasers and providers; (3) voluntary organisations adopting a tough negotiation stance; (4) the importance of having access to expert opinion in contract negotiations.

8.1.1 Examples of Successful Negotiations

It appeared from the data that most of the local authority purchasers were aware of the potential difficulties that might arise for voluntary agencies with the introduction of contractual agreements. Two of the local authorities, in consultation with the local voluntary and community sector, had produced working documents which provided a guiding framework for contract negotiation. Extracts from these documents are shown in Figure 8.1. Such evidence supports the notion, mentioned in the previous chapter, that local authority approaches to contract negotiation are built - in principle - around the sense of compromise and partnership.

Having established that several of the local authorities were aware of the potential difficulties that contract negotiation can raise, the twenty three voluntary agency respondents were asked to talk about their own experiences of negotiating. Although there were variations in the way respondents from different voluntary agencies described the process, on the whole they were satisfied with the outcomes. They were very positive about the way in which local authorities had approached the new purchasing role and felt that local authority officers had promoted a sense of partnership.

Figure 8.1 Local Authority Statements on Approach to Negotiations

'You need to be aware of the power relationships that will inevitably influence a negotiation process. A small voluntary organisation or family business might well feel intimidated in their first dealings with a large local authority. They might perceive all the cards to be stacked on one side. Conversely, as a relatively inexperienced negotiator yourself, you might feel intimidated by a powerful national voluntary organisation with years of negotiating experience. You should no more take advantage of the small voluntary group than you would expect the major national charity to take advantage of you.' (SE local authority).

'[...] Negotiation should take place in a framework of give and take and the imbalance between the organisational back up of the local authority and voluntary organisation should be recognised. In negotiations, service users should be involved as well as professional officers and management committees [...] We [the local authority] should be ready to help providers prepare themselves for negotiation. Organisations that are inexperienced in achieving funding agreements might need encouragement, explanation of jargon and procedures, financial advice, training, etc. There is little to be gained from allowing organisations to take on commitments, which they have been ill equipped to size-up.' (WM local authority).

The majority of voluntary sector respondents reported that the negotiation process had been an improvement on the old grant-aid funding for service delivery, which had required them to make an annual application to the local authority. Further, it was reported that the flexibility of negotiations meant that practical difficulties could be resolved in a relatively informal way. Indeed, several respondents made reference to the opportunities that arose during contract negotiation to discuss their aims and goals within the community. Several voluntary agency respondents described how they liked the flexibility of the contracting process and the way in which it facilitated greater mutual understanding and trust. They believed it helped to foster good working relations with local authority purchasers. For instance, one respondent, speaking from twenty years of experience in dealing with statutory sector bodies, considered the informal contact to be vital:

We have close ties with Social Services that go a long way back and had no problems at all with it really [negotiating the contract] [...] I went to talk to Mr X [name of the director of WM local authority social services departments] and basically we agreed it [the contract] [...] there were one or two things he was concerned about and that we wanted clarification on but we sorted them out very quickly [...] I do think it does help that we've had a strong and professional working relationship with the Council in these situations (SM10).

Many voluntary sector respondents made reference to the ability to accommodate uncertainty in social care provision and by negotiating many of the details of the service in a way that allows for some flexibility. Central to the contractual relationship in this particular case was the existence of an unwritten understanding (or what Lyons and Mehta (1997, p. 43) have called the 'text between the lines') which often constitute as necessary a part of the contractual agreements as the actual printed word. One respondent, also with extensive experience of dealing with the local authority, highlighted the importance of relationships of trust in social care services:

[...] and the Director [of Social Services] and I know each other quite well now and we can talk to each other. He writes to me and says 'its time we should talk about the services' and I write back to put some proposals and then we have a meeting and we come to a basic understanding of what we are doing [...] we do it informally [...] on a one-to-one basis (WM3).

This sense of informality and flexibility during the contract negotiation stage was not confined to the voluntary agency respondents. Several of the local authority respondents also reported the benefits of this approach. One local authority officer gave the example of a voluntary agency that had a contract for a community-based advice and information service. The officer explained how the service was expected to open on a particular week but was unable to do so because of problems with the proposed new accommodation and computer and telephone facilities. Although the opening was technically required by the service agreement, the voluntary agency and the local authority overcame the difficulty by informal negotiation.

In another case study locality, a voluntary agency respondent praised a local authority officer because the trust which had been developed between the agency and the local authority meant that the conditions of the contract could be varied and the agency did not live in fear that funding would be withdrawn if things did not turn out exactly as intended. This flexibility was seen as 'a two-way process'; if the services were not undertaken as specified, because of a lack of referrals, then the organisation did not get the benefit of money promised in advance. Another voluntary agency respondent gave the example of the purchasing officer at the local authority social services department who had been able to relax, temporarily, the standard contractual conditions for his small organisation in order to contract with them. This was done on the understanding that a number of the requirements of the contract (relating to staff training and development issues) would be addressed at some future date.

The respondent of another agency expressed similar sentiments. This agency had anticipated that there would be a 'claw-back' of the finances that had not been spent at the end of the financial year. However, it was agreed during the negotiations between the respondent and the local authority officer that the projected under-spend in the first year of operation would fund a 'service development budget' in order to develop further services. The agency respondent summarised their experience, saying that the contract had been a 'lever to encourage the development of good practice' in developing procedural guidelines such as complaints procedures and evaluation surveys. He commented that:

We have been providing the service for a long time and neither Social Services nor we wanted to dramatically change it [the service]. They [the local authority social services department] appreciate what we are doing and they didn't want things to alter. They gave us this standard agreement and we had no problems with it at all [...] and they have helped with the development fund (SM9).

In sum, based on the evidence drawn from the interviews discussed above, it is possible to state that the majority of voluntary agency respondents had positive experiences of negotiating agreements with their local authority. Several of the voluntary agencies said they placed a high value on the closer links which they believed had developed with local authorities because of the contracting process. It was reported that there had been a change in the nature of the relationship from that of a voluntary agency seeking a gift in the form of grant-aid to that of a partner, delivering services that the local authority wants them to provide. Several respondents suspected that even closer relationships might develop as it is realised that a better understanding between the parties will lead to optimum results within the new funding climate.

A common thread running through their responses was their desire to have stable, co-operative relationships with the local authority purchasers. Central to this view was the importance of developing and building upon good working relationships between purchasers and providers, a view supported by much of the literature, where there is evidence that contractual agreements are reached through dialogue and discussion rather than through imposition by the statutory sector purchaser upon the provider (Russell *et al.*, 1995; Kumar, 1997 cited in Taylor, 1997). Other studies have similarly shown how good personal and professional relations between purchasers and providers are vital in successful contractual arrangements in social care (Goulding, 1993; Rekart, 1997).

8.1.2 Difficulties of Contract Negotiation

Although many of the voluntary agencies in the sample were positive about their experiences of contract negotiations and were able to negotiate agreements which satisfactorily encompassed their needs, not all had a positive experience. This subsection looks at some of the problems encountered.

An analysis of the interview data shows that several of the voluntary respondents had been discouraged, disappointed or even disillusioned by the negotiations. In particular, there were examples where the negotiation had been combative on the part of the local authority, where purchasers had used their power in an attempt to negotiate agreements which failed to take into consideration the position of the voluntary agency involved. Objections and criticisms aimed at the local authority in contract negotiation were varied, but the three which appear to be of greatest importance were: (1) the level of fee for contracted services; (2) management costs in contract fees; (3) unreasonable monitoring demands in agreements.

The most frequently mentioned area of conflict between purchaser and provider during contract negotiations was that of the level of fees for services. Many of the voluntary agency respondents held the view that the contracted fees on offer were inadequate for the level of service required. They observed how the new environment of funding had made it extremely difficult, and often impossible, to get the local authority to increase the fee level. Some voluntary sector respondents was particularly concerned about the stance of the purchasing officers on this issue. For example, the respondent from SE19 suggested that, from the beginning of negotiations, the local authority had asserted that there was no room in the contract discussion for increasing the level of fee.

They [the local authority] started off by saying all the right things that, yes, we really value your service, and saying how we had such a good relationship [...] but at the end of the day I wasn't negotiating at all **[laughing]** [...] what I did was simply set it [the agreement] out in a form they could accept. What we really wanted was more funding but there wasn't a hope that we could get more [money] and that was made clear to me by the [local authority social services departments] from day one (SE19).

Several voluntary agency respondents recognised that this situation was not helped because they were negotiating from a position of financial vulnerability. It is stressed that many of the voluntary groups were heavily dependent on statutory sources of funding (as was shown in Chapter 6, many of the sample voluntary agencies at the time of the study received over 70 per cent of their funding from the local authority or

other statutory sector sources). This sense of financial exposure was highlighted in several statements by voluntary agency respondents:

They clearly knew that I was negotiating from a very weak position – we rely upon the authority for much of it [funding] and we'd been threatened with closure more than once before this and had little option [on funding sources] [...] For all intents and purposes it [the agreement] was presented to us (WM1).

We'd been disagreeing with them from the start over the amount of money they were offering for the service but we were told that we couldn't change that [...] I think that looking back there wasn't any negotiation about it at all [...] it was a *fait accompli* (SE19).

They [the local authority] talk about a partnership but its not like that at all – it really was a case of them just saying that “we'll give you this amount of money for this service but we will tell you what to do” [...] She [the contract officer at the local authority] came in [to the negotiations] and it was made clear who was supposed to be in charge [...] there was no chance for discussion on the money – where's our input in that? (SM13).

Such comments from voluntary agency managers highlight the lack of power that they have on the negotiation process. A few key words are highlighted to point out what is seen as important to voluntary agency managers. Highly dependent on local authority funding, threats of removing funding, little dialogue over fees, little sense of partnership are all regarded as problems with contract negotiation.

A second major problem identified by respondents was that local authority purchasers were often reluctant to accept the inclusion of voluntary management costs in the contractual agreements. Several of the voluntary agency respondents suggested that voluntary agencies often incur new financial costs in negotiating and running a contracted service and that their costs were not always being recognised by the sample local authorities. The SE local authority, for instance, had identified management development and administrative requirements as an area where there were few resources available to voluntary agencies. When asked about this issue, the local authority respondent made it plain that the management costs included in agreement negotiations by a number of voluntary agencies might result in them losing the contract. There seemed to be an expectation on the part of local authority respondents in this locality that such costs were not legitimate coming from a voluntary agency.

Other studies have similarly found that voluntary groups negotiating contracts found it difficult to obtain core management and administrative costs (see, for example, Taylor

and Lewis, 1997; Todd and Ware, 2000). Local authority social services departments are reluctant to spend limited resources on administrative infrastructure costs in preference to particular services.

A third main set of concerns with contract negotiation related to the way local authorities have attempted to introduce unwanted monitoring requirements into contractual agreements. Several voluntary agency respondents indicated their disappointment with the local authority who were trying to incorporate overly demanding monitoring requirements into draft contractual agreements. For instance, the respondent from SE16 reported that she had been concerned about aspects of the monitoring demands of the draft agreement that had been put forward and had sought clarification from the local authority. She explained that this clarification had taken time, partly because the appointed contract officer at the local authority had left her post mid-way through the process and no one else at the Council seemed to have taken on the responsibility. In exasperation, she had written to the director of the local authority social services department to tell him what had been happening. An extract from this letter is offered below:

I am concerned that the rigid application of the small print in the Service Agreement will, with the best will in the world, allow the Authority to adopt a supervisory role. This might well be relevant where direct services are being negotiated but will be totally alien to the concept of our team. They, you will understand, work to an Agenda set by the demands of our families (not necessarily members) with supervision from within the society and being responsible only to me as Chairman (SE16).

Of specific concern to this respondent were the clauses that had been placed in the draft agreement requiring the voluntary provider to state the duties of the project workers and the resource implications that this would have on the agency. In the light of her 15 years of experience in managing the agency, coupled with experience of the local authority shift to purchasing, she reported:

The annual work programme is almost impossible to put down on paper [...] working as we do picking up a wide variety of problems and giving support whenever asked. While the general overview of what the team is about in generic terms is no great problem, a forward planning crystal ball type of exercise is not possible and indeed we do not have the staff/time and resources to do this (unless of course substantial extra funding could be allocated just purely for administrative purposes) (SE16).

From the above discussion, it is clear that voluntary agency respondents identified several problems with contract negotiations. These revolved around management

costs, service level fees and the imposition of monitoring. Power relations were central to the contract negotiation process. The literature indicates that, although there are different types of power, greatest power in this context generally rests with 'those who control the resources' (McQuaid, 1999, p. 14). Bartlett and Le Grand stress the danger that statutory sector purchasers might exploit their monopoly power in the social care market and attempt to drive hard bargains which might sour long-established relationships with providers, lower their morale and motivation and, eventually, drive them out of the service contract (Bartlett and Le Grand, 1991, p. 21). This issue of power and influence was also recognised in the study conducted by Kramer and Grossman (1987, p. 111) in the United States; they observed that in drafting and negotiating the contract there is also a tension between political and technical issues. Such tension is resolved by the types and amounts of influence possessed by individual parties, their respective bargaining status, and their willingness to use their power.

8.1.3 Adopting a Firm Line

The discussion thus far shows that different agencies experienced different levels of success in their contract negotiations with local authorities. What also emerged is the fact that voluntary agencies themselves were not always without power. This subsection considers several examples where voluntary groups were able to put themselves in a more advantageous position in negotiating contractual agreements.

An analysis of the interview data shows that quite a number of the voluntary groups had been able to take a stand with social services departments and make tough decisions about entering into service agreements. Others had been able to influence contract negotiations, usually by persuasion. In particular, it was found that many of the larger, more established, organisations had only agreed to statutory priorities and contract demands if they corresponded with their own specialism and long-term organisational goals. For example, one voluntary agency respondent described how his agency had been concerned about the annual increase in the level of the original fee negotiated with the local authority. The respondent reported that for the first three year agreement they had negotiated he had been frustrated with the local authority and concerned that they had adopted an overly adversarial approach. However, the voluntary agency had, over the past year or so, developed in confidence to the point where it was prepared to go to arbitration for breach of contract when the statutory authority failed to provide the inflationary fee increase agreed in the original three-year contract. The respondent reported that the mere threat of this had been sufficient for the extra money to be forthcoming. This organisation was clear that it aimed to provide

high-quality services and that it was prepared to pull out of service agreement negotiations if the funding was insufficient to allow adequate training and support costs. In the words of this respondent:

It was in black and white [the level of fee increase] and when they [local authority social services departments] did try and press things we made it quite clear to them that if they did try and go down that road then we would make it difficult for them. We have a strong financial base here and its getting stronger and they [the social services department] understand that we are a leading provider in this area (WM5).

There were also examples where, on matters of principle, voluntary agency respondents were prepared to take a stand. For example, the respondent from SE16 recalled how she had had a long-running difference of opinion with the local authority about the monitoring requirements of the service agreement. After a series of relatively straightforward discussions with the purchasing officer about the service objectives, a draft agreement had been forwarded to the voluntary agency. However, the respondent had expressed several concerns about the confidentiality of the service-user details and the way in which the local authority wanted to be able to access certain types of information:

They [the local authority social services department] wanted to have the option of accessing certain confidential information [about users] and we said categorically no – this is not going to happen and if we forfeit the funding then so be it [...] We were fed up with the whole affair [...] It [the problem with the contract] didn't start to get resolved until I threatened to withdraw the service altogether and go to the X [name of the local newspaper] and tell them all about it [...] all of a sudden they began to take us a bit more seriously (SE16).

This agency placed a high value on client confidentiality and were not prepared to concede any ground on this issue; the clause in the draft contract was eventually removed and the agreement was signed. Other respondents offered similar reflections on the difficulties in negotiating with the local authority. One reported how a particular purchasing officer at the social services department had attempted to use her power to reduce the fee for the service agreement. This voluntary agency respondent reported there had been a complete absence of negotiation in the early stages and, after consultation with the management committee, he himself had been prepared to withdraw from the negotiations altogether:

The planning officer [at the local authority] tried to play silly games in the beginning. She had read a few agreements and thought she could bulldoze stuff through. But she realised quickly that if they tried to do that they would have problems with us. We would refuse to sign the contract

and they would have no one else to provide the day care at that point (NE20).

A further element in the problematic nature of contract negotiation was thought to be the ability of purchasers to negotiate effectively. Several of the voluntary agency respondents thought there was a lack of skill, expertise and understanding of the contracting process by officers in the purchasing authority. Many made the point that local authority social services departments did not seem well prepared for the contracting of services to the voluntary sector. Several reported that local authority purchasers were still working out the new tasks they had to carry out, such as drawing up contractual agreements, monitoring the tendering process, and monitoring performance. One of the respondents recalled 'I can see that they [local authority social services departments] were struggling themselves with the whole process [...] *they don't yet know how to deal with this information*' (SM10, my emphasis).

