

Third Sector Leaders

ACEVO

# The Big Society: moving from romanticism to reality



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Thursday 27 May 2010

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## **Overview**

The new Government has set out its ambition to build a ‘big society’. Today I want to put that ambition in its historical context, and to set out how we can make it happen. My argument here is that we need to move from romanticism to reality. Above all, I want to set out why if we are to build a Big Society, we will need not just civic action, but organised civic action – a well-capitalised, business-like third sector – working in genuine partnership with what David Cameron has called a ‘smart, strategic state’, not one that simply retrenches and leaves us to pick up the pieces.

## **The historical context**

First, let me put ‘the Big Society’ into historical context. A J P Taylor’s masterful history of the twentieth century stated, *“Until August 1914 a sensible law abiding Englishman could pass through life and hardly notice the existence of the state, beyond the Post Office and Policemen.”*

Clearly at the beginning of the twenty-first century we have an entirely different picture. “Big Society” is an attempt to reassess and reform the relationship between state and the citizen and the society in which we live.

But let us first reflect that for centuries almost the entirety of what we now know as public services was delivered through a myriad of charities. Charities were delivering public services for far longer than the state, so it is thought that our first known English charity is King’s School Canterbury, founded in 597 AD providing education to poor but deserving scholars. One of my members runs the Hospital of God at Greatham, established in 1273 to look after returning crusaders and still going strong in providing housing and residential care for people in the Hartlepool area. Many ACEVO members run charities with illustrious histories. So 1400 years of service provision gives us some right to comment on the role of the state and the citizen!

However it is important to remember the very real difficulties with this form of provision of public services. By the nineteenth century it had become increasingly apparent that charity provision was patchy and suffering from the vagaries and inconsistency of such provision. During the twentieth century there was a growing realisation that people had proper rights to basic services like health and that these should be best provided on a universal basis. Hence the radical reforms of the Attlee Government.

Attlee himself illustrated the problem of charity provision. Attlee began his working life as a third sector leader; running Toynbee Hall. He recalls the work of the Charity Organisation Society who believed in the poor law principles of deterrence: they advocated giving children only burnt porridge served at inconvenient times and places in case they became work shy.

But the question can be fairly asked whether the growth of universal state provision helped crowd out our third sector? Indeed William Beveridge (a Liberal!) in his groundbreaking 1942 Welfare Report said that in establishing state provision the following principle should be borne in mind: *“The state in organising security should not stifle incentive, opportunity, or responsibility; it should leave room and encouragement for voluntary action by each individual.”*

By the end of the twentieth century we had begun to question this model of direct public service provision by state institutions, perhaps most eloquently summarised by Tony Blair when he said, *“What matters is what works, not the delivery mechanism”*. There was increasing questioning of whether state delivery secured the best outcomes or whether commercials and non profits might provide both more cost-effective provision and a service more geared to the consumer.

### **Replacing the state?**

ACEVO's report in 2003, *“Replacing the State?”* laid out the economic and social underpinning of the assertion that the state should row back from service delivery and that the third sector should expand. It argued that the state should be strategic and ensure effective funding but retreat from direct delivery.

It's worth recalling a number of the articles in that seminal report. Professor John Kay, one of Britain's leading economists, argued that the

market will deliver better outcomes and that we needed a public service which made people accountable for the outcomes of what they do, rather than defining accountability in terms of process.

Paul Omerod showed that there was little connection between the delivery of services by the state and the achievement by the state of social justice. He pointed out that until 1947 the majority of health care was provided by charities. The fact that health care was not as good in the 1930s as it is now is primarily due to our ability to spend so much more on health in real terms in the 21<sup>st</sup> century. The difference in the level of provision over such a long time scale does not in itself tell us anything about the desirability of any particular form of organisational structure.

The last two decades have seen a remarkable increase in the delivery of services by our third sector. The argument has also moved on. Back in 2003 many in this sector were still arguing that our role was only to provide innovation and that mainstream services had to be delivered by the state. The argument was that our role is innovation: if it works the state takes it on and delivers it. Indeed many of those colleagues have now moved to enthusiastic support of 'Big Society'. Fortunately we are now more significantly involved in mainstream provision to the benefit of our beneficiaries. But there is some way to go, as illustrated by the fact that of the entire Ministry of Justice budget of £9.2 billion only 2% is spent on third sector service deliverers.

