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## **The uneven impact of austerity on the voluntary and community sector: A tale of two cities**

### **Abstract**

There has been much debate about the impact of recession and austerity on the voluntary and community sector (VCS) over recent years. Using secondary data from the 2008 *National Survey of Third Sector Organisations* (NSTSO), Clifford et al (2013), writing in this Journal, have argued that voluntary sector organisations located in more deprived local authorities are likely to suffer most due to the combined effect of cuts in government funding in these areas and their greater dependency on statutory funding. This paper develops this argument by exploring the sector's changing relationship with the state through an empirical analysis of the differential impact of recession and austerity on VCS organisations involved in public service delivery in the two English Core Cities of Bristol and Liverpool. This paper highlights how the scale and unevenness of public spending cuts, the levels of voluntary sector dependency on statutory funding and the rising demands for the sector's services in a period of recession and austerity are being experienced locally. It portrays a sector whose resilience is being severely tested and one that is being forced rapidly to restructure and reposition itself in an increasingly challenging funding environment.

### **Key words**

Voluntary and community sector, recession, austerity, New Labour Government, UK Coalition Government, Liverpool, Bristol.

## **Introduction: The voluntary and community sector and its relationship to the state**

While the diversity of its institutions and range of activity make the VCS difficult precisely to define (Kendall, 2012) it can nevertheless be conceptualised as constituting part of the ‘strategic unity’ of the third sector operating between state and market (Alcock, 2010a). As part of this broader third sector, voluntary and community sector organisations deliver services to parts of society that the state and private sectors cannot or will not reach (Fyfe 2005).

The sector’s economic and social impact in the UK is significant. According to the latest *UK Civil Society Almanac*, there are around 161,000 registered voluntary sector organisations operating in the UK employing some 800,000 people, producing a total Gross Value Added of £11.8 billion (Kane et al, 2014). The sector’s total income in 2011/12 was some £39.2 billion, up from £29.4 billion ten years earlier, a one-third increase (Clark et al, 2012).

Over a fifth of all registered organisations are involved in social service delivery, including child welfare, youth services and welfare, family services, services for the disabled, services for the elderly, self-help and other personal social services. A tenth of all registered organisations are involved in ‘development’ activities, providing services aimed at improving general economic and social well-being (Kane et al 2014). The VCS also fosters and supports volunteering, recently acknowledged as a ‘hidden jewel’, both economically and socially, by the Bank of England’s lead economist, Andrew Haldane (2014, p.19). The ONS has estimated that formal volunteering contributes £23.9 billion, or equivalent to just over 1.5% of national Gross Domestic Product (ONS, 2013).

The interdependent relationship of the VCS with the state is particularly crucial (Salamon 2000). While the state provides an overarching potentially supportive framework for the sector's activities, the relationship also creates a tension over the sector's autonomy and independence (Wittenberg, 2007). And, as Salamon (2000) argues, the voluntary sector, just like the state and market, also faces limitations in meeting public needs, namely: philanthropic insufficiency (lack of funds); philanthropic particularism (limitations caused by the narrow set of causes supported by donors); philanthropic amateurism (resulting from services run by volunteers); and philanthropic paternalism (limitations to services caused by the perception of problems as seen from the perspective of the donors/trustees/workers/volunteers, rather than as viewed by the service users) (see also Clifford et al, 2013; p.961). The sector's attempts to address these philanthropic limitations are conditioned by its positioning between state and market, but especially its relationship with the former in terms of funding which most directly helps address the problems of philanthropic insufficiency and particularism.

In this paper, we explore the relationship between the state and the VCS and how this has been conditioned by recession and austerity. In the next section we set the national context contrasting the growth years of the New Labour Government with the retrenchment of its Conservative-Liberal Democrat Coalition successor. We then turn to a discussion of the impact of recession and austerity on the sector and the sector's responses in two English cities, Bristol and Liverpool. This discussion draws on a recently completed research project that explored the impact of recession on these two cities. In the concluding section, we summarise the argument and draw out implications from Bristol and Liverpool's experiences for the future development of the sector as a whole and for service users.