As noted, several respondents suggested that their specialist expertise had enabled them to win concessions from local authorities. For example, one officer from a national mental health charity in the NE locality described how her agency had been able to win a block contract and payment for voids up to a certain level despite the fact that this purchasing authority did not generally offer block contractual agreements for the kind of service under negotiation. The voluntary agency respondent reported that the authority in question wanted this particular provider to deliver the services and, in order to ensure this, they had had to make a number of concessions.

Several respondents made reference to the fact that they were able, at the time of contract renewal, to negotiate additional resources. For instance, one respondent reported that, historically, the voluntary agency had not fully appreciated the true value of the services it had been providing to the local authority. This respondent, who was new to her post, reported that the fee her predecessor had negotiated with the local authority for the first service agreement had drastically undervalued the cost of providing counselling and support services to bereaved people in the community. However, the agreement had just come up for renewal for a further three years and she had decided to adopt a firmer line on the issue of fees:

I know that the first [voluntary agency] manager, before I arrived, had no commercial knowledge at all. My background was out there in the real world [business sector] [...] and the staff here was so deferential to Social Services and Health it was unreal. My attitude was that they [social services department] were getting work very cheaply. Many of our staff have been professionally trained [in bereavement counselling] at some cost to the agency. So we said that we are one of the best and

most professional support services that there is and I said that we needed to have that recognised. I wasn't afraid to state that we were such (SM12).

There was other evidence to indicate that the larger voluntary agencies might be driving a harder bargain and agreeing to statutory sector priorities only if they coincided with their own. For example, several respondents made the point that voluntary providers should not subsidise local authority contractual agreements. The respondent from SM10 gave an example of how, in the previous three-year service agreement with the local authority, they had finished up subsidising work with an amount of voluntary income. However, they were now being cautious about subsidising activities that were considered to be statutory. He reported that if the contract stated that the services are provided under the National Health Service and Community Care Act 1990, then they would not sign if this required them to subsidise the contract with their charitable income or volunteer resources. It should be noted, however, that at the time of the study, the organisation was still being asked to sign a contract with the local authority purchaser where they were offered two-thirds of the cost of the service and the charity was expected to contribute the other third.³⁹

Several voluntary agency respondents reported that they might, in future, resist the temptation of contractual income because there was a danger that local authority service-provision priorities were directing the focus of voluntary agencies. One of the respondents, for instance, described how it was time for the organisation to 'stand back' from the needs of local authorities and to reassess the agency's own aims and needs:

Staff and Board members of X [name of voluntary agency] recognise the importance of taking time to think about the future. Of course, its not possible to know for certain where the organisation will be in three years time. We have to remain flexible, so that we can adapt to changing conditions and take new opportunities as they arrive. However, we should make sure that we have our own priorities to follow and that we are not just reacting to every changing wind and the direction offered by [statutory funders] (NE20).

Her comments provide a good example of how some voluntary agencies (in this case, well-funded from non-statutory sources of income) have the confidence to pursue their own mission. There are clear indications, therefore, that voluntary agencies recognised the potential power they hold in contract negotiations. For several respondents, it appeared that this power derives from the specialist nature of their service provision and the fact that there is a limited availability of other potential providers in the locality.

For others, an essential element is the knowledge that they are not totally dependent on local authority funding; they are able to obtain non-statutory sources of funding.

As other commentators have suggested, the outcome of negotiating contractual agreements and service level agreements with local authorities might depend on the importance of the issue to the contesting parties and their relative power and dependency; for instance, a large well-established agency is usually able to obtain a more flexible contract or service level agreement than are smaller organisations (see, for example, Kramer and Grossman, 1987) Indeed, smaller organisations, particularly if they have few other funds, might find that their ability to negotiate is diminished and that they therefore rely more heavily on the goodwill of the local authority with the subsequent risk that their independence might be eroded. (Voluntary sector autonomy is discussed in more detail in the following chapter).

8.1.4 Having Access to Specialist Opinion

Some writers on social care contracting have indicated that the process of contract negotiation is better facilitated if voluntary sector organisations can consult with those who have specialist knowledge about such agreements (Rekart, 1997; Gutch, 1992; Bernstein, 1991). Many voluntary agencies, especially the smaller ones, might be inexperienced in securing funding agreements and might find themselves confronted with unfamiliar jargon, bureaucratic procedures and financial commitments. This subsection concentrates on the formal links voluntary agencies have with outside bodies and other contacts, and whether or not, and in what ways, these contacts were able to assist in the contract negotiation process.

Many of the voluntary agencies in the study were, although locally based, affiliated to a large national body. Such umbrella organisations might well have had experience and knowledge of the contracting process. In this study, sixteen of the twenty three voluntary agency respondents reported they had drawn upon either external or internal advice during the contract negotiations. However, it appears from the responses that the scale and scope of this involvement varied considerably, ranging from limited advice to substantial involvement in the contract negotiation. For instance, several respondents reported that the national bodies required local voluntary groups to adopt formal processes in dealing with purchasing authorities. Some had produced a set of written guidelines and procedures which the local agency was expected to follow when negotiating service agreements with statutory purchasers. However, for several of the larger voluntary agencies, supported by national organisations, there appeared to be a more hands-on approach with national 'development officers' or 'contract officers'

available to be called upon for assistance. The general indications are that voluntary agency respondents found the involvement of national staff helpful in this respect. In the words of one voluntary respondent:

We involved the contract manager from X [the name of affiliated national agency] so that when any draft was drawn up it was sent to him. We also had a number of meetings with him with the Council about it and, in fairness to the local authority, they did take notice of what he was saying because he was operating at a national level with a lot of local authorities; he had a good overview of what was happening with [the name of national agency] across the country [...] it gives us credibility with them and to be honest I think that they [local authority staff] actually learned a lot from him [name of voluntary agency contract officer] (WM4).

A similar viewpoint was expressed by the respondent from SM10 who said 'They [the national umbrella agency] said to us "don't sign anything until we have had our people look through them" [...] they said that we've had problems in the past with them [statutory sector purchasers] inserting awkward clauses' (SM10). The people in these posts in the national organisations are able to scrutinise contractual agreements and work up proposals, whereas the small agencies would have to find this time out of smaller budgets and fit in this development work from job descriptions. They can give their local agencies the edge in working up proposals for contractual funding, whilst also ensuring that such contractual agreements are in no way detrimental to their interests.

Although most respondents who had access to such support were appreciative of the benefits it could bring, several indicated that it was not always entirely unproblematic. Several of the agencies expressed concern that national bodies had an overly robust approach to contract negotiations. Comments made by one respondent, for example, indicated his belief that affiliated national agencies were encouraging local agencies to adopt an 'inappropriately aggressive approach' to contract negotiations with local authorities. In the words of another respondent:

At the time I've got to say that I think they were being a bit strong headed about it at [name of the national voluntary agency] and I was effectively negotiating on behalf of the social services department to get to a position where I felt they [the name of the national voluntary agency] would accept the contract – which they eventually did [...] They have the people with the [legal-accountancy] experience there but it can come across a bit aggressive. I had to use my understanding of what social services departments wanted and what our national agency would stand and attempted to get somewhere in the middle ground (NE22).

Voluntary agency respondents reported that another possible source of support for them in contract negotiations could come from the members of the voluntary management committees, boards of trustees or boards of directors– all of which exist to oversee the strategic management of an organisation. Several respondents regarded such support as strong and positive whilst a small number of organisations had made little attempt to draw upon this source of support. Respondents were asked about their contacts with their management committees and the type of help, if any, they received from them. Around 50 per cent of the respondents mentioned various forms of assistance or support; in most cases this help was in the form of checking prepared draft contractual agreements. This activity was appreciated:

One of our trustees was, in her working life, responsible for the whole of nursing services in [WM locality] and was familiar with the idea of contractual agreements. She was thorough in her interrogation of the draft document (SM12).

I certainly wasn't on my own – we've [the agency] got a barrister [on the committee] who went through and examined it for us [the draft agreement] he made sure that it was fair and that we weren't getting into something that would cause us problems further down the line– we also have an accountant and an architect who are all used to this kind of [legal] document [...] they were all really helpful (SE15).

However, it was also evident from the data that a small number of agencies had been more isolated in this respect. In particular, several smaller, community-based, organisations had been unable to secure such support either at a national level or from within the organisation itself. There were a few examples where voluntary agency respondents had contacted the voluntary umbrella organisations in the locality. Also mentioned here was the value of the contacts which exist between voluntary agency respondents in the locality:

I had to go down and see Linda at X [the name of a large local voluntary agency] and I said to her look I'm utterly dumbfounded by this thing [the draft agreement] [...] I said that I've got nothing to go on [...] it was unlike any document we had in the building. She kindly took the time and went through it [the document] with me and explained the process she had gone through with them [local authority social services departments]. They helped me a great deal (SE19).

In summary, it is inevitable that there is a range of differing experiences of negotiating contractual agreements and service level agreements; there are differences between the types of services being provided and the size of the voluntary associations involved. There are differences in organisations, previous experiences of negotiating funding, in their ability to draw upon experienced negotiators, and in the nature of the

relationship they have with the funding body. However, several factors emerge from this consideration of the process of contract negotiation. In many cases, the contracting process appears to have been consensual and without incident. The fostering of good relations with local authority purchasers was believed to be vital to the process. There is evidence from the data that purchasers had themselves shown flexibility and discretion. However, various problems had been encountered over the content and expectations of agreements, specifically concerning management fees, monitoring issues and the level of fee for service. Finally, it appears that consultation, in the form of contact and support from a range of individuals or support organisations, is an important issue for most of the voluntary agencies involved in the study.

8.2 Monitoring Contractual Agreements

This section moves on to look at the monitoring of social care contractual agreements. As noted in the literature review, once a contract or service agreement has been negotiated, agreed, and is in place, local authority purchasers are obliged - under the community care reforms - to adopt measures to hold providers of services to account. The 1989 White Paper, *Caring for People*, made it clear that securing and safeguarding the necessary quality of services should be a central objective for all agencies involved in the delivery of community care. People in need of community care are vulnerable and their interests should be protected. Monitoring contractual agreements and purchasing arrangements that local authorities make is a necessary part of achieving good quality services. It can encourage a greater sense of accountability for public money because contractual agreements require that the input of resources be measured with reference to clear outcomes that benefit the public (H.M.S.O, 1989)

As De Hoog (1984, p. 244) remarked, social welfare contract monitoring requires 'relevant, accurate and complete information, [...] to judge costs, performance and effectiveness'. However, it was also suggested in Chapter 4 that quality of performance of contracted providers is very difficult to assess in the personal social services, especially in the case of new needs or innovative approaches which are the hallmark of many voluntary sector providers. It was observed that one feature of the American experience was the failure by the United States government to monitor contracts and services thoroughly.

In light of the emphasis placed on the issue of monitoring by central government, respondents from the sample twenty three welfare voluntary agencies in the present study were asked to reflect on their experience of contract monitoring. Two main

themes emerged from the data: (1) the differences in approaches to monitoring services; (2) the appropriateness of different monitoring methodologies.

8.2.1 A Robust Versus an Informal Approach

Prior to the 1990 community care reforms, the traditional grant system of local authority funding to the voluntary sector was based substantially on trust and mutual obligation (see Chapter 4). Voluntary organisations which presented clear and credible plans were generally left by the funding authority to get on with the job. These traditional grant-aid arrangements were not always closely monitored by local authorities, many drew up only loose specifications for what each voluntary agency was supposed to be doing with the money received.

Voluntary agency respondents in the present study criticised this lax and minimal approach. One of them commented that voluntary agencies funded under grant-aid were supposed to have a monitoring officer to oversee the way the money was spent. However, in practice, this system had fallen largely into disuse, partly because the monitoring role was added to job descriptions of voluntary officers and was not considered a priority, and partly because, in the course of the recent reorganisations in the department, other issues had taken precedence. This was underpinned by a perception that the comments generated by this monitoring were often so general as to be of little value.

Figure 8.2 Examples of Measures Used by the Sample Local Authorities in Service Agreement Monitoring

Monthly

- numbers on waiting list or vacancies
- number of days when the service was not provided, with reasons: staff illness, annual leave, vacancies, etc.

Quarterly

- numbers and sources of referrals
- number of inappropriate referrals
- number of ongoing users
- number of new users
- ethnic breakdown
- breakdown of type of service provided
- number discontinuing service, with reasons

Annually

- details of staff turnover
- number of active volunteers at end of year
- results of any complaints
- details of any consumer surveys or other form of consultation
- details of improvements made as a result of the monitoring and evaluation of services.

However, the National Health Service and Community Care Act 1990 required local authority social services departments to set specifications more clearly and to monitor expenditures more effectively. There was consensus among the voluntary and statutory sector respondents that the monitoring of provision was important for ensuring the quality of services and the accountability of public funds. In the case study local authorities, most purchasing officers were reasonably confident that they were buying good quality care services. One respondent considered that their authority's documentation had ensured all providers operated to the same high standard, while others mentioned their commissioning officer's experience or contracting officer's relationship with providers as being the key to quality provision.

An analysis of the interview data shows that monitoring brought other benefits for voluntary organisations. The implementation in 1993 of the National Health Service and Community Care Act 1990, with its emphasis on monitoring and accountability, has brought about new practices and procedures. Many of the respondents in this study spoke of the way in which the Act, and especially the emphasis on monitoring services more closely, had made their organisation more professional. Some sample responses were:

I think its made us more organised in a way that we are monitoring what we're doing [...] the statistics make us look at that and monitor it in a different way, which is good.

When we applied for a grant from the Lottery [...] it turned out that it had been very useful to have all this [monitoring] data because we could turn round and say this is what we've being doing. So for our own benefit its been useful.

In some ways its helpful to have some kind of boundary in relation to knowing what we are expected to do. It's good having numbers down so that we can know what we have or haven't achieved. Sometimes I think that we underestimate what we actually do here but this shows, its evidence if you like, that we do all this work.

However, in looking at the issue of contract monitoring from the perspective of the voluntary sector, the impression gained was that while such monitoring was recognised to be vital for ensuring quality, it could also be very problematic. Local authority purchasers required different forms of data, including monitoring reports, concentrating on issues like the numbers of users of different services, demographic information and so on (see Figure 8.2). Other voluntary sector respondents raised various concerns about the implications that monitoring procedures might have on the administrative tasks and information systems of the organisations. One respondent gave this representative view:

It [the monitoring] is becoming a bit of a burden to us [...] we said to them [the local authority social services department] that we just don't have the infrastructure to cope, we don't have the ability to collect that information. I don't expect my team to be put in a position where they spend all their time filling in forms [...] what I want to see is the job of doing work for the family, not satisfying the whims of social services (SE16).

There appeared to be a perception held by a small but significant minority of voluntary agency managers that the monitoring requirements of the contractual agreements were simply a 'bureaucratic exercise', something to be tolerated. Indeed, there was a view that, as long as the right information was provided and the forms completed and submitted on time, the local authority were satisfied. This cynicism was expressed by several respondents:

We collect more data now and I have far more paper work than I ever did but some of the information they ask for, I would say yes there is a real value and it is of real use for us. But on the other hand there are things I feel we are doing which I feel are excessive [...] I'm sure they [local authority social services departments] feel they are necessary but it sometimes seems to be an exercise [...] filling in the right boxes (SE14).

I know that it [monitoring information] is needed and that we have to justify our receipt of funding but I just hope that it doesn't interfere with our work too much. And I hope that if they are not satisfied then we will be informed and given a chance to rectify any issues. But also I hope that when they do send out the monitoring forms that they explain to us the purpose that they are being put to. In the past that has not happened and I think we would feel more security if we knew to what purpose they were being put (SM11).

Another theme to emerge was the belief that the effect of monitoring can be disproportionate for those smaller voluntary groups with a limited administrative infrastructure. For example, one respondent reported that such demands were particularly problematic because his agency was small and had not had the experience of collecting and collating the data required under the agreement. This respondent summed up his experiences as follows:

Its collating all the information as well as breaking it down for them in the way they [the local authority] can cope with. Before this [the contractual agreement] we didn't have the systems in place so in June this year we had to set them up before the contract and we were told originally that we'd have to do a six-monthly review of the service but when it came in the contract it was every three months. And we said that we thought this was too much for a small agency like this (SE17).