### **Big Society as the new Government sees it**

So this history forms the context to the recent proposals by the Coalition Government on "Big Society". It is worth first looking at the philosophy behind the Conservative approach.

David Cameron said: "We want to give citizens, communities and local government the power and information they need to come together, solve the problems they face and build the Britain they want. We want society – the families, networks, neighbourhoods and communities that form the fabric of so much of our everyday lives to be bigger and stronger than ever before." (Statement May 18, 2010)

This is a significant departure from the Thatcherite approach "*There is no such thing as society*". It would be wrong to attack this approach as a return to the state withdrawing from action and expecting people to

pick up the pieces. David Cameron's impressive <sup>1</sup>Hugo Young Memorial Lecture was explicit about the role of the state. He argued that we need "A smart, strategic state".

*"A simplistic retrenchment of the state which assumes that better alternatives to state action will just spring to life unbidden is wrong.... But I see a powerful role for government in helping engineer that shift {from state action to social action}"*. There is much in this approach our sector organisations can do to help deliver better services to citizens and stronger communities. Will it work? And how will it work? (November 10, 2009)

### **"Here to there"**

I've set out the historical context, and how the new Government has outlined its ambitions. We need now to ask the question put to us by Phillip Blond, author of "Red Tory"<sup>2</sup> and the man who has provided some of the intellectual underpinning of the Big Society themes. He asks, *"How can we get there from here? If the state is to be remade and retreat from direct provision to the enabling of association that is surely going to be in the initial stages more expensive. It may reduce expenditure in the medium term, but how can we have the rhetoric of immediate cuts and urgent austerity alongside the more optimistic role cast for the state?"*

And this is perhaps the nub of the issue for the sector in responding to the challenges of the Big Society.

We meet in a week that the Government has made announcements on its first immediate £6 billion cuts package. It is clearly not just efficiency savings but cuts that mean potential service reductions and job loss such as the ending of the pioneering Future Jobs Fund which was partly provided by the Third Sector and was a third sector initiative. An emergency budget will outline further cuts in public spending and the next three year spending round will be the most stringent for decades. We know already this is not merely efficiency savings. The Institute of Fiscal Studies says that in the next spending rounds most Departments will need to cut 25%.

Clearly this raises immediate problems for anyone working in the third sector. How will this impact on the beneficiaries we work with? In the recession we saw that resources for third sector organisations were constrained whilst demand rose. I am not going to speculate on issues

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<sup>1</sup> November 2009; Guardian

<sup>2</sup> "Red Tory", Phillip Blond 2010, Faber and Faber

like a double dip recession, but we do know that however cuts may be packaged it is often third sector organisations and their beneficiaries that bear the brunt of spending cuts as state bureaucracies work to protect themselves at the expense of others.

It must also be asked whether, if it is the case that the state must support and empower then does it also need to provide resources for that task. We know from experience in our sector that capacity and infrastructure in organisations is often weak, and this is particularly true for smaller organisations. Resources that the states takes for granted: strategic and financial planning, HR, research and development or evaluation are underfunded or non existent. This is a major constraint on growth and is also the most difficult area for fundraising or grant support.

Fundamentally the current economic situation may not be the best backdrop to the aim of moving to a smarter more strategic state. Let me now turn to some of the key issues.

### **The two major planks of Big Society**

I would argue that there are basically two major planks underpinning the approach to Big Society. The connection, or interconnection, between the two is as yet unclear but it is crucial.

The first plank is the drive to ensure a bigger role for civil society and to encourage more citizen involvement and community action.

The second plank is the drive to diversify public service delivery, promote consumerism and to ramp up third sector provision of more citizen focused services.

### **Community Empowerment**

Turning first to the “community” plank. One of the underpinning assumptions on which Big Society has been built is the notion that civil society has been suppressed by an overlarge state. It harks back to the point made by William Beveridge that state action should not crowd out voluntary action.