## **The voluntary and community sector – changing times, changing pressures, changing state-sector relationship**

In the UK, the past two decades have illustrated just how sensitive the sector is to the economic and political conditions in which it operates. It is a period in which these conditions have been dramatically transformed. The election of the ‘New Labour’ government in 1997 with its ‘Third Way’ politics also set a political context in which the voluntary and community sector engaged - in varying degrees of contestation - with a reconstituted, ‘enabling’ state and a general turn to communitarianism (Alcock, 2010b; Alcock and Kendall, 2010; Carmel and Harlock, 2008; Macmillan, 2011). The sector was promoted through a narrative in which it was represented as the intersection between neo-liberalism and neo-communitarianism, and the ‘organised vanguard’ of civil society’ (Fyfe, 2005; p.539) which, along with novel governance structures, helped create the environment and capacity within the sector, that enabled it to grow and increase its involvement in service provision.

Under New Labour the income of the VCS involved in public service delivery increased significantly. Clark et al (2012) note that since 2003/04 earned income has become the sector’s main source of income, accounting for well over half (55%) of total income to the sector by 2009/10. A large part of this increase came from earned income from statutory sources (or contracting work for public sector bodies), which increased by 157% since 2000/01, standing at £10.9 billion in 2009/10. Total income (voluntary and earned income) from statutory sources had reached £13.9 billion by 2009/10, a real term increase of 61% since 2000/01. Local government made up the largest proportion of this income, totalling £7.0 billion (51% of the total), followed by £6.1 billion from central government and the NHS (44% of the total), and £0.8 billion (6% of the total) from international sources.

But the economic and political conditions in which the sector operated was dramatically changed in the post-2008 years of recession and the Coalition Government's post-2010 austerity programme, with the sector again at the forefront of political debate, this time in the guise of political narratives surrounding 'Big Society' and 'localism' (Milbourne, 2013).

Despite policy rhetoric to the contrary, between 2010/11 to 2011/12 total Government funding to the voluntary sector fell by £1.3 billion in real terms (8.8%), and by a greater proportion than total Government spending cuts - showing the sector has been disproportionately hit during the current period of austerity (Kane et al, 2014; p.46).

Macmillan (2011) argues that the Coalition Government's deficit reduction programme will have far reaching consequences in terms of the size, shape and reach of the voluntary sector, with organisations being forced to close or contract their services (p.115). In addition to significantly reduced public funding, the sector is also facing large reductions in donations from the public, with findings from the 2011/12 UK Giving report (NCVO and CAF, 2012) showing donations to the charitable sector hitting an all-time low (in real terms) of £9.3 billion, the lowest since the survey began in 2004, and 20 per cent lower than the total from 2010/11. Simultaneously, many voluntary sector organisations are also facing increasing demands for their services (Price Waterhouse Coopers, 2012; Davidson and Packham, 2012; Church Urban Fund, 2012), in the face of what some reports refer to as the 'perfect storm' of falling incomes, rising prices, public service cuts, benefit cuts, housing crisis, and weakening labour markets (Oxfam, 2012).

Responding to criticisms of the deficit reduction programmes impact on the voluntary sector, the Coalition Government cites the measures it has introduced to support the sector, notably through its £470 million funding of the Office of Civil Society and key initiatives like the £100 million Transition Fund. The Government also argues, using data from the 2008

NSTSO, that only 14% of VCS organisations regard statutory funding as their most important source of income (House of Commons Public Administration Committee 2011) and therefore most will be relatively unaffected by public expenditure cuts. But several studies challenge this argument. Levels of voluntary sector dependence on statutory funding vary considerably, according to geography, beneficiary group type, and levels of deprivation (Clifford et al, 2010; Mohan, 2011; Patte and Johnston, 2011; Power, 2011; Stott and Longhurst, 2011). Using data from the same 2008 NSTSO used by the Government, Clifford et al (2010) identify a broad North-South contrast: with around 33 per cent of VCS organisations in London and the South East receiving public money, compared to 42 per cent in the North West and North East. They also show that organisations in the most deprived parts of the country (with an Index of Multiple Deprivation – IMD - score of 65 or more) are nearly four times more likely to report public sector funding as their most important source of income, than organisations in areas with an IMD score below 10.

Research undertaken by ACEVO on applications to the Government's Transition Fund shows a very strong relationship between cuts in statutory funding to the VCS and levels of deprivation. Nearly 2,000 organisations applied to the Fund in the 20011/12 financial year, with an overall total of £524.4 million cut in funding and an average loss of income of 45 per cent reported by those applying (ACEVO, 2011; p.2). ACEVO notes a clear link between the level of cuts and the area in which organisations are based, with 66 per cent of the total cuts reported in the 25 per cent most deprived local authority areas, compared with just 7.5 per cent of total cuts to organisations in the 25 per cent least deprived areas (ibid, p.2).