An analysis of the interview data also suggests that a small number of voluntary agency respondents were concerned about the implications that monitoring would have on the autonomy of their agencies. One respondent spoke about how the local authority had been pressing for the inclusion of a clause in this agency's contract that would increase the scope and scale of monitoring by the voluntary agency. However, the organisation had been resisting this because of its resource implications. As the respondent expressed it:

We have difficulties in a prescriptive work programme. While we have certain criteria for the work of our welfare visits (e.g. individual catchment areas, contact requirements, etc). they have the responsibility for some 100 families who, with their varying and occasional seasonal problems, make for a continuing and demanding programme of work [...] Much of it [the monitoring] comes from those families for whom this service is provided with additional comment coming from the professional teams with which our own team has constant contact. Much of the content of this section of the contract indicates control moving out of the hands of the Society and I know that the Committee, who after all are responsible for the activities of the Society, will not go along with this (WM1).

Local authority purchasers demand a wide range of information. While the majority of this is recognised to be essential by voluntary sector respondents, concerns were

expressed about the relevance of certain types of data requested under the monitoring requirements. For example, of specific concern to one respondent was the request for information regarding the ethnic origin of service users:

One of our problems when it comes to it [monitoring] would be for example on our [telephone service]. For our information services we are required in the contract to give numbers of calls from service users and carers and it later asks us to break down those into numbers of people from ethnic minorities. Now we have maintained with them [the local authority social services department] all along, and shall continue to maintain, that we need to be sensible about it. When it comes to monitoring there is no way we are going to take a telephone call from a disabled person and say, "Before we answer your question as to where you go for a wheelchair, what are you? Are you white? What is your ethnic identity, Indian, Chinese, etc.?" We will not do it – it is simply irrelevant to the services we are providing (WM5).

A further issue raised related to the often competing demands as to the type of information required by different statutory sector purchasers. Several respondents mentioned that they had contractual agreements with more than one statutory sector purchaser and that they were asked to supply different types of information in different formats to each. For example, one respondent of a large voluntary agency providing services to people with a learning disability expressed his concern about the duplication of effort that was required to provide information to these statutory sector purchasers:

Our problem is at the same time as this one [contract with the social services department] we have agreements elsewhere in the county and they all want different information [the Housing Corporation and the Health Authority] and some of the information they want is the same but often its different, with different forms and methods (NE23).

Cambridge and Brown (1997) suggest that over-prescriptive contracting can create contingencies, which encourage service providers to become secretive about any difficulties they might encounter in operating on a day-to-day basis. However, from an analysis of the interviews undertaken as part of this study, it appeared that although a small number of voluntary agency respondents spoke of a sense of purchasers adopting an overly robust approach to contract monitoring, the general impression gained was that, in the majority of cases, there was no systematic approach to the monitoring of services. Participants gave the impression that, once the contract was underway, the experience of contract monitoring proved to differ from that outlined in the service agreements. One account of this issue is worth quoting in full:

We had performance indicators, for example about our [setting up of an information] database; we were told that a standard be set of 5 per cent of records to be verified – in other words to make sure the records are up-to-date. But he [contract officer] has no technical knowledge about how to prove that himself – which is fine, that's not his job, but he does nothing to ensure that's the case; he just says, "Is this right?" Takes my word for it. [...] It says here [in the contract] that a formal review will take place every six months – we had to prompt them and say, "Do you want the report?" The local authority for each review will prepare a report – we never saw one in three years. An annual review will take place in December – he cancelled it [...] We send them data on users surveys and these are done on a monthly basis and he has a copy but not once have we had comments from them (SE18).

A similar viewpoint was expressed by the respondent from SE19 when he explained that despite the time spent in discussion over the detail of the monitoring requirements with the local authority during the contract negotiation stage, the purchasers had not subsequently been proactive in securing the required data. She reported:

In practice what happens is that the social services departments have a place on our committee to attend the quarterly meetings. And I keep in touch with [name of Director of Social Services] but on an informal basis [...] I don't put in a formal report but I do meet with him and we go through various things (SE19).

This lack of rigour by local authorities in securing the monitoring data can cause frustrations for voluntary providers who have made the effort to give attention to the contractual requirement for monitoring information. Speaking of his experience, one respondent reported:

There are various points during the life of the contract when they [local authority social services departments] should be reviewing our performance [...] they should be coming to us to arrange meetings to discuss our concerns and any concerns they might have about what we are doing. I'm meticulous about making sure that we follow all the break points listed in here [the contract] [...] purely because I know that they don't! I've just written to them and said that under the contract terms we should be having an annual review and why haven't you yet fixed a date with us? They phoned me up the other day and said, "Oh, yes, right we'd forgotten all about that [...] yes we will have an annual review" (SE19).

Bemrose and Mackeith (1996), in their study of the voluntary-statutory sector contractual interface, found that it is difficult for local authorities to verify the monitoring information that voluntary organisations provide and that there is little to stop voluntary providers from supplying fabricated information. There was evidence in the present study of respondents estimating responses to certain requests, although this was confined to only two of the voluntary organisations in the study. One of them said that:

'I'm not saying that we will be writing blatant lies but it will make us think about what information we put in and what we leave out.' (WM7). The other remarked that:

On occasion I must say that we have sometimes just put down estimates, an approximate figure rather than the actual one. While other organisations have spent lots of time and money trying to get the exact information I have not – we are much more interested in getting on with the job and no-one's once objected (WM1).

There might also be some complicity here by the statutory sector themselves. For example, Leat (1988) in her study of monitoring found that local authorities reported that it was not time-efficient to make voluntary agencies more accountable in an overly aggressive manner. Leat (1988) notes further that one difficulty in developing effective monitoring is the recognition that the market for certain social care services in some localities is immature, with little spare capacity. In previous chapters it was noted that for monitoring to be effective there need to be sanctions but this is difficult where there is a heavy demand for services and a shortage of providers. The four local authorities in this study did indicate that in certain localities, especially rural ones, the supply of certain services was variable and immature.

8.2.2 A Measurement of Quantity or Quality?

This sub-section looks at the issue of how service delivery is measured under monitoring procedures. As observed in the literature review, a particular difficulty with effective monitoring of social care services is the problem of finding appropriate measures of satisfaction. Bemrose and Mackeith's (1996) study of the local authority-voluntary sector contractual interface found that a number of services or the expertise required are, by their nature, difficult to evaluate; it is hard to measure the effect on the client (e.g. counselling services) or even to specify the number of people using the service (e.g. drugs prevention outreach workers).

In the United States, experience of contracting shows that there is a tendency for social care contractual agreements to emphasise financial and procedural accountability over the more qualitative dimension of the services, with a resulting displacement of emphasis from those outcomes that are most important to the user and to the social services purchasers (Krashinsky, 1984). Kendall and Knapp (1996), in their study of contracting in Britain, have shown how local authorities tend to evaluate the most quantifiable aspects of service provision and thus adopt systems of monitoring that are demanded by input or process indicators rather than quality outcome measures. The Practice Guidance (H.M.S.O, 1991, para 5. 6. 5) on purchasing recognised this danger itself when it commented that 'Information systems must be capable of handling

information on quality if it is to become a routine part of the management process. Most performance indicators related to quantity and cost, thus providing skewed views of services if taken on their own.'

In this study, all of the local authorities made statements about the need for service agreements to recognise the qualitative aspect of monitoring procedures. For example, the SE local authority had produced a set of 'Voluntary Sector Funding Guidelines' to spell out a number of the main principles that the purchaser should try to observe when entering negotiations with a provider organisation from the non-statutory sector – private or voluntary. A part of the document focuses on the differences between 'outputs' and 'outcomes':

The monitoring process should attempt to determine what standards or quality was achieved. This might be through formal quality assurance schemes, the following of codes of practice relevant to the particular activity, standards set by statutory or voluntary regulatory bodies or some other agreed yardstick. There can be issues to do with quality that can be subjective – these should be discussed with the voluntary organisation. Questionnaires and customer surveys can, in some instances, provide a valuable means of monitoring service provision by asking end-users what they think of a particular service (WM local authority).

Some of the care services provided by the sample voluntary agencies are of an extremely sensitive nature. One example would be a personal service such as home care, where workers are coming into users' homes and providing personal and intimate care; users might feel it is essential that workers treat them with respect, touch them gently, use appliances with care, or carry out personal tasks in the way that they, as clients, particularly want. Such services are particularly difficult to quantify and measure, if only quantitative measures are applied.

A respondent from one of the voluntary sector providers suggested that the emphasis within monitoring activity was misplaced with too great an emphasis being put on the actual purchasing detail. This respondent went on to say that the local authority was mainly concerned about showing value for money, 'What they [the local authority] are most interested in is the occupancy levels' (WM5). The respondent of SE14 also reflected on this issue:

Why do they need this information? This doesn't give them information about the quality of the service. OK, you might be visiting 100 people but you can't establish from this [monitoring report] that its a good scheme just by getting 'numbers'. What should be of more value is to ask our users if they are happy with the service. Are they satisfied? And

if that's the best way to monitor quality well then perhaps we aren't the best people to be asking those questions (WM5).

The statistical information provided to local authorities was often inadequate to encompass the services rendered, as was highlighted by one of the voluntary agency respondents. This organisation provided services to people with learning difficulties and those who worked there valued the quality time they spent with service users. Most of this contact was 'not measurable' and did not fit into the information requested by the social services department. The following quotations reflect a number of the views expressed:

Its largely about figures and numbers, statistics and percentages – but you can't always measure how successful you are in this way. For example, the time I've spent with families, I've gone to the dentist with a parent or I'll go to the hospital with a parent [...] I help them fill in forms for housing or income support or whatever. All this sort of thing, which is never recorded, we never put this down in figures because you can't, its the invisible part of what we do (SE14).

Adherence to fine detail will add nothing to the quality of that service which the team has delivered very satisfactorily for over 20 years. Their priority, as is the Society's, is the welfare of families and their handicapped children and they do not wish them to be deflected from this by unnecessary paperwork and control by people well away from the front line (NE21).

Summing up the general issues to emerge from the discussion, it is possible to conclude that, despite the importance placed on monitoring by the National Health Service and Community Care Act 1990, there is evidence to indicate that contract monitoring is one of the most neglected elements of the contracting system. Several other studies have revealed that little or no monitoring is done once a contract is implemented – especially if it is with a known provider. For example, Flynn and Common (1990) found that the close relationship that exists between individuals in the local authority and voluntary agencies, while facilitating the contracting process, might also 'jeopardise the strict definitions of standards and impartial monitoring evaluations'.

A more recent study confirmed that many local authorities had difficulties with monitoring and evaluation (Bemrose and Mackeith, 1996). The authors indicate that many local authorities have not yet developed the skills to monitor the quality and value-for-money of the services which they have contracted out to voluntary and community organisations. First, local authorities do not always know what data to collect or how to interpret it. Second, frequent restructuring, heavy workloads and a

focus on statistical monitoring have meant that the personal relationship and informal contact that form a vital part of the monitoring system are breaking down.

8.3 Summary

This chapter has explored findings from the study in relation to the experiences and perceptions of voluntary agency respondents of the contracting process itself. It has pointed to the impacts of the recent trend by local authorities to develop contractual relationships for social service provision with organisations in the voluntary sector. The reflections of voluntary agency respondents detailed in this chapter are by no means representative of all voluntary agency associations; each agency will have its own experiences both in contracting and organisational terms, dependent on their focus, funding structure, expertise and prior experience. There are great variations in social care contractual agreements, service level agreements and local authority funders and it is not possible to generalise from such a diversity of experience. However, these individual accounts shed light on a number of themes and issues related to the contracting process, such as terminology, negotiations and consultations.

The data on contract negotiation discussed in this chapter indicates that, while there are many reports of successful outcomes with purchasers, a range of problems has also been encountered. It is suggested that a vital element in successful negotiation is the support and advice that respondents receive from colleagues and national affiliated bodies. The data on contract monitoring indicates that, while the principle of such monitoring is not disputed, there are wide variations in the experience of its application, ranging from an overly robust approach by the purchaser to a reluctance to collect the required information or requests for inappropriate/unrepresentative data. Local authorities sometimes appear to be keener to secure 'hard' quantitative measures of accountability, monitoring agencies focus on inputs or process, than that relating to qualitative aspects of the service provided.

It appears that while the contracting process in general is seen to have brought many benefits, there is a feeling that considerably more could be done by local authorities to make the system run more smoothly. It appears that where purchasing arrangements have evolved to genuine partnership, voluntary sector agencies express a sense of mutual ownership of the contracting process and feel that they retain a sense of independence. Conversely, in instances where such a sense of partnership and mutual participation is lacking, the shift to new funding arrangements is perceived as more of a

threat to good working relationships and to the autonomy of decision-making within the voluntary sector.

Chapter 9

Voluntary Agency Goals and Value Base

Chapter Themes

Cost-Effective Provision

Distinctive Features of Voluntary Providers

Organisational Autonomy

9.0 Overview

The previous two chapters have reported findings from this research, focusing on two important aspects of social care contracting, i.e. the changing nature of the voluntary-statutory sector interface; and aspects of the contracting process (negotiation and monitoring). This chapter continues the analysis of the research findings and explores the ways in which the tightening up of funding agreements has affected voluntary agency goals and their value base. These empirical findings are intended to develop some of the ideas explored in the literature (Chapters 2, 3 and 4) and to bring about a better understanding of the voluntary sector and its role in the social care market. This analysis shows that although voluntary welfare providers make great contributions to the social care market, this might be impeded by the implementation of contractual funding. The analysis is divided into three key headings: (1) the cost-effective nature of voluntary agency provision; (2) other distinctive voluntary agency features; (3) voluntary agency mission and autonomy.

9.1 Cost-Effectiveness of Voluntary Agency Provision

The claimed advantage of the social care market is that competition and choice lead to the provision of the highest quality services at the lowest possible price. The White Paper, *Caring for People*, (H.M.S.O, 1989) which preceded the National Health Service and Community Care Act 1990 envisaged a flourishing non-statutory sector existing alongside public sector provision and local authorities were expected to make use, whenever possible, of services from voluntary, 'not for profit and private providers insofar as this represents a cost effective care choice' (H.M.S.O, 1989). It was suggested that potential cost-savings would be derived mainly from providers competing for service-provision contractual agreements from purchasers. This would

bring about improvements in relation to value for money, cost effectiveness and response.

The majority of voluntary agency respondents in this study reported that they were aware of the financial context in which service-provision contractual agreements were being introduced for social care services. There was a recognition that local authorities (the chief purchasers of services from the voluntary sector) were working to promote efficiency and to promote cost-effective service provision despite operating within severe cash restraints which entailed obvious pressures upon expenditure. In the light of this, and the fact that local authorities were focusing their increasingly scarce resources more effectively towards those most in need, a small minority of the respondents suspected that their ability to offer low cost or cheaper services than other providers was one of the major attractions they had for the statutory sector purchasing agencies. Their comments illustrate the view that voluntary agencies in an increasingly price-competitive commissioning environment are expected to offer cheaper services:

The money from them [government] will always be limited [for social care provision] and the voluntary sector is always going to be a cheaper option[...] I think that we're wonderful value for money [laughs] (WM7).

We provide a good quality service that, when you compare it to the rates of them [the local authority], is extremely competitive (SM8).

To be honest, we save them time and money. Social Services and Health are especially stretched and I think that we're getting this work because we are cheaper and they can off-load responsibility onto us (SM12).

It [cost-effectiveness] must be one of the big attractions we have for them [social services][...] why bother to go outside if we're not cheaper? (NE21).

In response to questions about why voluntary agencies were able to provide contracted services in a more cost-effective way, voluntary agency respondents provided several potential rationales: (1) volunteer labour; (2) lower organisational overheads; (3) subsidisation.

Volunteer Labour

A small number of the voluntary agency respondents reported that they might be able to offer a cost advantage because, unlike government departments or private sector agencies, they are able to attract volunteer (unpaid) labour. For example, the respondent of a large voluntary agency that provided a range of care services for older people and which had a large number of volunteers working in the agency reported that

it was this ability to 'draw upon the skills and time of volunteers' that meant they were able to provide mainstream services that were cheaper than those provided by the non-statutory sector (SE16). The respondents from WM2 claimed that 'comparatively speaking I think that we are less expensive [than local authority provision] and this reflects much on the fact that we are capable of encouraging volunteers to help with the organisation aims'. This view was supported by the respondent from the SM18 agency who remarked that 'Its quite clear to us and them [the local authority] that volunteers bring the overall cost down of providing a service [and] indirectly that's a big boost for the authority.'