This assumption is well set out by Phillip Blond in “*Red Tory*”. He says “Civil society which is the source and wellspring of our culture has been flattened by the unleashed authoritarianism of the state and the unrestricted freedom granted to the market”.

He also says, *“The loss of our culture is evinced in other ways. Perhaps it is best understood as the disappearance of British civil society.”* These are bold assertions and if you are to build an argument based on them there needs to be some evidence to support them.

I am not sure that there are many in our sector who would agree that civil society has been flattened. After all, 41% of adults in the UK volunteered last year. 26% volunteered at least once a month. Many of my member organisations have significant memberships and teams of volunteers and supporters. Those involved in work and campaigning on sustainability report a vibrant and enthusiastic level of support. Membership of many of our organisations has grown exponentially at the same time as membership of political parties has dropped dramatically to a mere 1.3% of the electorate. One could argue it is not civil society that has flattened or broken but the political system!

So the question must be asked will the Big Society drive ensure a dramatic growth of those involved in civil society and in social action?

The problem is best summed up by Ben Page of Mori. He said their polls showed, *“half of us strongly agree that people should get more involved in helping improve public services. When the same sample were asked would you yourself get involved? Only three out of ten said yes.”* So we are happy for others to do it but not ourselves!!

Governments are often attracted by the “new and shiny”, especially when the “tried and tested” has been your political opponents’ whizzy scheme. It is a mistake however to fail to evaluate and learn from experience. The last Government were especially keen on volunteer initiatives. How did these do? Despite the investment over the last ten years the proportion of people volunteering has remained largely static.

It may be that with less bureaucracy and intervention by state institutions this will free up more social action and civic engagement. This “Big Ask” of citizens takes place against the background of significant public spending cuts, and a difficult economic climate facing our communities.

As David Cameron says *“Big Society demands mass engagement: A broad culture of responsibility, mutuality and obligation.”* In David Cameron’s

Hugo Young speech he agreed with the proposition that, “with the right prompting, or “nudge”, Government can effect a whole culture change.”

Again, we must ask the question “Here to there”? David Cameron is not arguing that simply by removing state controls and bureaucracy that civil society will spring into action. He believes that the state must play an empowering role. Hence the proposal to establish 5,000 community organisers (who will apparently be part-time and fund raise their salary) to support the growth of neighbourhoods and communities. But how will this happen, importantly how can we ensure we learn the lessons of the “community development” experience that failed in the past? I suspect significantly more state action will be required to secure the engagement that is envisaged. This is amply illustrated by the as yet uncostered or planned proposals for volunteering such as with the national citizens’ service. So as yet these proposals are unfunded and based on a still problematic sector infrastructure. That is not to say such initiatives are unwelcome but it is to say “how?”

Politicians and Governments rarely recognise that there is a cost to volunteering and that charities and other third sector organisations can’t simply expand their volunteering without also expanding the infrastructure to provide support, advice, training and management of volunteers. Where is the money to come from to support that infrastructure? One of the answers may well lie in a major expansion of loans and I will come back to this later. But let me give you one example of what I mean. The Treehouse School established by the parents of autistic kids. A parent movement, such as now to be strongly promoted, but it took nineteen years and it was only achieved once they secured a £6m loan from the Futurebuilders programme. An example of an active state providing the finance to support parents and volunteers.

What has been learnt from the last decade is that partnership with Government, local and national, is often the best approach with state support to help build infrastructure and capacity. This is precisely the area where fundraising and giving is so problematic. There have been mixed messages from the last decade in capacity building in our sector. The Government did not always get this right, and, to be honest nor did the sector as the ‘hubs’ episode showed. However I would warn our new Government not to discard or rubbish the advances of the last decade and the temptation to dismiss anything ‘new Labour’. The dismissal of the great FJF initiatives (described recently by Polly Toynbee

as “*the best job scheme yet devised*”.) as ineffective (which it clearly was not) is a bad example to get.

As Mohammad Yunus has argued in “Building Social Enterprise” it is about framework and goodwill/passion. Goodwill and passion alone are not sufficient.