Research by Hastings et al (2012) and Clifford et al (2013) also shows that the most deprived local authorities in the country have faced the greatest reductions in funding from central government. Clifford et al (2013) have argued, in this Journal, that voluntary sector organisations based in the most deprived local authorities will bear the brunt of Government

funding cuts, due to the compound effect of larger cuts to these local authority budgets and the higher dependence on such funding streams within these areas (p.973). This impact will be a greater likelihood of voluntary failure in these places - places where the need amongst the public for its services are greatest. Lindsey (2013) in her comparative study of voluntary sector activity in one deprived and one affluent area, also shows that the central ethos of the Big Society agenda, of the state rolling back and expecting civil society to pick up the pieces, in the face of austerity, is questionable in more deprived areas (p.113). While affluent areas have a civic core made up of cash and time rich volunteers, with an abundance of skills and networks, more deprived areas suffer from a civic core which lacks the time, financial resources, skills set, or confidence to take up the Big Society challenge (ibid, p.114).

### **Recession, austerity and the repositioning of the voluntary sector in Bristol and Liverpool – impact, coping strategies and opportunities**

#### *The two cities*

Bristol and Liverpool share similarities and differences which make them interesting cases for comparison. Both owe much of their early growth to their respective ports during the industrialisation period, but have led rather different trajectories over the past half century with Bristol's relatively uninterrupted growth contrasting with Liverpool's only recently reversed decline (Kennett et al, 2013). Both have a vibrant and active voluntary sector (for Bristol, see Amin, 2002; for Liverpool, Jones and Meegan, 2015), with roots dating back to the early philanthropic merchants who invested heavily in both cities (Lansley, 2010; Gorsky, 1999). Both cities have roughly the same number of registered voluntary sector organisations: 1,428 in Bristol and 1,332 in Liverpool (Cabinet Office, 2010). But the balance of activities is different reflecting differences in the scale and pattern of service need. Compared with Bristol, Liverpool has proportionally more organisations involved in community development



and mutual aid, economic well-being, training, health, capacity building, cohesion/civic participation and culture. Bristol has proportionally more organisations involved in education and life-long learning, the environment and sustainability and leisure (Cabinet Office, 2010). The sector in the two cities is also differentially dependent on public funding. Analysis of the NSTSO by Clifford et al (2010) shows that one half of VCS organisations in Liverpool receives public funding compared with 41% in Bristol (Figure 1). Of the eight core English cities, Liverpool is ranked second equal and Bristol last. As Figure 1 also shows, Liverpool also has a higher proportion of VCS groups stating that public funding is their most important funding source, 27%, compared to 21% in Bristol. Of the eight core cities, this again ranks Liverpool second and Bristol last.

***Figure 1 Around here***

*Methods*

In the discussion that follows, we draw on research involving semi-structured interviews with 8 VCS organisations and two workshops. All the organisations were involved in some form of public service delivery: 2 voluntary sector infrastructure service organisations (1 in each city) and 6 front-line service providers (3 in each city) providing welfare and debt advice, refugee support and training. A total of 16 interviews were conducted: 8 interviews during October 2011; 6 follow-up interviews during November 2012 and a further 2 follow-up interviews with 2 of the infrastructure organisations which took part in 2011 and 2012, during January 2014. 6 sector representatives (3 from each city) also took part in discussions at workshops in each city, in November 2013. While the small sample size means that responses need to be treated with caution, we would argue that the findings resonate with and build on current debates on the sectoral impact of recession and austerity. The interviews were part of a wider research project exploring the impact of recession and austerity on

Liverpool and Bristol.<sup>1</sup> Quotes from the interviews are used throughout the paper, supplemented by secondary data and a mixture of academic and non-academic literature. While we recognise the caveats and cautions regarding the latter (see Mohan and Wilding, 2009), we attempt to triangulate it with academic literature and the interviews we conducted.

### *Public funding cuts in Liverpool and Bristol*

Liverpool received a greater cut to its financial settlement compared to Bristol. Between 2011-12 and 2012-13, it had a 20 per cent reduction in its revenue spending power compared with the reduction of just under 7 per cent in Bristol (DCLG, 2011). The City Council is no stranger to coping with stringent centrally-orchestrated expenditure cuts. In the early 1980s, its Labour Party administration led by a far-left ‘Militant’ group directly challenged the spending cuts introduced by Margaret Thatcher’s Conservative Government (Parkinson, 1985; Frost and North, 2013). Its failure to set a legal budget as part of its challenge eventually led to the surcharging and disqualification from office of the majority of its councillors. The Council’s unbending ‘municipal socialism’ - expressed most notably in a programme of council housing – and constrained finances left little space for support for the VCS. Its political priorities lay firmly elsewhere and indeed on occasion brought it into direct conflict with parts of the sector; highlighting, in the process, the degree to which the sector’s relationship with the state is mediated at both national and local levels of government.