Although these respondents believed that volunteer labour was vital to the agency's overall cost-effectiveness, few of them were able to offer any detail as to the actual amounts of money this was thought to have saved the local authority. One voluntary agency respondent, whose organisation was providing a wide range of care and support services for older people, had attempted to calculate this financial value. Using a fairly crude methodology of costing volunteer labour at £4.00 per hour, it was estimated that:

The contribution made by volunteers is of crucial importance to the management of the organisation and to all areas of service delivery. Well over 500 volunteers give services that have been valued at approximately £700,000 in a full year, and so provide resources that are roughly equivalent to that provided by our paid staff (WM3 Annual Report).

However, several respondents claimed that although there were clear financial advantages in using volunteers, there were additional and hidden costs to the organisation. Bearing in mind that many of the agencies studied were providing specialist services, observations were made that staff and volunteers required costly training. The respondent from WM3 again '[...] they [volunteers] shouldn't be seen to be free [...] they have to be recruited, vetted, trained and effectively managed– and that takes us some considerable time and money' (WM3).

Organisational Overheads

A second theme that respondents associated with voluntary agency cost-effectiveness related to their lower organisational overheads. Several respondents commented that professionals and other workers in the voluntary sector are paid less than their counterparts in the statutory sectors. For example, one of the respondents recalled '[...] a big issue must be the staff pay [...] they [staff] should be paid much more in terms of

the hours that they work and the responsibilities that they are asked to take on [...] they [staff] are paid peanuts really' (SE17).

Other responses included references to lower employee benefits, the use of part-time labour and lower national insurance contributions. Reference was also made to less liberal holiday entitlement and less generous pension provision compared with their equivalents in other sectors. One respondent elaborated that 'Much of it [cost-effectiveness] must come from us [the agency] not offering the full package [for employees] [...] others will be running a pension scheme [...] overall there's absolutely no wastage here' (SM11). This view was supported by the manager from WM3 who commented 'Most of our people work part-time and that brings our overall staffing costs down' (WM3).

This recognition of the need to provide services at a competitive price was not exclusive to voluntary agency respondents. Individually, respondents in the four local authority social services departments also articulated a view that voluntary sector value-for-money could be achieved. For example, it was observed that service-delivering voluntary agencies had 'potential access to extra sources of funding' that were not available to other non-statutory agencies (WM local authority). Further, the SM local authority reported that:

Throughout its work, the group was clear about the importance of ensuring value for money [...] The County Council and the voluntary sector have been working together for many years in [SM locality]. Voluntary organisations make a valuable contribution to the quality of life, by unlocking additional support from other sources like Charitable Trusts and Central Government funds that are mainly reserved for the [voluntary] sector (SM local authority).

Subsidising Contracts

The third main theme identified from the data relates to the way in which voluntary agencies are subsidising the services they provide under contract. This subsidy can assume a variety of forms. For example, several respondents believed that voluntarily-given time and effort was implicitly subsidising the costs of a contracted service. Several reflected on how volunteer labour had not originally been recognised and accounted for in the formal agreements they had negotiated with local authority purchasers. Many made similar comments to these by voluntary agency respondents:

There is an assumption, I suppose, that because we are running a voluntary agency that we'll do some of it [administrative/paper work] at home or at the weekend or something [...] and this is not particularly helpful really. But I think that we should now be trying to reflect it [the

true cost of the service] in the next one [contract] and that should include all staff time as well (WM5).

I think that we got all enthusiastic about it [the service agreement] to begin with and put in too low a price[...] and then you also finish up indirectly subsidising the service anyway because the management of the Day Centre was done by the voluntary committee and we got no fee for that at all (SM10).

Much of what we do isn't fully costed out [...] we put a lot of effort in [to the service] that we aren't paid for in the contract (NE21).

A related issue here was the time required to establish the true cost of a service contract. Several respondents believed that the true cost of a service provided under contract only became apparent after the agreement had been established for some time. There were several examples of this unanticipated requirement to subsidise agreements. One respondent, in describing the contract they had with the local authority, commented how they had been subsidising the agreement by several thousand pounds a year for the past two years. They had made recent attempts to recoup an element of their own expenditure:

The Management [of the voluntary agency] continued to argue for proper remuneration of services delivered as the shortfall between monies received and expenditure continued to eat up a substantial amount of our voluntary income. It was with great satisfaction that we report the [social services department] agreement to increase the contract value by £11,000 on an annual basis (WM6, Annual Report).

The evidence from the present study relating to the failure by local authorities to fund the full costs of contracted voluntary services accords with the findings from other studies (Bemrose and Mackeith, 1996). A study by the National Council for Voluntary Organisations (1994) drew attention to the large number of local authorities in England who acknowledge that an important characteristic of the voluntary sector as contractor is its 'capacity to cross-subsidise its provision with donation or other income'.

In addition, it has been shown by several studies that voluntary agencies have made budgetary mistakes when calculating the costs of services, with consequential impacts upon their services (Kramer, 1984; Sharkansky, 1980; Nicholls, 1997). Although voluntary agencies might not cost less than other comparable services (especially if high standards are maintained), the actual cost to the local authority might be less if they encourage these organisations to subsidise the cost of mainstream services through the use of charitable income and volunteer management. Both the Association of Directors of Social Services (ADSS, 1996) and the umbrella body for the national voluntary sector, the National Council for Voluntary Organisations, have raised this

issue. Their joint policy statement points out that, whether local authorities discharge their statutory responsibilities through direct provision or through mainstream services supplied by the non-statutory sector, the cost of such services should be fully met from publicly-provided funds and should not be subsidised by charitable income. A voluntary agency might decide to draw on its charitable income to provide an additional or better service than the purchaser specifies but where such decisions have been made local authorities should:

Not assume that the voluntary organisations generally will be willing or able regularly to use income to make good perceived inadequacies in public funds or otherwise relieve the public purse [...] though they are non-profit making organisations, voluntary organisations might reasonably expect a 'return' which enables them to generate a surplus (ADSS, 1996, p. 6).

This clear statement that the voluntary sector should not be expected to provide statutory services at a subsidised rate has implications for the view outlined above that the service-delivering voluntary agencies are particularly economical because of their use of charitable funding and volunteer labour. Although larger voluntary agencies providing services might be able to accept lower-than-cost compensation from the contract, smaller agencies with more limited resources face hardship if they continue to subsidise contractual agreements in this way.

It can be seen, therefore, that there might well be specific instances when voluntary organisations are more economic than statutory providers, but the reverse might also be true (Taylor, 1988). Indeed, research has suggested that while small voluntary agencies enjoy a cost advantage, larger voluntary agencies are unlikely to be cheaper and, indeed, are probably more expensive than local authority units of a similar scale (Knapp, 1989). In the present study, however, the absence of any objective evidence of costs makes it impossible to determine whether the service-delivering voluntary agencies concerned were more cost-effective than other potential providers, although this was a perception held by several of the voluntary agency respondents.

Claims for voluntary sector provision of low cost or cheap services are complicated because it is not always easy to identify unit costs for social care services— especially since many voluntary agencies are providing activities which are not easily measured— a problem compounded by the fact that there is only limited national and regional guidance as to how local authorities should identify unit costs for the personal social services (Todd and Ware, 2000). Further, as Bemrose and Mackeith (1996) have suggested, it is difficult to compare costs of services because tenders from statutory

sector providers might not always identify overheads and hidden subsidies, thus disguising their true costs. In general, however, the local authority purchasers reported that the cost of services is not the main criterion in determining their choice of service providers; quality, specialist skills, history of relationship and continuity were also determining factors. A discussion of these aspects follows.

9.2 Distinctive Features in the Social Care Market

As shown in Chapter 3, there is a continuing debate surrounding the range of special features often attributed to organised voluntary agency activity in the field of social care. For instance, reference has been made to the 'flexible' and 'innovative' nature of voluntary agency providers. It is also often suggested that the quality of service given through voluntary agencies is greater than can be obtained through the less flexible bureaucratic structure of local authority social services departments (although such gains remain to be substantiated).

Moreover, it is argued that voluntary activity might have an essential role to play in strengthening community ties and developing social capital (although there is little elaboration on what this actually means). As Deakin (1991) pointed out, the values and benefits that voluntary providers bring to the social care market might help to shape the future of the statutory-voluntary sector partnership. However, at the same time, some authors have shown that there might be a conflict between service-provision contracting, with its implicit and explicit market approach, and the theoretically value-based voluntary sector (Eisenstadt, 1994).

Respondents from the sample twenty three welfare service voluntary agencies in the present study were asked for their views on what they thought were the benefits their agencies brought to the social care markets. A range of responses was elicited, including: (1) the value of volunteers and voluntarism; (2) the view that welfare service voluntary agencies have similar and compatible goals to those of local authority social services departments; (3) flexibility of service provision; (4) acceptability as an agent to service users; (5) wider role in the community. These themes are now explored in greater detail.

The Value of Volunteers

It was noted above that volunteer labour can be seen as offering value-for-money to an organisation. However, the 'value' of volunteers to an organisation was articulated in other forms as well. Among the voluntary agency respondents interviewed, there was

an overwhelming view that the presence of volunteers helped to mark out voluntary agencies from other potential service providers in the social care market. There was a general view that the involvement of local people in voluntary agency activity was an essential means of strengthening community identity and cohesion. One respondent said that 'our volunteers have a local knowledge [...] they're representatives of the wider community' (SE16). Many also claimed that volunteers offered a higher level of compassion and commitment to clients than that of, say, paid workers from the local authority social services department. Volunteers, it was reported, devote much time and effort to the services they provide. One manager commented that 'and by definition they [volunteers] have a greater commitment to the caring cause [...]' (SM9).

Volunteers were seen as well trained and motivated to carry out good services. For example, one respondent reported that the training she arranges for her volunteers was '[...] recognised by the local authority to be of high quality' and that it is also 'much more comprehensive than some commercial agencies' which offer little training (NE22). Many of the voluntary agency respondents interviewed in the present study also claimed that their agencies had, largely because of the presence of volunteers, the ability to offer a high level of quality provision to service users. According to these respondents voluntary agencies can offer a level of service that often went beyond the requirements that are specified in the contractual agreements or traditional grant arrangements. This was summed up by one respondent who reported that 'What we're effectively offering is a Rolls Royce Service to them [the local authority] on a Mini-Metro budget' (SM11). Another respondent commented that 'They [volunteers] offer quality time for people [...] improve the quality of care' (NE23).

To help illustrate this belief further it is possible to point to an account offered by one of the voluntary agency respondents. This respondent recalled a situation where a worker had arrived at the home of the client and found that the person was suffering from severe toothache. Despite her discomfort, the client, who was elderly and frail, was too afraid to leave the house alone. The voluntary agency worker had taken it upon herself to accompany the person to the dentist and waited for her during treatment and had then taken her back home. The incident took longer than the time the worker was officially 'contracted' to provide and such activities were not mentioned in the contract they had with the local authority (WM4). The respondent remarked:

When they [the local authority] contract with us, they know that they are not just going to get what they are paying for. We don't stick to the letter of it [the contract][...] we offer a more caring and committed service than others [private sector providers] could [...] And unlike [the name of a local private organisation offering some care services for older people]

through our contracted services [with the social services department], our clients get the opportunity of being introduced to the whole range of our other services we can offer. And they [the local authority] do not, in fact, fund many of these services, they are funded through our own voluntary income (WM4).

However, the attempts by service-delivering voluntary agencies to offer extra value in service provision might come at a cost. Other research has shown that many voluntary agencies endeavour to offer a higher level of quality but not necessarily a low-priced service. Their extra quality might mean that they put themselves out of reach of what local authorities are willing or able to pay. A study by the Policy Studies Institute noted this tendency and pointed out that voluntary sector organisations might sacrifice the chance of service-provision contractual agreements and service level agreement income with local authorities because the requirement to cut costs might mean they have to compromise on quality (Allen *et al.*, 1995). Research conducted into domiciliary care markets suggests that there was a wide range of prices for mainstream services within the voluntary sector compared to the commercial sector and that this was consistent with there being a wide range of quality and ⁴⁰ types of service that can command these prices (Forder *et al.*, 1996, p. 11).

Reference should also be made here of the implications contract funding might be having on voluntary sector volunteers. Several of the voluntary agency respondents commented that there was a growing difficulty in finding 'good quality and committed individuals' to become members of their management committees. Problems with recruitment, training and retaining of volunteers were identified as being associated with (1) the high dropout rate amongst volunteers in training; (2) difficulty in retaining trained volunteers; (3) the large amount of time and resources required to manage volunteers. A couple of the voluntary agency respondents interviewed reported that the role of the management boards of voluntary organisations was having to change and respond to the demands of contractual funding.

There was a view expressed by one respondent that boards were now more about 'administering' the service-provision contractual agreements and not about 'setting new agendas' (NE21). Indeed, an emphasis on ever greater accountability towards government funders, which is frequently associated with contracting, might be subtly shifting responsibility away from the management boards and other stakeholders. An international review of externally imposed evaluations suggests that this can effectively disenfranchise and undermine legitimate governance structures – ultimately leaving committees and members as mere bystanders in the process (Smillie, 1995).

Compatibility of Goals

Observations were made about the similarity and compatibility of goals between local statutory sector funding bodies and the welfare service voluntary agencies that were contracted to provide services. A recurring theme in discussions with voluntary sector respondents was that the voluntary and statutory sectors have a pre-disposition to providing quality services and especially a commitment to service users that for-profit agencies cannot provide. The following sentiments, expressed by the respondent from WM2, were shared by many:

There's no doubt in my mind that they [local authority officers] trust us [...] they would prefer to deal with people from the voluntary sector [...] because they know that the voluntary sector is in a not-for-profit culture and that they bring with them [...] a certain added value similar to social services and the public sector more generally. Now that situation might very well change in the future but I do think that this Council is much more pro-voluntary sector and they work with us not against us (WM2).

Another respondent commented that what helped to distinguish his agency from that of private sector organisations is the fact that profit is not a motivation. The main purpose for his agency, he reported, was to provide a high quality service to an identified client group. The agency tried to do that cost-effectively, whilst also being able to provide a better quality of service as it did not need to maximise its organisational income. The respondent commented 'We're certainly not in this for the money [laughs]. If you look at our executive board and volunteers, the reason they are involved isn't to gain from it financially [...] Its about them providing some help to the local community [...] That's the main drive' (NE21).

It was of conspicuous note that several voluntary agency respondents had an ideological or political discomfort with the role of private agency care provision. A substantial proportion – well over a half – reported that the search for profit and the desire to serve a community run counter to each other. For them, the profit-motive induces private firms to search for the least costly production method– and this failed to reflect the ethos of care provision. One voluntary agency respondent reported that the local authority social services department might prefer to work with welfare service voluntary agencies because the quality of services for the client was of paramount importance to such agencies:

A lot of us [in the voluntary sector] look at them [for-profit care providers] and think that they are just in it for the money [...] but when the authority look at us [in the voluntary sector], generally speaking, I think that they believe that they are looking at people who are involved [in service

provision] for thoroughly honourable reasons [...] our motives are similar to those of social services (WM5).

This might be an over-generalisation, but other respondents correspondingly reported a view that there is a mismatch between the provision of social care and the search for profit. Although the notion of a 'not-for-profit' ethos is controversial, it appears from the data in the present study that the relatively loose service agreements that voluntary agencies have with local authority social services departments reflect the sense in which statutory sector purchasers are better able to trust the manner in which the funds are utilised in an organisation that does not earn profits by reducing services (Weisbrod, 1988).

Flexibility

As noted in Chapter 3, although not a universal phenomenon, voluntary agencies have generally been said to be able to respond quickly to change (they are not always bound by committee procedures and consultation in the way that statutory services are). It has been suggested that the public sector can, through contractual arrangements, benefit from the flexibility of voluntary agency providers with their ability to tailor their resources to the needs of individual users and operate on a smaller scale than either local authorities or commercial organisations (Salamon, 1987).

In the present study, also, a large number of respondents reported that their voluntary agencies were able to offer a level of flexibility and closeness to the community that other providers could not. For example, one voluntary agency respondent, who had previously worked in the local authority social services department, had long believed that the local authority lacked flexibility in responding to situations. This, he remarked, was one of the reasons he had left the public sector to work in the voluntary sector:

They [the local authority] operate in a different world to us.[...] Let me give you an example. I've just had a telephone call from a family with a son aged nine [with severe learning difficulties]. They asked if they could bring the boy down to our Saturday club this week, they [the child's parents] need some time for themselves – something came up, a family problem, and they could do with some time to take a break and relax. I said, "Yes, of course". That's it basically [...] That's the type of organisation we are and, you know, they [users] appreciate that we're special [...] unlike the Council we can respond instinctively to those situations because we know they [users] value our support. I think that's what they [the users] rate here (SE16).

