

Value for Money or Tesco-isation?

The third sector is being love bombed by a Government keen to increase the involvement of charities in public service delivery. But a new report by the Charity Commission warns that there are many risks attached to delivering public services, something many substance misuse charities know about already.

What is the gist of the report?

The report, *Stand and Deliver - the future for charities providing public services*, suggests that there are as many risks as opportunities, attached to the Government's enthusiasm for engaging voluntary sector providers more, in delivering public services. It suggests that many smaller and medium-sized charities are not able to compete for contracts, where as those that can, risk short term funding arrangements, a "slow leeching" away of assets through only partial cost recovery, "mission drift" and creeping Tesco-isation.

Relevant to the drug and alcohol sectors?

Yes. Managers of treatment agencies can relate to a lot of what the report has to say. Most depend on statutory sources, such as drug action teams and primary care trusts, for the vast majority of their income, and most are by now used to the commissioning process. There is already intense competition for government funding, and this is likely to increase over the next couple of years as the drugs funding boom, and most likely ring-fencing, ends. At the same time, the introduction of contestability to probation services, and changes in the NHS, are likely to open up new opportunities for voluntary providers.

What does the report base its conclusions on?

Stand and Deliver is based on a survey of 4000 charities. The survey asked about organisations size, involvement in public service delivery, and the impact this has had on their governance and financial stability.

The survey found that large charities are very heavily dependent on government funding - the bigger the charity, the bigger, in general, the dependency - while small and medium sized charities are less so. It found

that two thirds of all funding agreements with charities for public services, are for only a year, and that full cost recovery is still a long way off. Only 12% of charities reported that they obtain the full costs in all contracts, while more than 40% said they do not recover the full cost of any service. Larger charities, however, are better able to achieve full cost recovery.

The survey also found that involvement in public service delivery impacted on organisations' direction and independence, with charities in receipt of state funds, less likely than others, to report that their activities are determined by their mission, rather than by funding opportunities.



BRIEFING

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What do substance misuse charities have to say ?

Substance misuse charities readily admit they do not think they are treated as equals, when dealing with government agencies. They say the picture on full cost recovery is mixed, but that providers themselves can be complicit in this.

They agree with the Charity Commission's conclusion that there is a large capacity gap between big agencies, with the resources and cost economies to make successful bids, and the dwindling number of smaller local providers, who are less well equipped. Smaller providers complain this is made worse by a "one-size-fits-all" commissioning mentality, that favours the spread of a generic service blueprint, much like a franchise.

But some providers argue commissioning has its advantages. One said the commissioning process is more transparent and less paternalistic, than funding from charitable trusts. He believes

it provides an opportunity to build a relationship with local commissioners - something that is difficult to do with a charitable trust - so that if a service performs well, there is a good chance it will be recommissioned.

On the question of independence, voluntary providers agree that government funding impacts on their autonomy, and most are wary about being critical about developments in public. One manager said he was sometimes asked by the local PCT to do media interviews on alcohol misuse, but felt constrained in what he could say, because his service relied on it for funding.

As for so-called "mission drift", some stated this is less of an issue for charities involved in service delivery, rather than advocacy or campaigning work. But others contend that the huge injection of Drugs Intervention Programme money into the system, has prompted some charities to lose sight of their objectives, while the increasing competitiveness of the sector, is at least partly down to charities behaving in a distinctly uncharitable way. "It can be very predatory," said one provider.

Why is the Government so keen on the voluntary sector anyway?

The Labour Government has consistently talked up the merits of the third sector and its ability to deliver flexible, innovative, user responsive services. The rhetoric fits neatly with its policy of opening up large chunks of public services to competition, in the belief that a mixed market of providers will drive up standards and deliver best value for money. The voluntary sector compact, now known as the Compact, was launched to help the voluntary sector deliver public services, while last year, an Office of the Third Sector was set up, under third sector minister Ed Miliband, to further promote development in the sector.