Public expenditure cuts inevitably filter through to the VCS. Between 2010 and 2014/15 the VCS in Liverpool is facing a cumulative 30 per cent cut in its funding from Liverpool City Council (Liverpool City Council 2014a). A survey of the sector in Liverpool (LCVS 2011) revealed that 84 per cent of organisations had faced cuts in funding. Those interviewed as

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<sup>1</sup> This paper draws on research funded by the Economic and Social Research Council, ‘The uneven impact of economic recession: Bristol and Liverpool compared’ (Research Project RES 062 23, 2693). It included a survey of 1013 households and interviews with stakeholders from across the public, private and voluntary sectors.

part of our research saw the withdrawal of area-based grants as having made the greatest difference to their income levels:

*“[After] the general election the cuts started...[and] we lost eighty grand of our core funding...more than half of our income...That was entirely down to area based grants, which were abolished.”* [Liverpool VCS organisation, November 2011]

VCS organisations in Liverpool were acutely aware how the Government’s austerity programme had disproportionately affected their local authority, and were feeling the consequences:

*“The Government’s approach was instructive in that they didn’t do an across the board percentage cut for all local authorities, which would have eased the pain. What they did was to take away all the additional grants that are given to deprived areas that are given to mitigate the impact of poverty and market failure. So we lost in Liverpool the housing market renewal; we lost Schools for the Future; we lost area based grants...We’re facing cut upon cut.”* [Liverpool VCS organisation, October 2011]

Interviewees sympathised with the City Council’s funding difficulties and recognised the attempts it had made to shelter the sector, as much as possible, from the full force of the budgetary cuts it was having to make. While the sector is facing a cumulative cut of 30 per cent in its city council funding between 2010/11 and 2014/14, the council itself is having to cope with a 41 per cent funding cut over the same period (Liverpool City Council 2014a):

*“I think by and large the council has done the best it can with what they have been given....They like other councils have been dealt a blow by this Government,*

*that is based on ideology and not budget...[The Council] are damned if they do and damned if they don't to be honest.*" [Liverpool VCS organisation, January 2014]

Organisations in Bristol have also felt the consequences of reduced funding. For example, research by the Bristol based voluntary sector representative organisation, VOSCUR, revealed that 72 per cent of organisations had reported cuts in their funding during 2010, although this had dropped to approximately 40 per cent in a repeat of the survey during 2012 (VOSCUR, 2012; p.18). The sector received a 11 per cent cumulative reduction in funding from Bristol City Council between 2011/12 and 2012/13 (VOSCUR, 2013). And some organisations had experienced these reductions in funding when interviewed:

*"You don't have to look very far to see agencies which are entirely folded and stopped altogether because of the economic downturn...or services which still exist, but exist on a much reduced basis."* [Bristol VCS organisation, October 2011]

In both cities, it was those organisations serving the most deprived and vulnerable groups that had borne the brunt of funding cuts. VOSCUR's (2012) survey revealed that those groups most affected by the cuts, were often those working with the most vulnerable: young people; older people; refugees and asylum seekers; BMS groups; disabled people and children (p.19). Similarly, in Liverpool organisations working in some of the most deprived neighbourhoods of the city and with the most vulnerable groups have been hardest hit. Over two-fifths of organisations surveyed by LCVS (2011) stated they had reduced the number of staff they employed and had been forced to implement service reductions in the following areas: welfare benefits, debt and housing advice; employment legal advice; business support; after school and holiday provision for children; educational workshops and classes for young

people ‘Not in Education, Employment or Training’ (NEETs); services to homeless people; services to older people; services to BME groups (p.7). Moreover, in Liverpool, it was the organisations working mainly in deprived areas and with vulnerable people that had been forced to cease services completely. Examples included gardening projects for people with learning difficulties; a free clothing and meals service for marginalised people; and services for young offenders (p.7). These cuts and the impacts on deprived communities and disadvantaged groups were strongly evident in our research:

*“We lost about half of our local authority [financial] support. That particularly impacted our refugee support work, because all of that had been funded either by area based grants, which no longer existed, or CRU [Liverpool City Council Community Resource Unit funding], which was cut in accordance with the Revenue Support Grant [from central government]”* [Liverpool VCS organisation, November 2011]