However, anxiety was also shown in one or two voluntary organisations about the effect contract funding might be having on this ability to respond directly to users' needs. There was a concern that the contracting process was demanding more time,

and more administrative and other resources, which then impacted on their organisational flexibility and innovation. Other voluntary agency respondents described a general shift in perspective, with voluntary organisations increasingly being directed by the search for funding from statutory sources:

We've [voluntary organisations] historically responded to where the needs of people were and not the funding, right at the grassroots level [...] but I think that to some extent that its getting increasingly difficult for organisations like that to be flexible [...] its much more funding-driven now [...] you go where the local authority priorities are and that's where the money is. (WM2).

There is a whole load of bureaucratic stuff that goes with contracting and that is difficult sometimes, its frustrating. I mean, the procedures are so slow and it stops you from getting on with our real job.

Approachability

There are indications in the literature (see, for example, Johnson, 1999; Perri 6 and Kendall, 1997) that it might be more appropriate for the voluntary sector to provide particular services in a community rather than through statutory agencies. Attention has been drawn to those services with a specific sensitive or confidential nature where service users might be reluctant to approach statutory departments direct. For example, it has been posited that services for ethnic minority groups are most often appropriately provided by local community networks, especially because of the usually low levels of take-up of statutory services in this area. In particular, social policy literature frequently makes reference to the 'stigma' linked with state agencies, 'the central concept in social policy' (Pinker, 1971). The term is used to refer both to the process of social rejection that people experience and to their relationships with the agencies that provide them with services.

Research findings in this study seem to endorse this view. No matter how the voluntary agency respondents chose to identify their voluntary organisations, the one issue that appeared essential in their descriptions was that of being an approachable provider to service users. Many respondents reported that, in contrast to the way in which the public sector is often thought to be 'interfering' and 'stigmatising', the voluntary sector is viewed as being more open and less disagreeable to service users, the phrase 'more acceptable' – or variations on this – occurred frequently in this context. A large number of the voluntary agency respondents suggested that it was essential to provide a non-threatening environment for the service-users of the agency:

One of the important things is that, because we're voluntary, we seem to be able to attract people that don't see the stigma that they sometimes

see of going to a social services departments family centre [...] and you probably noticed when you came here today that we don't have any notice board outside [the house where the centre is based] saying who we are. We've aimed at making this place [the voluntary centre] look just like any other house on the road and we want to maintain that so that they [the service users] are not seen as going to an official looking place. I suppose it's partly psychological on all parts but we think that's been a big benefit because we do attract some quite needy families in this locality and deal with some very sensitive issues[...] some of them [users] to be frank would not access social service provision voluntarily – even though we are funded by them [local authority social services departments] they [service users] say that they prefer to come to us (SE14).

Well, I think that they [service users] do have preconceived ideas what a social worker is, you know, difficult, destructive, there to 'take your kids away', whatever. I don't believe that to be true myself but they in general [service users] do not like the authorities (SM9).

We're much more accessible than them [the local authority] and especially where mental health is concerned because it means that people have a choice whether they come to us for assistance or not[...] They [service users] feel that Social Services can impose upon them [...] People themselves choose to come to our services because they feel safer here and most of our users are self-referrals (WM7).

These comments highlight what many others saw as vital – an ability to attract people to a non-threatening environment, a sensitivity in approach, not being part of 'the system', users not liking the local authority social services departments 'officialdom' and the voluntary sector's legitimacy with services are all regarded as indicators of the role of the voluntary bodies. However, the fact that several contractual agreements state that services are to be offered only to those people who have been assessed by social services does put this notion under threat although there are many examples where voluntary agencies provide a range of services where this condition does not apply because they have other funding sources.

Another characteristic mentioned by voluntary agency respondents in this context was that they represented their users in a way that private and statutory sector agencies could not. There were, for example, organisations like SM9, providing information, advice and practical support to help people with direct personal experience of disability, and partly staffed by people with physical disabilities. The respondent remarked that the agency thus had a fuller 'understanding' of the problems and had the ability to 'speak the users' language', unlike other potential providers:

People phone us up and enquire about a whole range of issues related to physical disabilities [...] and many of our volunteers – a very high proportion of them are disabled themselves. And that counts for a hell of

a lot round here [...] its difficult to explain but its that sort of understanding you can only get when talking to someone who's been in a similar situation to you or someone that's very close to you [...] we can speak their language – do you know what I mean? (SM9).

In one agency that provides services for older people, the management group had a majority of people over the age of 60 on the board and thus were representative of the group they were aiming to serve. In another agency there was a constitutional requirement that users of the services were on the management committee of the agency and this was an important part of the organisation's appeal to service users and the funding bodies.

Wider Role in the Community

Many respondents in the study articulated the view that the voluntary sector is not just about providing services or using volunteers to be more cost-effective service providers. Voluntary sector respondents also expressed the view that they had a significant role to play in developing a sense of trust in the community, working together and encouraging local participation in the governance of society. There was the general view expressed by a number of the respondents that locally rooted voluntary groups may be seen as part of the social glue of participatory democracy.

Although not the focus of this study, there was some evidence that the importance of local authorities encouraging smaller, local organisations. Grant-aid budgets were still very much noticeable for non-service delivery activities; although they were becoming much more tightly defined in line with statutory sector service priorities. However, there were suggestions from some of the voluntary sector respondents that the shift towards service provision, economies of scale and the complexity of more formal agreements, all worked against the interests of small community based groups. There was agreements from these agencies that only the larger, well -established, organisations within the voluntary sector may be able to pilot new ideas, which then become the contracted services of the future.

Summing up, voluntary agency respondents stressed the altruistic advantages of the voluntary sector as service providers. This finding appears to be congruent with other studies that have indicated that voluntary sector organisations are mainly driven by shared values rather than by the search for economic or political power and that their constituency comprises the poor and disenfranchised, rather than citizens or consumers.

9.3 Voluntary Agency Autonomy and Mission

Discussion so far in this chapter about the 'value' of voluntary sector provision has centred on the assumption/presumption of voluntary agencies providing good quality services as mission-led rather than profit-driven organisations. However, as has already been noted, this might not mean that such agencies are cheaper than other provider agencies when their true costs are taken into account. This might produce a tension where, on the one hand, local authorities have a historically good working relationship with many voluntary agencies, with a shared sense of mission and values, but on the other hand, they have a pressure on finances which means that they are looking for the cheapest provider.

Chapter 4 discussed the move away from loosely structured traditional grant-aid funding to a tighter contractual or service agreement financial relationship and the way this can create more of an 'arms-length relationship' between local authorities and the voluntary agencies they fund. A common fear associated with this shift relates to the effect on voluntary agency autonomy; contractual agreements might reflect statutory sector objectives, which are narrower or different from those of the voluntary sector, and might impose a way of working that is not in tune with the practices of the voluntary organisations.

9.3.1 Diversifying the Funding Base

Chapter 6 examined the different sources of non-governmental funding that the sample voluntary agencies had secured. It was shown that such funding varied considerably by agency but included revenue gained through fund-raising events and fee-for-service. Rekart (1993) has argued that a diversity of income can ensure that an agency is not totally dependent on any one source, which can give leverage when negotiating with government departments. In the present study, too, there was evidence that voluntary agencies were continually applying to different potential funding sources. However, voluntary agency respondents suggested that securing such funding is not without its problems. One respondent described a recent situation where he had applied to the local Health Authority for the funding of a service but they were of the view that what the voluntary agency provided was social care and not health care. The respondent reported that this was despite the fact that in other localities the Health Authority had funded similar services. The respondent reported that the agency's application to the Health Authority had involved a great deal of work and had taken up valuable time and administration. Elsewhere, it was also reported that fund-raising from the public can

demand a great deal of time and energy by volunteers and paid staff – without any guarantee of substantial results:

As a small organisation we don't have the resources to do a lot of fund-raising. We are quite good at getting £400–£500 here and there to keep the association ticking over. That is well within our capabilities but getting another £10,000–£15,000 a year, to keep the Day Centre going, would be difficult. It's something we don't want to do. It's a question we will have to ask if the need arises but let's not be asking ourselves yet (SE16).

So it might be that the security of contractual income is affecting the need or motivation of voluntary agencies to search for funding from non-statutory sources. Further, local authorities might suggest that agencies which wish to extend their services beyond specific Social Service referrals should look at other sources of funds in addition to theirs. But this is not always possible. Larger agencies might have widened their income base but for several smaller agencies the resources that are demanded for putting in bids for grants and service-provision contractual agreements were often disproportionate to the amount of cash being raised.

In previous chapters it was noted that there were fears that voluntary sector organisations would have to adopt an increasingly commercial ethos and approach to survive in the more market-orientated contracting environment. It was suggested that this might also affect the way in which voluntary agencies attempt to secure more funding. More time is being spent on fund raising and more attention devoted to management which often demands full-time staff who replace the volunteer accountants or committee members. In the present study, voluntary agency respondents described various funding initiatives based on more sophisticated marketing techniques, which they used in their quest for non-statutory income. These included developing cause-related marketing, securing legacies and trading activities.

At times this strategy has led to voluntary agencies using professional staff. One respondent of an agency that had been contracted to provide counselling and support to bereaved people reported the organisation's attempts to employ 'fund-raisers' and people with the required 'marketing experience' (SM12). Interestingly, this respondent spoke about how she had spent much of her working life in senior management and expressed a view that the service-delivering voluntary agencies 'could learn a lot' from the practices employed in the commercial sector. However, several voluntary agency respondents remarked that even where such 'professional' approaches had been developed, there were still difficulties in securing funding.

Words like 'business-like' or 'more professional' convey the impressions of many respondents of the way their organisations had been adjusting to changes in the funding environment. Indeed, there are examples of voluntary agencies which have been operating with sophisticated management structures. However, many service-delivering voluntary agencies have not been run along 'business' lines. For several respondents, the experience of a decline in non-state funding sources has had a positive impact in that it has pushed them to explore new methods and techniques to raise funding. A recognition of the dangers of their reliance on government funding has led service-delivering voluntary agencies to develop other sources of funding as a way of sustaining or expanding their agencies. A small number of the voluntary agencies had established charity shops ('nearly new' clothing and second-hand furniture shops), catering services and personal services (for example, hairdressing, selling home and health insurance and pre-paid funeral plans). For one respondent, such activities had generated much-needed income:

This has been a boost for us. It [the buildings and house contents insurance scheme] now has over 15,000 customers. We receive a commission [on each policy sold] and that represented a premium income of more than 1.2 million pounds last year [...] The restaurant, our shops and the hair salon have all performed well, between them showing an 8 per cent increase in sales over the previous year (WM2).

One aim of the SM13 agency was to develop the commercial activities of its trading arm and the respondent concerned thought that there were many positive benefits of such fund-raising. However, he went on to qualify this enthusiasm by noting that they now experienced more competition in this field, which was coming mainly from other charity shops.

What we've found in more recent years is that our shops are facing the challenge of real competition on the high street as they continue to provide our organisation with necessary income and the people in the borough with venues for good quality clothes at modest prices. But there is a finite demand for these shops and this [income] could be threatened by more and more of the same (SM13).

9.3.3 Contract Conditions and Autonomy

It was noted in Chapter 7 that many of the voluntary agency respondents were positive about their experiences of working with statutory sector providers and with the contractual arrangements they had entered into. For several respondents, the implementation of the new funding arrangements following the National Health Service and Community Care Act 1990 had had a positive effect in that it facilitated good

practice, helping in identifying clear targets and ensuring accountability to purchasers and users of services. However, not all the voluntary agency respondents were convinced about the move from grants to service-provision contractual agreements. Previously, grant-aid funding left room for asserting the values and priorities of the agencies. There were observations that voluntary organisations were now taking on more and more of the work previously done by local authorities and that the funding available for this work was more tightly coupled with statutory sector priorities, with implications for their ability to pursue their own goals and aims.

As noted in Chapter 8, several voluntary agency respondents had experienced difficulties when negotiating the contract or service level agreement. Specific mention was made of the local authority attempting to impose unacceptable conditions. There were four particular areas where mission and independence were under threat through local authority control over certain policies and practices.

Charging for Services

A small number of voluntary agency respondents expressed worries about the way in which local authorities were insisting that voluntary providers charge for services. For example, one of the local authorities had inserted a specific clause regarding charges into all of its service agreements with voluntary providers. The clause stated that the provider would have to '[...] operate any charging policies in line with council guidance' (SE local authority). There were several examples of voluntary organisations being forced to charge for services and this, it was reported, had led to a distortion of agencies' original policies. One agency had been asked to collect charges from home care clients and they did not see this as part of their role (NE22). Another manager commented:

They [local authority social services department] are insisting on putting into all the [new community care] contractual agreements a clause about charging for services. Presently they [local authority social services departments] don't charge people for these services but, in the future, they think they might have to. Now that's causing us problems, because as a charity we don't want to be seen to be charging people – but the message came back that 'you either have it [the clause] or no contractual agreements for the future. (SE16).

Access to Services

A second major issue related to the control of access to services, by means of referrals. Voluntary agencies have to satisfy certain criteria in order to be eligible for Special Transitional Grant funding. One of the conditions of the contractual agreements in a number of areas was that services funded in this way should be assessed by the

local authority social services department. In several of the agreements offered to voluntary providers, there was a clause relating to accessing the services (see Figure 9.1). Local authority social services departments stated that a potential user of the service should be assessed and formally referred by the purchaser, which means, in principle, that the voluntary provider agency could not assess for, or provide, a service under the contract in response to a self-referral or an informal referral from another agency.

Figure 9.1 Local Authority Referral Criteria

'Applications are only accepted from Health and Social Services Professionals, normally key workers. Applications are made on the Centre's referral form normally after a discussion with the Centre Organiser.' (SE local authority).

'Referral to this service will only be made following assessment by Social Services staff to the Service Provider.' (NE local authority).

'[...] contracting must be for services which benefit users whose needs have been assessed by the social services department, or who fall within the scope of the legal provision of the Department to provide Community Care Services.' (WM local authority).

This need to co-ordinate with Social Services staff over referrals caused concern to a number of the agencies, particularly those dealing with sensitive or confidential services. It has implications for the autonomy of voluntary agencies and indicates the way in which statutory sector priorities might begin, albeit indirectly, to impinge upon voluntary sector practices. Several of the organisations reported that they had had to change their policy of open referrals because funding was only available to them if clients were referred through a social worker and this was seen to restrict the availability of the service. For example, the WM3 agency had had to agree to a service level agreement with a clause specifying that service users referred by the council would be given priority although the agency themselves wanted their service to be equally available to people who self-referred. The high dependence on local authority funding meant that a large number of voluntary organisations were unable to challenge these conditions.

I had a referral that came through to me from a GP who had been out to see this elderly woman and you would trust a doctor's decision that this woman, in his opinion, needed day care. So, I then [under the terms of the service agreement] had to make the referral to the [social services] access team who then started to do an assessment over the phone – asking questions about her and then they turned round and said no, they don't think this person qualifies for day care. I find it very hard to swallow

that when you're providing the service and you have to seek the approval of another agency to get a person access to the service. This is what I mean about losing our independence a little (WM3).

However, several voluntary agency respondents had welcomed the local authority approach on this issue. One or two reported that because the issue of referrals was now the sole responsibility of the social services department it took a great deal of pressure off the voluntary agency. It was reported that if referrals did not materialise then it was up to the department to do something about it. Many made comments like that of one voluntary agency respondent who reported:

Its [the contract] very specific about the work we do [...] in this area [working with families] you get all sorts of referrals, and when we have to turn people away there are questions as why we have to turn a person away [...] we question ourselves why we have to do it. But I suppose one of the advantages of this agreement is that it says who we are supposed to take in here [...] so in that sense we know where we stand and what we can take on and what we can't (SE14).

Several studies have documented the extent to which governments have stipulated more stringent eligibility criteria for clients to receive services from non-profit agencies under contract or service level agreement (Rekart, 1993; Wolch, 1990). In the United States, government service-provision contractual agreements require that a client meet the focused criteria defined by government priorities before services are granted. Grossman and Kramer (1987) have found examples in the United States where service-delivering voluntary agencies have had to accept all clients referred by local statutory sector purchasers, while others have objected to accepting only those who meet narrow, local authority-defined standards of eligibility. Studies in Britain by Taylor and Lewis (1997, p. 34) have similarly found that the control of referrals in the contract provision was an issue for voluntary agencies, as financial constraints were forcing local authorities to target people in greatest need.