### **Refashioning Public Services**

The second plank of the Big Society proposal relates to a much stronger drive to ensure diversity of provision with a bigger role for third sector provision and a strong emphasis on consumer and citizen power. It was announced on Tuesday that measures to give a bigger role to sector organisations will be introduced by the autumn. The plans for Academies and Free Schools will see a major expansion of sector delivery in an area where we have always been strong and effective providers. This is a cause that ACEVO and its members have espoused for the last decade and we are clear that the new Government is right to push reform. We will support it strongly.

At our Tory Summit in March we made a “Big Offer” to any future Government: Cost effective and citizen focused service delivery by third sector organisations could be a very effective way of securing public spending reductions. There are many examples of our works saving money. Let me give your four.

### **Case study I: Age Concern South Staffordshire**

Working in seven hospitals at a cost to the state of £500,000 per year, Age Concern South Staffordshire runs a service working to prevent admissions to hospital and to help older people leaving hospital return to their homes. Helping around 3,000 people a year, they save the NHS £3 million in lower admissions rates and delayed discharges, a return on investment of 1:6.

### **Case study II: Addaction**

Drug charity Addaction’s ‘Breaking the Cycle’ programme addresses the variety of needs of families in which parents abuse drugs. Of the families involved, 81% significantly reduced their use of drugs or alcohol, 81% put the needs of their children first, 86% significantly improved their skills as parents, 77% were more stable and less chaotic, and 86% improved their financial prospects by looking for work, volunteering or going on college courses. The resultant savings to the state are enormous. Seven months of Breaking the Cycle support for one family costs £1,700. Within eight months, that is likely to have saved the state £20,000 (a

return on investment of c. 1:11). Within two years, it is likely to have saved £148,000 (return on investment of c. 1:87). Over the long term, the effects on two generations of that one family could save the state £880,000 (return on investment of c. 1:518).

### **Case study III: BTCV**

Environmental volunteering charity BTCV runs 95 'Green Gyms', which give people a physical work-out while they work on environmental projects. Over 10,000 people have worked on some 2,500 green spaces, often referred by their GP. A study by Oxford Brookes University found that the positive impact on participants' mental and physical health, in addition to the acquisition of new skills, means a return on investment of 1:1.53.

### **Case study IV : St Giles Trust**

St Giles Trust is a charity working to break the cycle of reoffending and disadvantage. Through the Gates was a service provided to substantially reduce re-offending rates by providing key services such as accommodation support (on or prior to release), support services (training & education, drugs and alcohol etc.) and re-integrating offenders into the community. This project worked with over 1,500 prison leavers and has been recently formally evaluated by Pro Bono Economics. It was found to reduce re-offending rates by 40%. For every £1 invested in this programme £10 is saved by the state.

To achieve this kind of return on investment we will need to see two essential reforms driven hard by the Coalition Government. (a) democratising commissioning, and (b) capital investment.

Commissioning processes in Government are cumbersome, bureaucratic and often centred on the needs of state bureaucracies rather than the needs of citizens and communities, or consumer choice. They are often too narrowly focused on process and cost saving rather than outcome focused.

That is what has motivated me and other third sector leaders to start talking about the need to 'democratise commissioning' – to make commissioning more driven by and centred around citizens and communities, rather than producer interests or historic state structures. In practice that will mean a variety of reforms. For instance: personalisation driven forward with greater clarity and as part of a more joined up system change, progress on payment by results and outcome

funding, or experiments like social impact bonds. All of these have the potential to ‘democratise commissioning’, breaking down the systems and structures that put power in the hands of commissioners or producers, and enabling services to be built by and around people and communities. ACEVO’s Commission on Personalisation, chaired by Matthew Pike, is examining how our sector can promote and implement personal public services, shaped by the client and not the state. This is a crucial reform.

Similarly, it is an urgent priority for the sector to work in partnership with Government to ensure that commissioning is reformed so that third sector organisations can play the bigger role that is envisaged. This sort of work must continue alongside new programmes to encourage co-operative or mutual ownership of public services. Initiatives like the “right to bid” must be given real drive. But let us be clear that merely changing the logo and sign over the door from, for example, the London Borough of Camden Social Work Department to Camden Social Work Collective may not change culture or represent more client power.