#### *Dependence on statutory funding*

As noted earlier, evidence from the NSTSO shows that a higher proportion of the VCS in Liverpool are more dependent on public funding than those in Bristol. It was particularly evident in the former that organisations dependent on statutory funding were now struggling financially to stay afloat:

*“There’s nothing out there funding wise. We’re all struggling and all going after the same funding pots at the same time.”* [Liverpool VCS organisation, November 2011]

In Bristol too, some organisations that had been reliant on public funding, had also been negatively affected:

*“Being too dependent on one source of funding is really unhealthy...So [for us] to be that dependent on the [city] council was always not [a] very clever [strategy].” [Bristol VCS organisation, October 2011]*

### *Struggling households and increasing demands on the third sector locally*

The increasing demand on VCS organisations from struggling households was repeated in the interviews. Advice organisations in both cities had seen a surge in demand for their services, and our interviews echoed findings from recent reports highlighting the growing demand for advice relating to welfare issues and debt, as a result of significant welfare reform changes, falling real wages, rising underemployment and the ‘cost of living crisis’ (Sigafos and Morris, 2013; Citizens Advice Bureau, 2012; Bristol Advice Network, 2012):

*“For our organisation and other organisations it has been a gradual increasing of pressure throughout the ciperiod [of austerity]...We are seeing in the general population more impact, [shown] through the growth of food banks for example; greater pressure on people looking for charitable help...We make grants to people in poverty or people who are sick and in poverty, and we’re seeing a real steady pressure on those funding streams.” [Liverpool VCS organisation, December 2012]*

*“We’ve had a 15% increase in demand for the service this year [2011]...It could be higher, but we can only cope with as much as we can cope with...We’re turning people away all of the time.” [Bristol VCS organisation, October 2011]*

Evidence from a survey we conducted of 1,000 households in Bristol and Liverpool during the winter of 2011 shows that it is low income and the most vulnerable households that are

bearing the brunt of the economic downturn and current period of austerity.<sup>2</sup> Households were asked which organisations they had sought for financial help over the past three years. Those from lower income groups were far more likely to have used the services of third sector organisations. For example, while just over a tenth of the sample had sought advice from the Citizens Advice Bureau (CAB), this was much higher amongst lower income families, with around a fifth from each of these groups having sought advice from this source. Similarly, while overall only 3 per cent of the sample had sought advice from a welfare rights advisor, three times as many low income families had done so.

With a greater share of Liverpool's population coming from low income households, compared to Bristol,<sup>3</sup> its VCS organisations are more likely to face a greater demand on their services.

### *Coping strategies and opportunities*

The VCS in both cities had responded to the current climate of austerity by employing a number of short-term 'survival' strategies combined with other approaches to sustain their services over the medium to longer term. While many faced very real challenges to the services they were able to provide, some also recognised that the present climate had given them the opportunity to be more innovative and to try different approaches that might not have been attempted had they not been presented with such a challenging funding scenario. While there were identifiable limitations and risks to some of these new approaches, positive new ways of working were beginning to emerge.

### *Short term survival strategies*

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<sup>2</sup> The survey was conducted by Ipsos MORI using, as a population frame, a geodemographic segmentation – 'A Classification of Residential Neighbourhoods' (ACORN).

<sup>3</sup> According to the 2010 IMD two-fifths of Liverpool's neighbourhoods are located in the 10% most deprived in England, compared to just over a tenth in Bristol (Liverpool City Council 2010; Bristol City Council 2010)

Organisations in both Liverpool and Bristol recognised that the current period of austerity, and the combined forces of decreased statutory funding, decreased charitable giving, and increased demand from vulnerable households, were a ‘perfect storm’ for parts of the sector involved in public service delivery, and that only the strongest organisations would survive. Staff cuts, wage freezes, rolling monthly contracts, and the use of financial reserves were all commonly reported as strategies to keep going in the short term:

*“You don’t have to look very far where the voluntary sector is concerned to see agencies which are entirely folded and stopped altogether because of the economic downturn...Immigration Services over the road went from 12 staff to one...That’s not even sustaining a service...basically all that person is doing is putting the organisation to pasture, concluding all existing case work with a view to ending the service.”* [Bristol VCS organisation, October 2011]

*“In April 2011 we laid off 60 per cent of our staff...34 people out of the door...That hurt.”* [Liverpool VCS organisation, October 2011]

