

Voice4Change England

Submission

2010 Spending Review

Submitted to the Treasury

September 2010



Voice4Change England submission to the Spending Review 2010

1 About Voice4Change England

Voice4Change England (V4CE) is a national support organisation for the Black and Minority Ethnic Voluntary, Community and Social Enterprise Sector (BME VCS). We are a leading voice to inform the formulation of public policy and to influence practice that has a direct effect on the development, delivery and impact of BME voluntary, community organisations and social enterprises (VCOs). **We support the sector to build its capacity and secure resources so it can increase its ability to meet the needs of disadvantaged communities. By engaging and consulting with a wide range of organisations at the national, regional and local level, we provide an informed, authentic voice of the BME VCS.** We aim to develop a mutual understanding between the BME VCS and government to ensure policies are responsive to BME communities' needs and aspirations, including through our role as a Strategic Partner of the Office for Civil Society.

2 About the BME VCS

The BME VCS plays a key role in tackling race inequalities through a range of activities including: cultural, social and economic support programmes for younger, older and disabled people; advocacy and advice on legal issues, immigration, race equality and equal opportunity in employment issues; health services including support programmes on mental health issues and to help communities access mainstream health provision; welfare and economic support services; supplementary schools education and training; and day care community centres. According to research conducted for the Joseph Rowntree Foundation¹, **BME organisations meet the needs of BME communities 'to a much greater extent than the voluntary sector as a whole.'** They are able to reach communities that others cannot and do not reach and combine creativity, flexibility and commitment to meet the changing needs of BME communities. They also play an active role in advocating changes in the policy and practice of generic service providers.

3 Spending Review 2010

3.1 We welcome the opportunity to feed into the Spending Review process and recognise that difficult decisions will have to be made in reducing the structural deficit. We want to work with Government to ensure these decisions do not have a disproportionate impact on the BME VCS and the communities they serve. We also want to ensure that BME VCOs are able to fully contribute to Government's aims to: explore new and innovative approaches to service delivery; better target interventions; and encourage a more diverse range of service providers.

3.2 We are pleased that the Government has committed to the **"principles of freedom, fairness and responsibility"** in the Spending Review process and to "look closely at the effects of its decisions on different groups in society,

¹ Mcleod M, Owen D & Khamis C., 2001, *Black and Minority Ethnic Voluntary and Community Organisations: their role and future development in England and Wales*, Policy Study Institute for Joseph Rowntree Foundation.

especially the least well off, and on different regions” and to “limit as far as possible the impact of reductions in spending on the most vulnerable in society”. **To achieve this we stress the importance of the Government ensuring it carries out and publishes thorough Equality Impact Assessments on the Spending Review and ask that Departments are reminded of their legal obligations on equality in settlement letters.**

4 About V4CE’s response

4.1 Our submission is set out in two parts. Firstly we look at the impact of spending cuts both on BME communities and on BME VCOs. Secondly we look at key areas in relation to helping BME VCOs ensure the needs of BME communities are met despite the spending cuts: public services delivery; access to funding; responsibilities of the BME VCS; and accountability.

4.2 Our response draws on evidence from previous consultation exercises V4CE has carried out including to inform our response to CLG’s consultation on Tackling Race Inequalities and the OCS consultation on the Government Action Plan. In addition we have used findings from our *Shared vision for the future of the BME VCS [working title]* publication which is due to be published in September 2010. This included over 100 online survey respondents as well as thirteen in depth interviews with leaders in the BME VCS.

5 Summary recommendations from our response

1. Government should monitor the impact of spending cuts on BME employment and levels of poverty.
2. Government should ensure that the pressures of spending cuts do not lead to a false choice between generic or specialist services but that the role of both is supported.
3. Government should base funding allocations on indicators of deprivation, disadvantage and poverty.
4. Government should consider targeted funding where open programmes have not been able to reach a range of organisations.
5. Government should ensure equality and Compact duties are an integral part of commissioning and procurement processes.
6. Public sector contracts should include criteria for social return on investment as well as value for money and allow for flexibility in how contracts are delivered so that community needs can best be met.
7. Those administering Big Society Bank funds should have an understanding of the role and value of the BME VCS.