### **Capital investments to grow.**

Social investment has been a fascinating development for our sector in the last decade. It has proved its worth. The independent evaluation by Sheffield Hallam University of the Futurebuilders project could not have been more positive about the role loans, and an engaged investor approach can play in driving up third sector service delivery. It was clear that investment was largely additional and organisations would not have secured investment at the same scale or at the same time from commercial sources. It showed that investments had driven the growth of organisations and that investments had helped small organisations grow. The independent evaluation of the Adventure Capital Fund investment programmes, which make loans to community organisations, showed similar results. The key to success has been to act as “engaged investors”, not just giving loans but supporting capacity building.

Let me give you one example, the Alt Valley Enterprise in Croxteth, Liverpool with £3m in loans from The Social Investment Business. This small but vibrant community organisation has set up a community university, training and apprenticeship scheme and bought a farm and church to put to community use. This demonstrates the power of loans to grow communities. But it could not have happened without state support by a Government backed loan as all these projects were ‘unbankable’.

Interestingly for those that argued only larger organisations would be able to take advantage of loans in the Futurebuilders programmes 47% of all loans were drawn-down by organisations with turnovers of less than £500,000.

The private sector has been able to significantly expand its delivery of public services through the traditional routes available to commercial organisations of commercial loans to support business expansion. Traditionally our sector has been cut off from the capital markets. The work of organisations like the Impetus Trust, Venturesome, Charity Bank or The Social Investment Business have shown there is a market and appetite for loans. But they are small scale. Charity Bank has a £30m loan book. Even the largest social investor, the SIB, has loan funds of only £400m

So we cannot be carried away. A minute share of the market. Sums of money that are easily dwarfed by bankers' bonuses.

Last year the Futurebuilders loans programme, run by the Social Investment Business, enabled third sector organisations to win 370 contracts. This amounted to only 3% of the contract market.

The proposal to move quickly to establish a Big Society bank, based on the use of dormant assets, is extremely welcome. We will work closely with Government to ensure this can be implemented quickly. It was very significant that the Government made this one of their earliest commitments and moved away from the timidity of the previous Government's £75m pledge. Access to capital and support for capacity building is crucial to providing the engine for high growth organisations. We need to deliver high performing third sector businesses who deliver citizen focused or led public services.

Again scale is an issue. There are no absolutely firm estimates on the extent of dormant account money available. The last Government was told by the bankers it was £400m. This is not an insignificant sum but, by contrast, when the Futurebuilders programme was finally fully committed this year, applications for loans were running at £90m a month. So this will make a difference but it is not a Tsunami.

It is also extraordinary that in a small but burgeoning social loan finance sector the Government should be removing the loan interest

repayments from the Futurebuilders Fund to set up a grant scheme. I believe this runs counter to plans to empower communities. As David Cameron said *“we need to look at how Government can use loans alongside grants to help make them (charities) more sustainable and effective.”*

The Government will argue that they would also expect the banking and financial sector to step up to the mark in loaning more to the third sector. I agree. Here it is worth looking at the example of the US where the non-profit sector is more used to securing loans from the banks. Indeed in the States 80% of non-profit youth service providers hold property assets. But there is a clear reason for this in the operation of the Community Reinvestment Act. In a recent visit to the States I spoke to various of the social investment lenders, as well as the Federal Reserve Bank. They were clear that it was the existence of the CRA that had driven banks to loan to the non profit sector. They were clear that this lending would not have taken place without legislation. ACEVO, and the Better Banking Coalition, are arguing for this.

It is therefore essential if the Government is to secure its expansion of this market that they look at a form of the CRA as part of their deliberations on banking reform. But also they must remember that the bold experiments of Community Builders, or Futurebuilders, was based on the concept of making loans to the ‘unbankable’.

#### The two planks connected?

Here it is important to confront what might be one of the tensions between these two planks of policy, community empowerment and public service reform. Is there sometimes tension between some parts of the Coalition Government and, as importantly, some parts of our sector who believe that “small is beautiful”? They believe that the emphasis on the growth of communities and social action must mean concentration on smaller third sector and community organisations. Indeed there is also some prejudice against what is seen as the corporate part of our sector, i.e. the larger or national organisations.