Organisations with some financial reserves had used these to maintain their operations. But there was recognition that the longer austerity prevailed, then the more precarious and fragile their position would become. Some organisations were already entering the throes of closures their reserves continued to dwindle:

*We had about £60,000 reserves in February [2011]...That’ll be down to £20,000 in the new-year [2012], and when we hit that we start winding up as an organisation.”* [Bristol VCS organisation, October 2011]

One VCS organisation in Liverpool provided a stark city-wide overview of the current situation facing many community and voluntary sector organisations they served:



*“Voluntary organisations have been living off their reserves and they’re at the point now where for many they’re operating as a shell of their former selves so that they have reduced their full time staff or even down to zero and they’re just operating as volunteers and looking for better times.” [Liverpool VCS organisation, December 2012]*

### *Medium and longer term strategies – seizing new opportunities*

Three key strategies for maintaining services into the medium and longer term appeared to be emerging in Liverpool and Bristol: increased collaboration and partnership working; charging for services; and strategic efforts to access more local philanthropy from big business.

*Increased collaboration.* For some organisations there had been a conscious strategic decision to undertake more collaborative working, as a means of maintaining their operations, albeit more slimmed down, into the long term. In Liverpool one VCS organisation had, since the 2008 recession, been attempting to develop more collaborative working. Acting as the lead organisation, the aim is to pool resources from charitable, private and public sector sources, around a common social impact and draw in various third sector partners to deliver a funded programme that it would manage. This model was seen to have several advantages, including: less reliance on single source (statutory) funding; more control and independence (by the voluntary sector) over the types of programmes that it delivered; more networking support between VCS organisations; and longer term financial sustainability. In 2012 the organisation had launched its first programme under this collaborative approach, developing the literacy skills of children under the age of five, in one of Liverpool’s most deprived neighbourhoods, Everton:

*“We realised we needed to be able to stand separately, not that we didn’t need public funding, but we had to be bringing something to the table in our own right.*

*So we've positioned ourselves as a backbone organisation, a coordinator that is trying to bring resources together, to mobilise resources from the private sector, from charitable trusts, and bring in local [VCS] organisations to achieve a particular [social] aim..."* [Liverpool VCS organisation, December 2012]

Other organisations had entered into collaborative arrangements as a result of the requirements of their funders:

*"People are working more in collaboration...The Big Lottery, for example, has recently introduced a channel for funding which is intended to be collaboration between housing providers and debt advice providers."* [Bristol VCS organisation October 2011]

Organisations in Bristol noted the recent shift by the city council, just prior to the Coalition Government coming to power, away from grant giving to commissioning services from the VCS. This process had forced many organisations to adopt a more collaborative approach towards public sector service provision, and for those who had been successful this was seen as a positive development, which secured their finances into the medium term, at least.

*Charging for services.* A number of organisations in Liverpool and Bristol had begun charging for their services and had introduced membership fees as a means of developing an additional source of income:

*"We're selling our services as a business concern, rather than as a charity or as a voluntary organisation."* [Bristol VCS Organisation, October 2011]

*"Our traditional services, such as specialist business support for the voluntary sector; we only give a small amount of that service for free, the rest of it is chargeable."* [Liverpool VCS organisation, December 2012]

But there were stark warnings from some organisations, particularly those in Liverpool that this model of charging for services inevitably led to provision and support becoming increasingly channelled towards those who could afford to pay. Again, less well-off organisations and people would miss out, often in the most disadvantaged areas:

*“We’ve introduced charging for services...But it does skew the support because it means that it goes to those who can pay...and [disadvantaged] areas of the city where we would like to invest time and energy...we’re limited how much we can [help]...In the longer terms it means those areas that are most disadvantaged are also furthest away from support of an organisation like ours.”* [Liverpool VCS organisation, December 2012]

*Efforts to access more local philanthropy from businesses.* Some VCS organisations in Liverpool and Bristol were attempting to plug the gap in statutory income by securing funding from local businesses. While for infrastructure organisations, the catalyst for this strategy may well have stemmed from changes to the wider policy environment, which has sought to encourage more engagement with the private sector, particularly as part of their application for TLI funding (Bashir et al, 2013). For others working at the front line, it was seen as a necessary strategy to try and plug the funding gap they were now facing:

*“I’m trying to put a funding strategy that covers things we don’t often look at like private donors [and] company giving...Whether we get local companies sponsoring us!”* [Bristol VCS organisation, October 2011]