8. Government should create light touch grants programmes for community based organisations.
9. Government should continue to support BME VCS support organisations at all levels and recognise the need for specialist support services.
10. Government should ensure Equality Impact Assessments are conducted on all proposed policy changes and funding cuts.
11. Government should explore ways of providing a strong national steer on equality and human rights objectives whilst allowing local authorities to be responsive to local needs.
12. Government should ensure it follows a Compact way of working throughout the spending cuts.

Part 1: Impact of spending cuts

6 BME communities

- 6.1 Race and ethnicity remains linked to indicators of disadvantage. As CLG's latest progress report shows² although outcomes for *some* ethnic minorities in areas such as housing, education and employment have seen improvements others have seen limited progress and BME communities still face high levels of deprivation and discrimination. Research by the Joseph Rowntree Foundation found that 'all identified minority ethnic groups had higher rates of poverty than the average for the population'³.
- 6.2 On top of this we know that in some areas the recession has had a particularly adverse impact on BME communities. For instance, IPPR found that ethnic minorities have been disproportionately affected by the rise in unemployment with Black, Black British and mixed race young people seeing the biggest increases in unemployment⁴. **There is also a risk that cuts to public sector employment will particularly impact on BME communities: according to the Annual Population Survey (October 2008 to September 2009) 42.2 per cent of the Black people in employment in Great Britain are employed in public administration, education and health⁵.**

Recommendation 1: Government should monitor the impact of spending cuts on BME employment and levels of poverty.

7 Impact on the BME VCS

² CLG, 2009, *Improving Opportunity, Strengthening Society*.

³ Platt, L., 2007, *Poverty and Ethnicity in the UK*, Joseph Rowntree Foundation.

⁴ IPPR, 2010, [Youth Unemployment and the Recession](#).

⁵ BTEG, 2010, Press release: *Black workers in the public sector could be hit the hardest by cuts*.

- 7.1 **BME VCOs have often struggled to generate sufficient income to carry out their activities with 81% of our *Shared vision for the future of the BME VCS* survey respondents identifying this as an issue⁶.** Few BME VCOs are able to secure longer term funding and the low level of funding makes it harder to build up reserves. Of the 17,000 organisations that make up the BME VCS, 53% receive their funding from statutory sources (central government (49%); local government (26%); health authority (16%); and EU (9%))⁷. **This dependence on Government funding for many organisations means that the impact of public sector cuts is likely to be significant.**
- 7.2 Research by MiNet⁸, focusing on London, found that funding cuts have already been widespread across the VCS as a result of the recession and that this has impacted significantly on London's specialist services. The report found **'widespread concern that even if funding is maintained for the third sector it will not reach local BAME groups and will be received by larger organisations that are not connected with the needs of London's BAME communities'**. In addition, BME VCOs may find themselves responding to the fallout of public service spending cuts if cuts reduce access to services or create a new need for services amongst the communities they work with. MiNet's research found that despite cuts in funding, BME VCOs were experiencing high increases in the need for their services and that organisations were having to introduce new areas of work such as unemployment counseling and jobs skills training.
- 7.3 Without targeted support the impact of public spending cuts is likely to further reduce the capacity of the sector with respondents to our *Shared vision for the future of the BME VCS* research reporting that organisations are already closing.

Part 2: How BME VCOs can meet the needs of BME communities in a time of spending cuts

8 The BME VCS and public service delivery

8.1 Public service delivery is a key area of work for many BME VCOs who strive to ensure the needs of BME communities are met. They reach beneficiaries that others cannot or do not and respond to gaps in provision by developing different ways of doing things to meet the needs of diverse communities.

8.2 The role of specialist services

BME specific services such as those delivered by Southall Black Sisters and the Asian People's Disability Alliance have developed in response to the failure of generic services to meet the needs of BME communities. They provide services sensitive to cultural, religious and linguistic needs that generic services often overlook and reach communities that other providers label 'hard to

⁶ V4CE, unpublished, *Shared vision for the future of the BME VCS*, [working title] due to be published Sept. 2010.

⁷ V4CE, 2007, [Bridging the Gap: What is known about the BME Third Sector in England](#).