Client Confidentiality

A third concern relating to voluntary agency autonomy is the issue of client confidentiality. Several voluntary agency respondents reported how the local authorities had required voluntary organisations to share with them a range of information of a sensitive nature about clients. One voluntary agency respondent made strong comments on the problems of local authority requests for certain information. He recalled how his agency was not prepared to provide this since it contradicted what the specification described as 'professional social service to clients':

We have had problems with them [social services department] who have been wanting to reach into our files of families and volunteers and it must be recognised that we do have a duty of confidentiality in terms of those with whom we deal. It has been said that much of the team's success was their ability to link in with families in crisis in an informal manner gaining confidence which could easily be destroyed if social services or other authorities have been thought to be peering over their shoulders (SE16).

For this respondent, it was vital that the contract did not interfere with the core relationship between voluntary agency and client.

Statutory Sector Priorities

There is evidence from the research literature that voluntary providers might become more led by statutory sector priorities rather than following their original purpose (Bemrose and Mackeith, 1996). In the present study, it was reported more than once that local authorities had encouraged voluntary groups to develop particular services that were required by the authority. Several of the voluntary agency respondents reported that the local authorities were putting pressure on them to accept the work that they wanted doing with the possibility of bringing in competition between groups.

I had to keep pointing out to them [the social services department] that we are staffed by nursery nurses and not social workers. They were pushing for us to become a family centre but we could not and did not want to do the job of social services. [For example] if a family needed an assessment to go to court, we have been asked to assess their parenting skills and I said that we don't have social work staff here – yes, we have people with skills but not those skills – we just wouldn't be credible in a court situation. We had to be vigilant, we could have found ourselves in a position of being expected to respond beyond our area.

Note should also be made here of the one or two examples in the study of smaller locally-based voluntary groups merging with larger well-established national agencies. Some agencies had decided as a strategic move to seek support from a larger agencies. Others, however, had experienced pressure from local authority funders to amalgamate with larger organisations, in order to offer a more standardized service on a wider geographical scale in the City or County locality in which they were based. Where local voluntary sector initiatives are changing in response to such statutory sector priorities in this way, the ability of voluntary organisations to set their own agenda may be significantly compromised.

In sum, these examples seemed to be the only references related by the respondents where voluntary sector autonomy had been directly threatened by local authority contract funding policy. Overall, it is clear that service-delivering voluntary agencies

have long relied on statutory sector funding for their survival; in the form of grant-aid, the agencies retained the freedom to set their own agenda. However, under the new funding arrangements established by the National Health Service and Community Care Act 1990, local authorities have increasingly controlled what voluntary agencies do within the local community.

9.4 Summary

The discussion in this and previous chapters has highlighted important issues for voluntary agency managers, focusing on how the new climate of local service provision with its emphasis on market principles, monitoring and evaluation, value-for-money, 'enabling', contractual funding arrangements, etc., is viewed with apprehension by many voluntary organisations. Indeed, the interviews that were conducted for this study revealed that policy changes in community care had generated a number of fears and concerns within the voluntary sector, relating to the growth of contracting. These included concerns as to how far the tasks and purposes of voluntary agencies might change as local authorities respond to their new purchasing and enabling role, how flexible contracting arrangements would be, and what effect this might have on the use of volunteers.

The accounts presented in this chapter illustrate the range of experiences of voluntary agencies both in relation to local authority funders and with reference to organisational change. Their relationship with statutory purchasers, organisation aims, funding base and previous experience all contribute to how they adapt and adjust to the 'contract culture'. In addition, the implementation of the new funding arrangements under the National Health Service and Community Care Act 1990 appears to vary a great deal between localities. It is not possible to generalise from such a diversity of opinions from voluntary sector respondents. However, the accounts given here do shed light on several central themes and issues of interest. These empirical findings develop a number of the issues and ideas explored in the literature (Chapters 3 and 4) and bring about a better understanding of the implications involved in the shift to contractual funding arrangements.

Chapter 10

Conclusions and Implications for Research

Chapter Themes

Some Policy Reflections
Summary of Empirical Findings
Policy Recommendations
The Need for Further Research
Summary

10.0 Overview

This thesis has examined key developments in the changing nature and context of the local authority and voluntary sector contractual interface in Britain. It has drawn upon data, collected between 1996 and 1997, from twenty three voluntary sector organisations in four different localities in England. The study drew mainly upon interview material with voluntary sector and local authority respondents alongside the literature and documentation made available in the four study localities. This final chapter will, first, offer a summary of the key policy issues discussed in the literature review. It then considers some of the main empirical findings of the field research. Next follows a number of policy proposals and ideas for further research. The chapter closes with a brief summary and some concluding observations on the impact of contracting on the voluntary sector.

10.1 Some Policy Reflections

The thesis discussion of the general policy and conceptual context for the study was presented in Chapters 2 to 4. It provided the background necessary for a better understanding of the important role that the voluntary and community sector now plays in the British policy agenda as well as the necessary context for a discussion on the policy development of contracting. Chapter 2 began by exploring the general context for a number of the changes that have taken place in public sector policy over the past twenty years. After acknowledging that the British state has played a vital role in the production and delivery of welfare services over the past ninety years or so, it was noted that a number of economic, political and demographic forces helped to bring

about a reappraisal of the role of the state in welfare; critical to this evaluation was the perceived inefficiency of public sector services.

The dichotomy between the ideological influences of the 'new right' in the 1970s and 80s, which emphasised the virtues of the market and the notion of individual responsibility, and the supposed inequities of state intervention and bureaucracy, were contrasted. Drawing further upon the influence of 'new public management' and the introduction of 'quasi-markets' in the public sector, it was considered how this ideology was being translated into practice and how it was impacting on a number of important policy areas in the 1980s and 1990s, including that of community care. However it was argued that, for a number of commentators, the theory of the market did not accord easily with the principle and practice of community care. Some of the apparent constraints of quasi-markets included the limited ability to extend user choice, the availability of limited market information and the problems of entry to and exit from the social care market.

The final part of Chapter 2 explored the attempts of the Conservatives to promote a mixed pattern of care. It noted how, in fact, there has long been a mixed economy of welfare in the United Kingdom with four basic production or supply sectors: family and informal networks; public sector; for-profit organisations and the voluntary and community sector. The voluntary and community sector, in particular, has played a significant role in welfare delivery in the United Kingdom. However, since the early 1990s, the voluntary sector has been expected to take on an even more significant role as a provider of social care services. Whilst recognising the important roles that the non-statutory sectors have played in welfare delivery, difficulties are seen to be associated with each sector, including on a general level: patchiness in services provided and geographical limitations; selectivity in client base; the burden of caring on the family; inconsistency and quality of care provided.

Chapter 3 moved on to look in more detail at the academic and practitioner literature on voluntary sector action. Having sketched out briefly the scope and scale of the voluntary sector in the United Kingdom, it began by exploring the question of what is understood by the term the 'voluntary sector'? It was noted here that central to any definition is that the voluntary sector should be independent of statutory sector control. It then explored the variety of areas of activity within which voluntary organisations operate and confirmed that the research project was concerned with social welfare providing voluntary agencies. The chapter then went on to explore some of the traditional claims for voluntary services such as their cost effectiveness, added value,

high quality, flexibility, and user involvement. However, a cautionary note was sounded about the rationale used by various commentators to justify the use of the voluntary sector. Despite the rhetoric often used by politicians and policy makers, the merits of the voluntary sector have not been borne out in empirical reality.

The central operating mechanism or instrument for the reform of community care in Britain has been the contracting process. Chapter 4 began by noting that contractual-type relationships have long existed between statutory sector and independent sector organisations in the United Kingdom. It was noted that the scale of this interface has increased significantly over the past twenty years, especially following the range of policy initiatives introduced by the Conservative governments of the 1980s and 1990s.

After reviewing some definitions of 'contracting', the chapter went on to explore the model that was developed by Kettner and Martin (1985). These authors put forward two ideal types of approaches for statutory sector contracting for social welfare services: a partnership and a competition model. In the partnership model, statutory sector purchasers and non-statutory sector providers are viewed as partners in which consensual decision making is the norm. The market model, in contrast, is characterised by a set of policies and practices that promotes competition among potential contractors.

It was then acknowledged that much of the discussion to date on the development of contractual agreements has been largely speculative; based more on ideological dispositions for or against such a policy shift than on empirical evidence. There followed an exploration of the empirical literature on the advantages and disadvantages of social care service agreements – from the perspective of both the statutory sector purchaser and the voluntary sector provider – revealed a somewhat contested picture. The final section of the chapter acknowledged that many developed economies around the world have increasingly turned to contracting to purchase services from independent sector organisations and looked specifically at empirical evidence from the United States.

In sum, the literature revealed that there has been a considerable shift in the way public services are provided in Britain in the last ten years or so. Developments in the 1980s and 1990s, not least the changes in public policy which have encouraged local government to change its role from that of directly providing services towards 'enabling' a more 'mixed economy', have led to a more formal local government-independent sector interface. In the area of social care, local authorities have been expected to

purchase a range of services from voluntary and for-profit providers through formalised service agreements and contracts.

10.2 Summary of Empirical Findings

The aim here is to outline the original data collected for this research. It connects some of the policy issues that were identified in the literature review (Chapters 2, 3 and 4) with the empirical data (Chapters 6, 7, 8 and 9) to establish the original contribution that this research project has made to knowledge in this field as well as providing an analysis of the participation and experience of voluntary sector organisations in the 'contract culture'; it has also offered an insight into the impact of marketisation on the local voluntary-statutory sector interface in Britain in the late 1990s and on the working of social care organisations. The research analysis observed voluntary sector organisations in the broad context of the social care system in Britain, focusing on central aspects of their experience of the contracting process, particularly in relation to the way in which contractual agreements are negotiated, drafted, implemented and monitored. It also considered how such variables as the size of a voluntary agency, its mission, its financial income and its relationship with the purchasing authority shape its experiences.

The Changing Interface

Literature on the 'contract culture' has been mainly from the purchaser point of view with, until quite recently, very few studies giving the voluntary sector standpoint. Indeed, as Chapter 4 made clear, available research findings have had little to offer on how the funding regime has been conceptualised by voluntary organisations. There is a research gap which has been identified and addressed by this project. The findings of this study have illuminated the changing interface between voluntary agency providers and local authority purchasers of services.

The first and most interesting issue to note here is that, in all four study localities, the introduction of Special Transitional Grant funding had meant that voluntary sector service provision became subject to service agreements or contractual agreements. This in itself represented a significant change in how voluntary sector services were purchased from local authority social service departments. It was also revealed that there was very little evidence of a competitive market for voluntary sector providers involving tendering and bidding for care services. The main rationale local authorities gave for their selection of contracted voluntary sector providers included the very limited number of potential suppliers that exist in the independent sector who are in a

position to supply services to the local community. It also included the perception that local authorities might have a preference for establishing contractual relationships with providers in the voluntary sector over those the private sector.

Local authority respondents placed a high value on the historical relationship that existed with voluntary providers, their ability to offer continuity of service, and the quality of provision. The research shows that, historically, local voluntary organisations tended to develop good working relationships with the local authority social service departments that funded them. However, the sample voluntary agencies reported that the relationships was changing as they became only one of a number of potential suppliers in the emerging social care market. These previously good working relationships at the local government level are being restructured by the introduction of the purchaser-provider split.

Secondly, findings from the research project suggest that, despite the fact that at the time of the fieldwork competitive markets in the voluntary sector were not well developed in the case studies, there were examples of voluntary agencies competing both with each other and with commercial providers'. A closer look at this development shows that it represents a cultural change to which voluntary agencies are responding in different ways. Many of the voluntary agency respondents said they were keen to exploit the new culture and increase their market share. However, some raised objections to taking on a more adversarial approach in the development of services. Whilst it is recognised that the stereotype of voluntary agencies as co-operative and being willing to work to common goals might not always be borne out in practice, this principle was still an important guiding belief for many of the voluntary agencies (see, also, Ware and Todd, 2001). There were one or two examples of competition for contractual agreements where organisations had put in competing bids, putting some strain on the notion of co-operation, and jeopardising collegial relationships.

Thirdly, there was evidence in this study that the development of competition and the social care market for services was changing the emphasis within some voluntary schemes in order to fit local authority funding priorities. In general, however, whilst there was not much competition for many of the often specialised voluntary services, several respondents thought competition was likely to increase in the future and were concerned that this might significantly impact on the nature of voluntary services and on the viability of some organisations.

Turning to voluntary sector respondents' understanding of the actual service agreements, it was found that there was some confusion over the meaning of contractual agreements. The terms 'contract' or 'service agreement' were often used, but seldom defined by local authority purchasers in a consistent manner. These terms carried the rather unclear impression for some voluntary sector respondents that the relationship between purchaser and provider is a legally-based one, whilst other respondents were uncertain of their legal status. The majority of respondents referred to the new funding system as representing a 'partnership' between purchaser and provider. Some felt that the complicated technical language employed in the service agreements could impact on user-involvement in voluntary agencies.

Contract Negotiation and Monitoring

An important aspect of this study has been to gather a better understanding of the contracting process in the light of empirical data and it has made an original contribution in that sense. Chapter 8 highlighted different aspects of the contract process and how it is experienced by voluntary agency managers. Findings from the study suggest that there is a wide spectrum of experiences of contract negotiation. Some voluntary sector respondents have reported that they have had very successful outcomes in contract negotiation with purchasers, stressing the well-established relationships that had developed often over many years. A vital ingredient in successful negotiations is the flexibility and close working relationships between local authority and voluntary sector staff.

Nevertheless not all of the voluntary agencies had such a positive experience. Several of the respondents had been discouraged and disappointed by the local authorities' approach to the process. Objections were aimed at local authorities' reluctance to increase the level of fee for the contracted service, an unwillingness to incorporate management costs and what were thought to be their unreasonable monitoring demands. The notion of contracting for care services implies an equal relationship, distinct from that of the donor arrangements of grant-aid. However, there was evidence from the study to suggest that where voluntary agencies had moved from grant-aid to contracts, the necessary skills may not have been sufficiently well developed to ensure partnership working to exist. The lack of negotiating expertise especially affects small and new voluntary groups or those without a parent organisation to offer advice about the process. In such cases, the purchasing authority may be more likely to determine the terms of the contract.

The contract negotiation process can be better facilitated if the voluntary sector provider seeks advice from those who have specialist knowledge and experience in the contracting process. It was found that the national bodies or parent organisations can play an important part in supporting the contract negotiation process. The support of members from the management committee of the contracted voluntary organisations was thought to be especially beneficial. Members with legal and financial expertise are able to scrutinise contractual agreements and help work-up proposals. Despite this, it was reported that some voluntary groups did not receive such support, especially the smaller, community based, agencies.

Voluntary sector service provision through service agreements or contractual agreements involves complex management and monitoring tasks. Findings from the fieldwork suggest that there is a wide spectrum of experiences on this aspect of the contract process. Some voluntary sector respondents said that local authorities had adopted a very vigorous approach; demanding frequent and detailed evidence of the level of service delivery. Others, however, believed that contract monitoring was hardly ever rigorously pursued by local authorities. Many of the voluntary agency respondents were concerned about the appropriate methodologies for collecting data. There was a concern that the monitoring process adopted by local authority purchasers was directed to quantifiable measures rather than qualitative, less easily demonstrated, dimensions of service provision

The change from grant-aid to contract funding entails a different type of relationship between local authorities and voluntary organisations from one of flexibility and trust to one that is more formal and tightly defined. However, the application of the contracting process was interpreted and enacted in very different ways by the sample purchasing authorities. As has been found here and reported elsewhere (Ware and Todd, 1997) some authorities prescribed the conditions of purchase and monitoring procedures in advance, whilst others encouraged the active contributions of voluntary agencies to the process of contract development and service delivery. Where social care purchasing policy was more flexible, voluntary sector agencies tended to report a sense of mutual ownership of the contracting process. Where purchasing authorities failed to encourage voluntary sector participation, the shift to contracting was perceived as a threat to good working relationships.

Voluntary Agency Goals and Value Bases

Another of the main aspects of this research project has been an exploration of the implications contractual agreements might hold for voluntary agency goals and values.