*“We’ve put together a partnership with some [other] voluntary organisations to tackle the [funding] issue. We’re going to wealthy individuals and we’re going to donors who traditionally give to national brands...to give locally.”* [Liverpool VCS organisation, December 2012]

Wider evidence suggests that accessing this form of funding is very difficult, with very few organisations receiving financial support, and for those that do, for the majority, it makes no significant contribution to their overall funds (Bashir et al, 2013; p.29). Our respondents highlighted two key limitations with this model. First, many private sector organisations were themselves struggling with the impact of recession and austerity and did not have the financial resources to fund voluntary sector organisations. The potential pot of private funding had shrunk. Secondly, many groups had already experienced first-hand the lottery of approaching the private sector for funding and the selectivity of this funding. It was recognised that that most of the funding tended to go to organisations that gave companies the best PR opportunities, for example, children's charities.

*"...For a business to get involved with a charity they've got to gain something from it. From a business perspective they'll want to work with a charity that'll bring them some kudos and some [positive] media coverage, and not all organisations can do that. Say for example a charity that works with drug and alcohol clients...businesses don't want to get involved in that...It's only select charities...and it tends to be children's and older people's."*[Liverpool VCS organisation, January 2013]

For groups working with less PR-friendly, but equally vulnerable beneficiaries, such as those with mental health or drug and alcohol problems, accessing funding from private donors was a far more distant prospect.

#### *Developing closer relationships*

Some of those interviewed believed that the threat of austerity had helped to improve relations between the sector and local councils, and had also helped to improve relationships within the sector itself. Respondents used the metaphor of a 'blitz mentality' where the threat

of austerity had drawn people together. For example, in Liverpool, the city council organised the Mayor's 'Hope Conference' in July 2013 as a means of drawing the voluntary sector and council together to encourage a more open dialogue and to explore how more effective collaboration and sharing of resources could meet the demands of hard-pressed families. One result was the setting up of play schemes across the city during the summer of 2013 that linked advice and welfare rights workers to these families:

*"We've got parents on zero hour contracts, the kids are off school for 6 weeks and the parents need to get to work...So from that conference...we made really good links with the welfare rights people and CAB...We had a hotline from the play schemes to two CAB workers over the summer and we got money from the council to do that. Only £10,000, but about 70 families got help the same day they wanted it and about 40 of those families were prevented from going to pay day loan companies and were dealt with in a different way."* [Liverpool VCS organisation, January 2014]

In Bristol, VOSCUR has established an elected Bristol VCS Assembly and three network groups covering between them issues relating to children and young people, health and social care, and neighbourhoods and communities in an attempt to enhance communication and partnership working within the sector. This development was a key strategy in promoting the sector's influence with organisations like the City Council and the Local Enterprise Partnership (LEP) and in securing future funding:

*"There is optimism in that the City Council's attitude is 'we don't want to cut everything'... and the opportunities are there for the voluntary sector....through the LEP SIF funding [EU Structural and Investments Fund Strategy], [and] new NHS funding around preventative healthcare....So we're trying to get involved*

*there...and the assembly and networks is a way of trying to influence things in those kinds of areas.” [Bristol VCS organisation, November, 2013]*

Although there was evidence that the sector was trying to access more funding by structuring itself more effectively in order to engage with LEPs, the lead bodies in England for delivering local economic development, current research suggests that, apart from a few exceptions, LEPs have seldom or only peripherally engaged with the VCS (see Escdale, 2013; Cox et al, 2014; McInroy and Jackson, 2014). A recent review of the strategic economic plans of England’s 39 Local Enterprise Partnerships’ concluded: “...few LEPs took the initiative to engage meaningfully with civil society and citizens, while local voluntary organisations...were seldom mentioned” (Cox et al 2014 p.4). Similarly, Escdale (2013) analysed the degree to which the voluntary and community sector was an active member of LEP boards or sub groups, and only 5 of the 39 LEPs were shown to have concerted VCS involvement, which did not include either Bristol or Liverpool. Going forward, the VCS will need to become a more active partner within their respective LEPs. But, for this to occur, LEPs need to recognise the value (both socially and economically) of the VCS to their local economies, and be willing to engage meaningfully with civil society partners to develop a more integrated and sustainable local economic and social inclusion agenda. The Big Lottery Fund’s Building Better Opportunities Programme, through which LEPs have an opportunity to match lottery funding with European Social Funding, is one such example.