I believe this is a false dichotomy and scale must be married to community energy. It is essential Government realise our sector is both a key economic player as well as a core social actor. Too often we are put in a box marked ‘volunteer’ or ‘community’ when our organisations now also play a major role as employer and an economic agent of development and growth.

Yet scale will undoubtedly be essential if the third sector is to play a more significant role in service delivery. Our sector has become stronger and more professional. It has grown. These are good things. ACEVO's work with the Community Alliance is looking at precisely this issue: how we ensure commissioning processes to enable both scale and partnership working between smaller community based organisations and larger or national third sector bodies.

It is often forgotten that nearly all of our national charities also work locally and in communities. Many have strong partnerships with smaller organisations, or community based organisations, and provide support and advice as well as financial resourcing. Their work is often vital to supporting local communities as evidenced by the many third sector run Sure Start Centres, mental health or learning difficulty provision, health education and schools.

A common error in looking at "communities" is to think of communities as only "of place" and to forget communities "of interest". There can sometimes be an assumption that communities are always progressive, and yet anyone working in a mental health or learning difficulty charity will tell you of the difficulties they can have when it comes to the opening of a hostel, school or support service. Low-density communities of people with autism or the profoundly deaf or blind may not be able to receive the support and advice they need from local community or neighbourhood organisations, which is why the work of national charities is so important. And these are charities made up of those communities and their families.

Importantly, these national organisations play a significant role in campaigning and advocacy on behalf of their members, supporters and beneficiaries. No Government can function effectively without the voice of those organisations when they develop their policy on homelessness or on cancer for example. We need a partnership approach which unites the strength of big and small, national and community. The 3SC initiative in welfare to work shows how this can be done. Acting as a prime contractor it has drawn in hundreds of small and community organisations to deliver jobs and training. So an effective partnership marries scale with delivery by vibrant community organisations.

So a Big Society approach has to look at how we engage our broad third sector, whether that is with well established national organisations or the many thousands of community based organisations. Again let's warn

about “new and shiny”. Many brilliant TSOs run mainstream provision: caring for the elderly or the dying for example. Talk of innovation must never undermine the essentially mainstream task of caring for the dying. There may not be many ways of being innovative here. And that mainstream, professional sector must be strong partners in building ‘Big Society’.

### **Europe**

Finally, I want to question whether the Big Society notion has relevance elsewhere? In particular I think of how this approach may help in underpinning Britain’s membership and involvement in the European Union.

Britain has a unique and important leadership role internationally in its dynamic third sector. The advances that we have made, the relationships we have developed with Government and the maturity of those relationships have been examined and copied by many nations who see the UK as playing a beacon role.

We know that a common perception of the EU is of an overly bureaucratic organisation. This is typified by their unwieldy and unhelpful grants programme for third sector organisations. If the EU were to examine how to adapt their approach to support more civil society involvement in both delivery of services, community empowerment and the development of more citizen power over European policy they could look to provide support through loan finance and encouragement of enterprise. This could be based on the UK model. If the argument about centralisation and an over dominant state plays in the UK, it certainly also applies to European institutions. A better engagement by the EU with the representatives of civil society, or the social economy across Europe could mark a strong step forward and the UK could provide leadership in arguing this role.

### **Conclusion**

In conclusion, I think it is right that we reassess the relationship between state and society, and I welcome the Government's commitment to building a Big Society. As I hope I've shown in my speech today, history teaches us that it is we who define the boundary between the two, not the laws of nature.

But we need to be realistic not romantic, and recognise that the bulk of what David Cameron wants the Big Society to do will require not just

civic action, but organised civic action. The third sector organisations who constitute that organised action will therefore need capital, professionalism and business nous.

And finally, as David Cameron has said, the Big Society will need a "*smart, strategic state*", one that works in genuine partnership with our sector to address the challenges ahead, not one that simply retrenches and leaves us to pick up the pieces.

Stephen Bubb