Voluntary respondents said that the voluntary sector can use in volunteer labour and charitable income and this may be a factor in their cost effectiveness. However, many were concerned that they should not subsidise the cost of their services by using other independent income or the use of volunteers. Findings suggest that there have been fears on the part of some voluntary sector personnel that the characteristically added value and specialist nature of their services, might not be appreciated in the competitive, tight financial environment in which local authorities find themselves.

Voluntary organisations value their independence, sense of mission, the very real contribution they make to people's lives, and the fact that they are not driven by a profit-motive. Many of the respondents in the local authorities also said they appreciated these qualities but the move towards contracting with a range of independent providers is seen by some voluntary agencies to threaten this. For example, there was evidence of organisations having to change their priorities and way of working because of their dependence on local authority funding, including having to charge for services and restricting their open access policies.

Local authority contract funding has enabled some well-established voluntary groups to increase their range of services. Many of the voluntary groups have also appreciated the clarity and setting of priorities that negotiating a contract involved. Local authority purchasers often recognised that the voluntary sector can offer something distinctive. Some voluntary agency managers suggested that service agreements had facilitated a climate of increased clarity, and where accompanied by longer-term agreements, financial certainty and organisational flexibility. Formalised agreements with clear conditions enabled some voluntary managers to introduce new areas of good practice. A view was also expressed that the requirements to assess what exact services an organisation provided encouraged clear thinking and a greater transparency of purpose.

The process of drawing up agreements and negotiating them gave some organisations greater confidence to insist upon minimum conditions from local authorities and enabled them to decide what they were and were not prepared to offer. The best arrangements seemed to be where voluntary agencies were able to define their own measures and draw up their agreements in full negotiation with the purchasing authorities (Todd and Ware, 2000). Commentators' early fears (Common and Flynn, 1992a; Gutch, 1992; Holman, 1993; Johnson, 1990) that contractual agreements would fail as voluntary organisations took on more than they could provide were not borne out in this study. It might also have been that the delay in implementation of the reforms

meant that the voluntary sector had time to consider the pitfalls and avoid overextending themselves. It might be that given the broader demands of community care reforms, local authority purchasers were at the time of the study adopting a more cautious and consensual approach to the contracting process.

However, there were some difficulties and tensions. Voluntary sector respondents expressed concern that the imbalance of power between voluntary providers and statutory purchasers led some of the former to accept conditions that they did not always think were appropriate; this included charging for services that voluntary agencies wanted to be free at the point of delivery, and restricted access policies where purchasers (rather than providers) controlled who was eligible for services. The power imbalance also led to situations where voluntary sector providers were subsidising contractual agreements with either charitable income or volunteer labour.

To protect this vital and defining part of voluntary input it may be necessary for voluntary agencies to take a clear lead in protecting their volunteers from being formally 'invisible' and to develop ways of strengthening their ability to negotiate in order to ensure that they do not subsidise contractual agreements (Todd and Ware, 2000). The research suggests that there was a shift away from the less easily defined tasks to clearly measurable and core service provision tasks which might compromise part of the sector's ability to encourage citizen participation in society at large. As voluntary management committees become more professionalised, there is a need to consider ways of ensuring that their volunteers and users have their say without burdening them with inappropriate liabilities.

In an age where the volunteer or 'involved user' can provide a bridge between the state and the citizen, the fear is that the volunteer or user role might not be adequately recognised. In an increasingly fragmented consumer society, and where there is no strong guiding framework for social cohesion, the role of the active citizen in the governance of social care activities is crucial. The active citizen might help to counter the cynicism and lack of interest by people who feel that they have no stake in what is provided.

Afterword

The empirical research on which this study is based was concluded in 1997. Clearly, care must be taken in inferring any of the findings to the contemporary policy agenda since a number of significant changes have taken place at both the national level of administration and in the local government-voluntary sector interface. This research

was concerned with the contractual arrangements that were introduced by the Conservative administrations of the early 1990s and its application in the mid 1990s. The May 1997 election of the 'New Labour' government in the United Kingdom had, according to one commentator, brought about the end of 'eighteen years of unremitting hostility to local government from the Thatcher and Major administrations' (Elcock, 1997, p. 35).

Nevertheless, under the New Labour administration, it has been argued that there has been a degree of continuity from the 1979-1997 Conservative era on certain policy issues (see, for example, Wilson and Doig, 1999; Drakeford, 2000; Laybourn, 2000). For example, there has been a clear acceptance by the current Labour government that local authorities should accept the principle that services should be 'externalised to the independent sector' (Wilson and Doig, 1999. P. 30). Indeed, the vision of a move away from the heavy reliance on local government for service provision was previewed in the mid-1990s in the influential book by Peter Mandelson and Roger Liddle, *The Blair Revolution: Can New Labour Deliver?*. Mandelson and Liddle (1996), in a wide ranging discussion on local authorities as 'enabling authorities', note that:

[T]here are circumstances in which local councils are much better at planning, financing and regulating public services than they generally are at owning, managing and directly providing them. There may be clear exceptions to this, but, in general, good management requires flexibility and freedom of action which rule-bound local authorities are not always good at providing. This has been recognised by Labour in its policy and that not every local service has to be carried out by the local council, and that councils should be allowed to choose how best to get the job done - directly, through formal contracts with private operators, or through partnership with voluntary bodies and other organisations. The important thing is to ensure the highest quality, the most responsive service and the best value for money (Mandelson and Liddle, 1996, p. 153).

Since its general election victory in 1997, the Labour Government has pursued a very clear commitment to the development of public-private partnerships in a range of public services. The philosophy that is emerging behind New Labour's so-called 'third-way' seems to be an attempt to reduce social needs through a set of greater alliances and partnerships between the state and the independent sector, including the voluntary sector. It is in this respect, then, that the role of the local authority might not be so different from that which has been promoted by the Conservative governments of the 1980s and 1990s (see, for example, Wilson and Doig, 1999; Laybourn, 2000; Cliff Alcock *et al.*, 2000; Drakeford, 2000). This is encapsulated in New Labour's 'Best Value' initiative which calls for local authorities (and other public sector bodies) to consider ways of 'sharing' services, working in 'partnership' as an alternative to the

direct and sole production and supply of a range of services. The White Paper, *Modernising Health and Social Services*, commented upon this:

Best value must be secured in all social services, whether provided in-house or contracted out to the voluntary or private sector. This Government does not take an ideological approach to this issue, and has no preconceptions about whether the public or the voluntary or private sector should be the preferred providers.

There are other continuities, too, with the present and past Governments in relation to the expected role of the voluntary and community sector in the field of social welfare. A look at the Labour Party's 1997 general election manifesto shows a future Labour government committed to 'put voluntary actions at the heart of civil society' (The Labour Party, 1997, p. 6). Once again, since its election victory the Labour Government has stated that the voluntary and community sector, including faith groups, have an important role to play as providers of welfare services. Furthermore, Gordon Brown, the Chancellor of the Exchequer, has recently made available significant funding for various volunteering initiatives in order to encourage active participation (*The Times*, 12/01/01).

However, despite the apparent continuities there are clearly some very substantial differences in approach by the New Labour government to the voluntary sector and social care. Most importantly, for our purposes, is the move towards a series of national and local 'compacts' between the statutory and voluntary sectors. The Compact is a framework document which aims to encourage a 'new approach to partnership' between central government and the voluntary and community sectors (National Council for Voluntary Organisations, 1999). The emphasis in this new relationship is on 'meaningful consultation', that will encourage the design and delivery of services and programme. The shift, in principle, has been away from the competitive environment that was espoused under the Tory administrations. The New Labour government has also encouraged local government to adopt the compact approach with voluntary sector relationships. The Home Secretary, Jack Straw, said of the compact that:

Government and the voluntary and community sector have a shared vision of an inclusive, compassionate and active society, and we can work together to shape a better Britain. Our approach to creating a lasting partnership is set out in the Compact. Compact recognises the unique role of the sector. Voluntary and community activity is a powerful means for inclusion, of enabling everyone, whatever their skills or background, age or race, to make a positive contribution to their communities. The Compact spells out in practical terms what needs to happen to make our relationship work.

In sum, there are clearly some differences but also continuities of approach by the New Labour government to its policy on the relationship with the voluntary sector. However, what the implications of this new relationship with the state will be for the voluntary sector is still unclear. What will this new relationship look like? This is a task for further research into the voluntary-statutory sector interface.

10.3 Policy Implications of the Research

During different phases of this research, voluntary sector and local authority respondents made suggestions as to how their needs can be better addressed. Reflecting the complexity and diversity of their opinions and experiences, different approaches to how their needs might be met are now advanced. The following conclusions do not necessarily offer policy recommendations but serve the purpose of informing statutory sector purchasers and voluntary sector providers to how better practice might be developed. They might be used as a way of reviewing current policies and their implementation, especially in addressing the needs of voluntary sector providers and improving the nature of the voluntary-statutory sector interface.

As has been noted above, and in Chapter 5 in more detail, it should be recognised that the empirical research on which this thesis is based was completed in 1997 and that we may not be able to generalise these to the current policy context of social care contracting.

Implications for the Statutory Sector

First, local authority purchasers should be aware of the implications contracting may have for voluntary sector independence. Some of the voluntary sector respondents in the study have suggested that local authorities have impacted on the organisational autonomy of voluntary sector providers. They felt that they were sometimes being forced to accept conditions that were not beneficial to their organisational mission and aims (Chapters 8 and 9). The key defining feature of the voluntary sector is its independence and local authority purchasers, when negotiating service agreements, should appreciate that the voluntary sector provider is an independent, self-governing body with its own philosophy, values and expertise (Chapter 9).

Second, the long term impact of contract agreements on the voluntary sector could be that the larger, more professional, organisations crowd-out the smaller ones. Those organisations which focus on the needs of people who are not recognised to be statutory sector priorities are especially vulnerable because they will have greater

difficulty attracting funding. There is a need for local authorities to be more ready to recognise and acknowledge the valuable contributions that such organisations provide and have in place a grant-aid system that recognises this work.

Third, greater attention needs to be paid to the monitoring procedures of contracting. The findings from this research, and a number of other studies (see, for example, Taylor, 1997; Bemrsoe and MacKeith, 1996), have suggested that monitoring measures should assess the quality and not just the quantity of services. It is equally important for voluntary sector providers to recognise the vital importance of monitoring service standards. Monitoring procedures also need to be enforced robustly. A number of the voluntary organisation in this study reported very little activity in this area by the purchasing authority. This is vital if the quality of service provision is to be assured.

Fourth, it does appear from this study that voluntary organisations may be increasingly viewed in terms of their ability to deliver particular types of service. There was a concern expressed by some of the respondents that local authorities might, in future, only support and fund the area that they view to be a priority for resources without regard to the important contribution of other aspects of an organisations operations. Voluntary organisations provide a range of useful functions beyond service delivery, including advocacy work, pioneering new ideas and encouraging active participation in the community by volunteers. The work of voluntary organisations needs to be viewed in its entirety.

Fifth, the voluntary-statutory sector interface is becoming increasingly more intricate. Several of the voluntary sector respondents have suggested that the shift to contract agreements for service provision has brought about a level of documentation that is time consuming and employs a more legalistic language and tone. Taking this into account it is suggested that local authorities should produce, in closer consultation with the voluntary sector, contractual agreements that are clear non-technical and that provide a basis for a sound partnership. One model proposed by Nigel Gann (1998) is that voluntary organisations draft documents that outline the nature and costs of the services to be provided, which can then be used as a basis for a legal contract drawn up by the purchasing authority. Such an approach gives the purchaser and provider a shared sense of ownership of the process.

Sixth, the development of community care and the mixed economy has been based upon a very restricted view of value. Many of the voluntary sector managers in this study have expressed their recognition of a need for cost-effectiveness and efficiency

in the provision of social care services. However, most felt that services should be judged by broader criteria than cost alone. Some aspects of a service cannot be written into such agreements. Local authorities need to acknowledge the added value that voluntary organisations bring to service delivery in the community.

Implications for the Voluntary Sector

First, the voluntary sector needs to find new ways of broadening its funding base. Statutory sector funding is vital to the financial resources of many of the voluntary agencies in this study. As has been shown here and elsewhere (Todd and Ware, 2000) constraints on the organisational resources needed to work up alternative funding applications, and the reluctance of charitable trusts to subsidise or substitute for statutory funding, restrict some organisations' ability to identify alternative sources of funding. There are dangers of reliance on a limited number of statutory sector funders in the longer term but they can provide much needed support to voluntary groups who have seen a decline in public giving. In order to retain independence and the ability to tackle social needs, it is vital that voluntary groups diversify funding where possible. However, it is recognised that the freedom for voluntary organisations to respond to the financial squeeze are very limited.

Second, there is a need for voluntary organisations to share their experiences with other groups about the contractual process and this must include an analysis of the problematic contractual agreements. Since this study was started in the mid 1990s voluntary organisations have now developed significant experience of the new interface with statutory sector bodies and this experience could well be disseminated to the newer, smaller community based organisations who have little experience in this area. Local voluntary sector umbrella organisations have a particularly important role to play in disseminating best practice, improving voluntary-statutory sector relationships and supporting smaller voluntary groups in their dealings with purchasers.

Third, voluntary organisations cannot and should not subsidise priorities which ought to be fully funded by the state. There was evidence in this study that voluntary organisations were doing this in a number of ways both by using volunteers and by offering a level of service that went beyond the requirements of the agreement. Statutory sector authorities need to meet the full costs of engagement in contract relationships with voluntary sector providers.

Fourth, greater attention should be paid to the role of users in the voluntary-statutory sector interface. There was evidence in this study that the users of services may find it

increasingly difficult to get involved with the efforts of voluntary organisations as they are having to adopt inaccessible management styles and the jargon of contracting and monitoring in the contract culture. Voluntary sector organisations need to provide a culture that fosters closer user involvement and one that does not alienate them from the aims and objectives of the organisation

Fifth, there is a need for the voluntary sector to articulate its distinctiveness. This research confirms that voluntary sector agencies need to be more precise about the benefits they bring to localities and service users, and not to assume that their charitable or non-profit status is sufficient rationale.

10.4 The Need for Further Research

The research findings in this study have contributed to a greater understanding of the contractual relationships between voluntary groups and statutory sector purchasers. However it was established that there are other gaps in knowledge which should be considered:

- Further research might review those organisations that miss out on contract or compact funding from the local authority. Are they successful in other funding bids? - for example the National Lottery - and are they sustained?
- How can groups that have not developed a strong negotiating position band together to gain a stronger voice? Is there evidence that larger bodies with well-known name are pushing out the smaller locally-rooted organisations?
- Do groups that have lost funding regroup in some other capacity and thus retain their power to act or do they lose out? Is there evidence that voluntary organisations are 'merging' together in order to attract larger scale contract funding?
- With an increasing emphasis being placed on service delivery by local authorities and other statutory sector purchasers, what impact will there be on voluntary organisations traditional ability to innovate new schemes? Will voluntary organisations be forced into mainstream delivery that is prioritised by the statutory sector?
- In what ways are voluntary organisations working together to meet social care needs? What is the nature of this relationship in a more competitive market place for public and private funding?
- How will the new 'compact' between the voluntary and governments sectors be put into action at the local level? What will the role of the voluntary sector be in defining this new relationship?

Research along these lines would indicate how far the voluntary sector in Britain is being reconfigured. It could suggest ways to enable it to develop new approaches for shaping service provision and citizen involvement.

10.5 Summary

This chapter has provided a synthesis of key findings of this research to link relevant policy literature and voluntary sector experiences. It has indicated a number of policy and research implications. Research gaps have been identified, some of which have been addressed, while others need further investigation. It is hoped it will inform local authorities in relation to what is important to voluntary sector organisations and how their experiences can be improved in future. The research shows that those voluntary organisations that appeared best placed to gain from the community care reforms were those which wielded some power through their size, influence, ability to offer specialist services, or access to other non-statutory sources of income. Those organisations which fit in with statutory priorities can most readily offer the services that authorities are keen to buy, and can take advantage of the purchasing and competitive environment.

However, despite the emphasis of governments and policy makers on the role of the voluntary sector as a service provider, it is vital to recognise that there are other important roles that the sector plays in society. As has been argued by the author elsewhere (Todd and Ware, 200) voluntary action should be supported by government because it can help to promote a sense of social solidarity in our local community and broader society. Locally-rooted voluntary groups can be seen as part of the 'social glue' of participatory democracy. The voluntary sector is not just about providing services or using volunteers to be cost-effective, it is also about user participation, trust, working together, and local participation in the governance of society. The relationship between the state and the voluntary sector needs to recognise and embrace this broader role of the voluntary sector.