### **Conclusion: re-shaping the state and voluntary sector relationship**

We would argue that the experience of Bristol and Liverpool highlight the inherent flaws in the Coalition Government’s ‘Big Society’ and ‘localism’ agenda, which give little regard to the spatial unevenness of VCS reliance on public funding and the social challenges that the sector faces. In terms of the ‘Big Society’ idea, rolling back the state and expecting civil

society to fill the gap in service provision might be attainable in more affluent areas, where there is an active civic core, and fewer demands placed on it from ‘urgent social problems’(Lindsey 2013). But the opposite is true in deprived areas. The Coalition Government’s fundamentally neo-liberal view of the ‘Big Society’; with the state stepping back and withdrawing significant support from the voluntary sector, and expecting civil society to flourish and grow itself (Blond 2011) is only serving to take away services and provision from those people and places where it is required the most (North 2011; Power 2011; Stott and Longhurst, 2011).

Liverpool’s decision to give up on its initial designation as one of the Government’s ‘Big Society vanguard communities’ is symptomatic of this dilemma. As Liverpool’s Mayor, Joe Anderson, argued in his open letter to the Local Government Minister, Eric Pickles: “*How can the City Council support the Big Society and its aim to help communities do more for themselves when we will have to cut the lifeline to hundreds of these vital and worthwhile groups?*” (Butler, 2011).

‘Big Society’ has failed and ‘localism’ has been undermined by the failure of government genuinely to devolve power (Civil Exchange, 2015). Both projects have been eclipsed by the overarching political programme of austerity.

While voluntary sector groups delivering public services in both Bristol and Liverpool have been impacted by the economic crisis and austerity, those in Liverpool, on the whole, have been more severely affected. The city has had greater public spending cuts and it also has a voluntary sector which has traditionally been more dependent on statutory funding. Moreover, the socio-economic make-up of households in Liverpool, compared with those in Bristol, also means that there is likely to be greater demand for the services of VCS organisations.

The city councils in both Liverpool and Bristol have tried to protect the VCS from the full budgetary cuts that they have faced. Despite this, in Liverpool, by 2014/15 VCS funding from the council will have decreased by nearly a third since 2010 and future central government austerity measures will further squeeze the VCS. As a result, it has been estimated that funding to the VCS from Liverpool City Council will have decreased by 48% between 2010/11 and 2016/17 (Liverpool City Council, 2014b). In contrast, the signs are relatively more positive in Bristol, with recent announcements by the City Council suggesting that many community and voluntary sector grants and budgets will be maintained at their 2013-14 levels for the next three financial years (Bristol City Council, 2014; 2013). Moving forwards, further into the next parliament, the UK Coalitions Government's 2014 Autumn Statement suggests that much worse is to come for the VCS, involved in public service delivery, as a result of even deeper spending cuts, to public sector and local authority budgets. As the Office for Budget Responsibility (OBR) notes:

“Between 2009-10 and 2019-20, spending on public services, administration and grants by central government is projected to fall from 21.2 per cent to 12.6 per cent of GDP...Around 40 per cent of these cuts would be delivered during this Parliament ...[and] 60 per cent to come during the next. The implied squeeze on local authority spending is similarly severe (2014, p.6)”

Austerity will therefore continue to impact on the provision of public services. We can expect to see more local resistance to the spending cuts, as already seen, for example, in Liverpool over the proposed closure of libraries and Sure Start centres, and the opposition to the sale of green spaces by the Council to raise revenue. The VCS will inevitably be caught up in this conflict.



The experience of Bristol and Liverpool demonstrates the vulnerability of the Salamonesque ‘interdependent’ relationship (1987; 2000) between the state and the voluntary sector and the implications that this has for service users with changing political ideology and the advent of a neo-liberal programme of austerity. Austerity has served to exacerbate voluntary sector ‘failure’ in deprived areas, while at the same time increasing the demands upon the sector’s services from hard pressed households experiencing welfare reform changes, falling real wages, underemployment and increasing costs of living.

Undermining the interdependent relationship that exists between parts of the voluntary sector and state, as this paper has shown, leads to detrimental consequences for both the sector and citizens who rely on the VCS services, in more deprived areas. The political challenge is to contest the prevailing ‘dangerous idea’ of austerity (Blyth, 2013) and to develop a more balanced relationship between the state and the voluntary sector in which the former provides the supportive framework for the latter to build on its historical strengths of mutuality and reciprocity to establish a new paradigm of public service delivery (Elvidge, 2014; Slocock, 2014a, 2014b). This new paradigm needs to recognise the strengths of an empowered and independent voluntary sector in engaging with areas where inequalities and public service demands are most pronounced.

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