ENDNOTES

Chapter 1

1 The New Labour Government have proposed a comprehensive reform of the British universal welfare state. For a review of the Labour Governments welfare reform

- agenda see, 'New ambitions for our country: a new contract for welfare', Cm 3805, March 1998.
- 2 The promotion of non-statutory provision became manifest across both a range of local government activities (for example, reforms in housing, education, maintenance, catering and street cleaning services), and in national policy issues (for example, reforms in the health and social welfare services and the prison system).
 - 3 Although the focus of this study is on the social policy developments of the mid 1990s, the contracting process and the role of the non-statutory sector in welfare delivery is being embraced by the New Labour administration of 1997. Here the role of enabling rather than providing has been much encouraged. Further, the role of the voluntary sector is similarly being encouraged to develop its service provision role.
 - 4 In the main, the Conservative governments of 1979-1997 wished to see the creation of a market-based set of relationships within the social services. The market was envisaged not as national but as a series of local markets sited geographically within local authority boundaries. It was argued that within these bounded localities service-delivering voluntary and other independent sector agencies would have a vital part to play in community care provision.

Chapter 2

- 5 Indeed, by 1995 contractual income, as opposed to grant aid, represented more than 75 per cent of local authority social services departments expenditure on the voluntary sector (Mocroft, 1996).
- 6 It should be said that there has not, however, been a decisive break with the policies of the Conservative governments of this period in promoting the role of the voluntary sector in social welfare provision. Indeed, this trend has continued under the Labour administration since 1997.
- 7 The contrasts with the 1940s and 2000s is interesting in the context of the New Labour governments current attempts to court faith organisations to provide more services and in seeking to reduce the role of state welfare. In a speech to the Christian Socialist Movement in March 2001, Tony Blair the prime minister, congratulated the 'unique contribution' of churches and faith groups in helping deliver 'speedily and effectively' a range of services from health to regeneration.
- 8 Commentators have pointed to the implications for welfare provision of the demographic changes that are taking place in the United Kingdom and many other European Union countries. Victor Pestoff (1998), for example, points to the rising number of pensioners and the demands that they are making for more social and medical services as they age and become frail.
- 9 Although the emphasis in this discussion is necessarily on political criticisms of state welfare, it is recognised that consumers and service users have expressed many reservations. Alan Walker discusses such concerns from users, carers and ethnic minority groups in particular (Walker, 1993).
- 10 By contrast, and as will be shown in more detail in Chapter two, the voluntary sector has been much praised by politicians and policy makers for its cost-effectiveness, flexibility, informality, independence and credibility with clients.
- 11 This chapter draws heavily upon the work of recent work by the author and colleagues. See, *Marketisation and Welfare* (forthcoming), P. Ware, M. Todd and G. Taylor, Sheffield Hallam University Press
- 12 This is discussed in more detail in Chapter 4.
- 13 NPM is not just in evidence in Britain. Writers have pointed to its development on a global scale, with Britain, Australia, New Zealand, Canada, and Sweden at the forefront of this international managerial change (see, for example, Broadhead and Laughlin, 1997).
- 14 The policy mechanism of 'contracting' is discussed in more detail of Chapter 4 of this thesis.

- 15 The impact of this process on voluntary sector providers forms a substantial part of the empirical work detailed in later chapters.
- 16 Of course, the changes described here in relation to the increased use of the independent sector in welfare provision is not limited to the United Kingdom. Other countries, especially in Western Europe, Australia, New Zealand and Canada have also encouraged a more active role for independent sector providers.
- 17 Not only Conservative governments of the 1980s and 1990s. New Labour, too, has since its election in 1997 praised the virtues of voluntary action.
- 18 However, it should be noted that not all commentators have taken this view. Research conducted by the National Council for Voluntary Organisations (1996) suggested that those voluntary sector agencies that have contracted with statutory sector bodies have not been adversely affected by this development. However, they did point out that there is the potential of this in the future with contracting taking on a greater emphasis in the voluntary-statutory sector relationship.
- 19 This issue will be addressed in more detail in Chapters 8 and 9.

Chapter 3

- 20 The final theme identified by Hatch is now much disputed. A number of commentators have noted how voluntary groups are adopting features and practices of the commercial sector. Voluntary organisations, in responding to the difficulties in securing charitable gifts from the public, are adopting an ethos similar to the commercial sector. Many voluntary groups are in fact establishing separate trading companies as a means of generating a surplus for funding their main activities (Knight, 1993).
- ²¹ Although in legal terms, the only place where voluntary organisations must have volunteers is on the committee of management or boards of directors (Heginbotham, 1990).
- 22 A charity must have a purpose which comes under one of four main headings; (1) the relief of poverty; (2) the advancement of education; (3) the advancement of religion; (4) other charitable purpose beneficial to the community (H.M.S.O, 1993)
- 23 See, for example, community care; play-groups; hostels for homeless people; employment and training projects; community education; projects for young people; advice agencies; social, sporting and recreational activities; cultural and religious activities; transport. In terms of social care, Alzheimer's Disease Society; day centres run by Age Concern. There is the National Schizophrenic Fellowship, SCOPE, RNIB and Cancer Link, Barnardos, NCH, Action For Children and The Children's Society. They might also be direct services to people such as sources of information and advice, Citizens Advice Bureaux, law centres, as well as housing and sheltered accommodation, day care, transport and counselling.
- 24 There has been a significant growth in the number of self-help groups in the United Kingdom since the 1960s. The variety is also impressive: see, for example, health related issues (e.g. Sickle Cell Disease Self-Help Group); women's groups; black groups; rural issue groups; neighbourhood groups. In relation to social care, activities as support groups for those involved with common disability, common residence, caring for older and disabled people, and identifying groups based around support for various minority groups. Some self-help groups are purely local while others have formed countrywide federations and networks (National Council for Voluntary Organisations, 1987).
- 25 See, for example, environmental pressure groups; tenants associations; disability rights groups; anti-racist organisations. In relation to social care, Child Poverty Action Group, Oxfam, Shelter, and Low Pay Unit, MIND.
- 26 Organisations such as Citizens Advocacy, Mind and the various local user groups fit into this category.
- 27 See, for example, consumer groups; tenant liaison committees; youth and community work; advisory committees; joint planning committees; user and carer groups.

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- 28 See, for example, national appeals; disaster relief – international aid; local causes.
- 29 This group includes the umbrella organisations at national and local level such as the CVS, Rural Development Council, Charities Aid Foundation, and the National Council for Voluntary Organisations.
- 30 The Conservative governments of the 1980s and 1990s encouraged the belief that market principles had the benefit of making the health and social care services much more responsive to the needs of the consumer. This notion was crystallised in John Major's administrations when, in 1991, he put forward the series of scheme under the Citizen Charter.
- 31 Although it should be noted that such poor working conditions can equally apply to the private sector as well.
- 32 More recently, of course, the National Lottery has been accused of detracting from charitable donations by the public.
- 33 However, once again, it should be recognised that advocacy functions can also come from within the statutory social services themselves. For example, the Association of Children's Officers and the Association of Child-Care Officers assumed the role of pressure groups – albeit briefly – with the establishment of a statutory preventive service for children at risk in their homes (Warham, 1970, p. 177).

Chapter 4

- 34 The 1988 Local Government Act introduced competitive tendering for (1) refuse collection; (2) the cleaning of buildings; (3) other cleaning such as street cleaning and litter collection; (4) school and welfare catering; (5) other catering such as staff restaurants and canteens; (6) ground maintenance; (7) the repair and maintenance of vehicles.
- 35 However, it is recognised that the direct transferability of the voluntary sector experience of purchase of care in the United States has limitations. While it might contain some important lessons about process and procedures, the dynamic and powers of relevant participants differ from those in Britain.
- 36 There is evidence of this in Britain too. The voluntary organisation 'Scope', for example, says that the charity is currently subsidising contractual agreements by up to £2 million a year by using voluntary income (*The Guardian*, 28 October 1998).

Chapter 7

- 37 The way in which voluntary organisations perceive this dependence on statutory sector funding is explored in Chapter 8.
- 38 Overall, however, it should be said that the findings in the present study are in line with the research conducted in Britain by Russell and Scott (1997) who found that only ten per cent of the contractual agreements they studied had been subject to the competitive tendering process with the majority of agreements being the result of a direct offer from the purchasing body to the voluntary provider.
- 39 The following chapter provides examples of where local authorities do not fund the total cost of services and where voluntary providers have subsidised services.

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APPENDIX I

Information sent to research participants prior to personal interviews

Letter sent to all respondents before personal interview

Interview schedules

Voluntary agency interview schedule # 1

Voluntary agency interview schedule # 2

INFORMATION SENT TO RESEARCH PARTICIPANTS PRIOR TO PERSONAL INTERVIEWS

Dear [name of participant],

I am writing to ask whether your organisation would be willing to participate in some personal research that I am conducting in the [name of locality] area.

I am a research student at the Centre for Regional Economic and Social Research - which is a research institute located at Sheffield Hallam University. The study I am making is funded by a University research grant and is entirely independent of any other organisation.

The project examines the way in which local authorities and voluntary sector organisations are responding to the introduction of service agreements and contracts in the field of social care. It will explore contracts and funding agreements and consider how the relationships between social services departments and voluntary agencies are changing as a result of these developments.

I have found that there is very little existing research into the application of contractual agreements and the issues it raises for both purchasing and providing organisations. It is the purpose of this study to begin to fill this gap. The project is being conducted in four local authority areas as case studies. Semi-structured interviews will be undertaken.

I would be grateful to know if your organisation is willing to take part in the study. If so I will telephone you and make suggestions of dates and times when I might come and see you. May I emphasise to you that this is an entirely independent piece of research and any results relating to your organisation's involvement will be **treated with absolute confidentiality**. The results of the research will not identify the views of any individual participant or the name of the organisation you work for.

I would be pleased to answer any question you may wish to ask before giving me your reply. I can be contacted at the above address and telephone number. You can send your reply in the pre-paid reply envelope that is enclosed. Thank you.

Yours sincerely,

Malcolm Todd
Research Student

INTERVIEW SCHEDULES

VOLUNTARY AGENCY INTERVIEW SCHEDULE # 1

Sample Number _____

Date _____

Time Started _____

Time Finished _____

Preamble (read aloud)

My name is Malcolm Todd. Thank you for agreeing to see me. As you will know from my letters and telephone conversations with you, I am researching for a PhD at Sheffield Hallam University, looking at the experiences of voluntary sector managers in social care agreements with local authority social services departments. It is very kind of you to agree to participate in the study. Do you mind if I tape-record the interview? You are free to turn the machine off at any time you wish [show respondent how tape recording machine works]. But I can assure you that all the information you provide will be confidential and you will not be identified by any means. Please feel free to tell me of anything that you think might be of interest to my research.

Section A

General Background Information

(This list of questions sent to respondent one week in advance of interview)

I would like start by asking you to provide me with some basic background information on your organisation:

1. Name of agency
2. Address of agency
3. Name of respondent
4. Respondent position in organisation
5. What is the main function of the organisation * who is your main client group/s

6. How many staff does your local agency employ * please indicate if full or part-time
7. Do you rely on volunteers? * if so, how many, what hours do they work, and what part of the service are they involved with?
8. To what geographical areas do you provide services?

Section B

Funding Sources

In this section I would like you to tell me about the funding sources of the agency:

1. What was your total income for the last financial year?
2. What source/s of income do you currently use and for which services?
3. Approximately what proportion (in per cent terms) of your finances are derived from the following sources:

- grants;
- contracts/service agreements;
- legacies;
- fund-raising;
- others (please specify).

Section C

Information on Contracts and Service Agreements

In this section I would like to talk about the contracts/service agreements that you currently hold:

1. What service agreement/s or contract/s do you currently have?
2. What is the financial value per year of these agreements?
3. What is the name of the purchasing organisations you are contracted with?

Section D

Documentation

Would you please provide me with the following documentation:

1. - copies of contracts and service level agreements
2. - annual reports
3. - brochures/leaflets for clients, the public
4. - copies of any correspondence with local purchasing organisations

VOLUNTARY AGENCY INTERVIEW SCHEDULE # 2

Section A

General Information

1. What role do you think your agency plays in the local community?
2. Is there anything that makes your organisation different to other independent sector providers in the locality? * If so, what?
3. What are relationships like with statutory agencies?
4. What does the term 'service agreement/'contract' mean to you?
5. I see from our previous interview that _____ of your income comes from contracts.
6. Why have you pursued 'contracting' finance as opposed to other forms of funding?
7. Have you looked for alternative funding from the statutory sector? * If yes, what type? * if no, for what reasons?

Section B

Negotiating the Agreement

1. Can you tell me about who took the initiative to form the agreement you have with social services?
2. Can you describe to me how the agreement was drawn up?
3. Who was involved with drawing-up the agreement? * from your organisation and from the social services department?
4. How long did it take to negotiate the contract from the beginning of the process to its completion?
5. Have you turned to any outside organisation for advice and information on contracting issues? * If yes, which one/s?
6. Did you take any professional/legal advice whilst negotiating the agreements?
7. Were there any problems with the negotiation process with the social services? * if yes, what were they? * were these problems resolved? * how do you feel the negotiating process went?

Section C

Monitoring

1. How would you describe the arrangements for monitoring the contract?
2. What types of information are required by the purchaser organisations for the monitoring of the agreements?
3. In what forms is this information fed back to social services? * reports / meetings / etc.
4. What is the frequency of this feedback?
5. How long does it take for you to put this information together?
6. What is your attitude to the issue of monitoring?
7. Do you see any advantages arising from monitoring? * any disadvantages?

Section D

The Impact of Contracting

1. Do you think contracting created any demands for staffing within the organisation? * if yes, in what ways
2. Have you had to make any changes to the way in which your organisation is run? * if yes, in what ways?
3. Has your own job profile changed? * if yes, in what ways?
4. Has contracting had any implications for volunteers? * if yes, what are these?
5. Has contracting placed any new demands on management committees? * if yes, what are these?
6. What do you think are the main advantages for your organisation of contracting with a statutory sector purchaser?
7. What do you consider to be the main disadvantages for your organisation?
8. If you could make suggestions for improving the contracting process what would these be?

Section E

Relationships Between Voluntary and Social Services Departments

1. What is your view about the nature of your relationship with the social services departments
2. Do you think that your relationship with the social services department has changed since entering into the agreements? * in what ways?

3. What do you think is the most important elements of this relationship?

Section F

Other questions?

1. Is there anything about your experiences of contracting with the local authority which I have not covered and, which you think is worth mentioning?

LOCAL AUTHORITY SOCIAL SERVICES DEPARTMENT INTERVIEW SCHEDULE

Sample Number _____

Date _____

Time Started _____

Time Finished _____

Preamble (read aloud)

My name is Malcolm Todd. Thank you for agreeing to see me. As you will know from my letters and telephone conversations with you, I am researching for a PhD at Sheffield Hallam University, looking at the experiences of voluntary sector managers in social care agreements with local authority social services departments. It is very kind of you to agree to participate in the study. Do you mind if I tape-record the interview? You are free to turn the machine off at any time you wish [show respondent how machine works]. But I can assure you that all the information you provide will be confidential and you will not be identified by any means. Please feel free to tell me of anything that you think might be of interest to my research.

1. What do you think are the benefits of dealing with the voluntary and community sector?
2. Are there advantages that the voluntary sector have that other independent sector providers do not? Provide examples.
3. What do you think are the problems of dealing with the voluntary sector?
4. When introducing contracting for social care services did the local authority consult with the voluntary and community sector about the changes?
5. If yes, what format did this take?
6. Did the voluntary sector have an input into the contracting policy?
7. What are the principles that guide your relationship with the voluntary sector? Any documentation on this?
8. What types of arrangements are in place for contracting with voluntary providers? Spot/block contracts?
9. What do you think are the advantages of contracting in comparison to grant-aid funding?
10. What do you think are the problems?

- 11.Has the local authority provided any documentation/guidance notes on contracting?
Can I see these?
- 12.How does the SSD choose which voluntary organisation to contract with?
- 13.What form do these negotiations take? Drafting, changes, etc.
- 14.Who is involved from the local authority?
- 15.Any problems experienced with negotiating agreements? Provide examples?
- 16.How long does it take to negotiate and put the agreement into place?
- 17.Do local authority staff sit on the committees of voluntary groups that are under contract with you?
- 18.What is the local authorities policy on the monitoring of agreements?
- 19.What type of information are you looking for in the monitoring?
- 20.Have you experienced ant problems with the monitoring issue?
- 21.What demands has the introduction of contracting made on the SSD? Skills, etc.?

APPENDIX III

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