⁸ MiNet, 2009, [The Economic Downturn and the Black, Asian and Minority Ethnic \(BAME\) Third Sector](#).

reach'. Our case study report⁹ found that **specialist services: meet local needs; empower users; create bridging social capital; and contribute to social cohesion.**

'The cultural sensitivity, understanding and flexibility is not always available through other agencies. Because the organisation is needs-led, the client/customer always feels their needs come before the running of the service i.e. we fit in with them wherever possible!'

Participant at V4CE Cohesion Guidance for Funders consultation event, Manchester, March 08.

8.3 **The legal review of the BME Compact Code¹⁰ identified that not only do opportunities exist in equality law to create and deliver community (BME) specific services but that sometimes a requirement arises in equality law to create and deliver community (BME) specific services.**

8.4 **Working with generic service providers**

As well as meeting the unmet needs of diverse communities, BME VCOs play an important role in helping communities to access generic services. By producing user-led research, BME VCOs can inform the policies and activities of generic providers to better develop their programmes in a responsive and cost effective manner. This has been evidenced through larger generic providers seeking the help of small organisations in effectively identifying and meeting the needs of local communities.

8.5 **Generic and specialist services: working together**

To meet the needs of BME communities both generic and specialist services are needed. It is important that race equality is embedded in generic services and that good practice and innovation from the BME VCS is mainstreamed into wider public service delivery. At the same time specialist services need to be supported to reach the needs of the groups others do not reach and to develop innovative solutions to meet their needs. User involvement and the ability of communities to develop solutions to their own needs is essential. **The good practice that already exists in the BME VCS should be used to inform wider Big Society proposals to give communities more powers and to encourage people to take an active role in their communities.**

Recommendation 2: Government should recognise the value of and legal opportunity to deliver BME specific services and support their continued role at a national and local Government level.

⁹ V4CE, 2008, [Discussion Paper 3: Evidencing the value of the BME Third Sector](#).

¹⁰ Monaghan, K, 2008, [An Independent Legal Analysis of the Compact Code of Good Practice on Relations with 'BME' Voluntary and Community Organisations](#), for the Commission for the Compact.

Recommendation 3: Government should ensure that the pressures of spending cuts do not lead to a false choice between generic or specialist services but that the role of both is supported.

9 Fair access to funding for the BME VCS

- 9.1 BME VCOs can help the Government meet its equality objectives and aims around exploring new and innovative approaches to service delivery, but in order to do this it needs to have fair access to funding. Government has committed to better targeting interventions. **We believe resources and support need to be targeted on a needs basis using indicators around disadvantage, discrimination and poverty. Where open programmes do not reach a diverse range of providers it is important to consider targeted funding.**
- 9.2 Many BME VCOs rely on grant funding though others have explored opportunities to diversify their income. These opportunities need to be appropriate to the size of organisation and some options, for example, social investment, may not be appropriate for small grassroots organisations. It is important that funding cuts do not undermine efforts of BME VCOs to diversify income.

Recommendation 4: Government should ensure transparency and measure which organisations receive funding for what purposes.

Recommendation 5: Government should base funding allocations on indicators of deprivation, disadvantage and poverty.

Recommendation 6: Government should consider targeted funding where open programmes have not been able to reach a range of organisations.

Recommendation 7: Government should reduce unnecessary paperwork and ensure monitoring and evaluation is proportionate to the level and type of funding.

Recommendation 8: Government should ensure appropriate funding options for small organisations are available particularly with its Big Society commitments to devolve power to communities.

9.3 Commissioning and Procurement

Whilst some BME VCOs have successfully secured contracts, for many the barriers created by commissioning and procurement processes have prevented them from effectively competing. For instance, research by Shared Intelligence¹¹ into procurement and commissioning found that BME VCOs shared many challenges with other small organisations. However it also found distinct concerns including: limited understanding of the BME VCS and the communities it works with; institutional racism; perceived lack of trust amongst commissioners of BME VCOs; and lack of engagement with the early

¹¹ Shared Intelligence, 2008, [*Evaluation of the National Programme for Third Sector Commissioning: Consultation with BME Third Sector Organisations*](#)

stages of the commissioning process. Other key areas identified in our *Shared Vision for the Future of the BME VCS* research¹² include:

Commissioning and Procurement Barriers and challenges

- **Funding and capacity:** the administrative, financial and reporting requirements of contracts can be too onerous for small organisations. Cash flow problems are created where contracts provide payment in arrears and the move to payment by results is likely to create huge challenges especially when working with vulnerable communities.
- **Consortia bidding:** Bidding in consortia can be a successful way for BME VCOs to bid for larger contracts. However, many BME VCOs have reported playing a marginal role in consortia arrangements and feel they were included only as an equality tick box, receiving little of the resources that enter the consortia.
- **Value for money:** Whilst value for money is important it is also important for social return on investment to be considered. The emphasis on value for money could lead to loss of funding for BME VCOs who are unable to achieve economies of scale but who deliver to parts of the community that others cannot reach. Competing for value for money contracts may lead to BME VCOs taking on contracts that are not deliverable in terms of organisational survival.
- **Prescriptive contracts:** some tenders can be too prescriptive preventing VCOs responding to user needs.

Recommendation 9: Government should ensure equality and Compact duties are an integral part of commissioning and procurement processes.

Recommendation 10: Commissioners should put measures in place to ensure consortia are meaningful and allow for sub-contracting and bid lotting.

Recommendation 11: Commissioners should consider market building to ensure the needs of all communities can be met.

Recommendation 12: Payments should be made in advance and the appropriateness of payment by results assessed when the needs of vulnerable communities are being addressed.

Recommendation 13: Public sector contracts should include criteria for social return on investment as well as value for money and allow for flexibility in how contracts are delivered so that community needs can best be met.

Recommendation 14: Commissioners should consider opening up opportunities for smaller providers by putting in subclauses that prime contractors will work with small providers who may not have the track record required of the prime contractor.

¹² V4CE, unpublished, *Shared vision for the future of the BME VCS*, due to be published September 2010.

9.4 Social investment and the Big Society Bank

For some parts of the BME VCS including social enterprises access to finance is an important future income source. Finance will help the sector to scale up successful activities and to support core running costs. The BME VCS has already demonstrated an appetite for finance, through the high numbers of applications to the Futurebuilders programme. However the sector has had difficulty in accessing finance particularly through mainstream banking.

Recommendation 15: Those administering Big Society Bank funds should have an understanding of the role and value of the BME VCS.

Recommendation 16: The Big Society Bank should have transparent application and assessment processes.

Recommendation 17: The Big Society Bank should include a range of products to meet different needs including funds that BME social enterprises can use as collateral to look more attractive to investors and competitive loan interest and overdraft rates.

Recommendation 18: The Big Society Bank should support market shaping to bring BME VCOs that reach the needs of diverse communities through the market.

9.5 Grants

Grants should be recognised as an essential part of the funding mix and as a more suitable way of funding many small, particularly grassroots organisations. By giving organisations more autonomy and reducing the administrative workload grants can provide value for money and an effective way to support communities.

*"it's absolutely imperative that BME organisations get grants...most of them are very small organisations, that actually in terms of value for money, for very little investment, they reach the parts that most public sector organisations, big third sector organisations cannot reach."
(respondent, Shared vision for the BME VCS, V4CE, due to be published September 2010)*

Recommendation 19: Government should create light touch grants programmes for community based organisations.

10 Responding to the economic climate: responsibilities of the BME VCS

10.1 We recognise that in the context of public spending cuts BME VCOs have a responsibility to ensure they are working efficiently and providing value for money as well as reaching wider social objectives. Our recession case

studies¹³ has identified **that BME VCOs are already developing resilience by: improving efficiency, reducing waste, re-structuring staffing, and increasing the engagement of volunteers.**

10.2 Better collaboration between BME VCOs with generic VCOs that are committed to equality can help the BME VCS to: reduce costs, for instance through sharing back office facilities; be more efficient in running services; and offer communities wider services/ allow wider communities to benefit from services. **There may also be potential for larger BME VCOs to take on contracts and subcontract elements to smaller VCOs. It is important however to recognise that resourcing is required to facilitate and support collaboration and to ensure organisations are confident of their new relationship(s).**

10.3 This is a key time for BME VCOs to consider options to diversify their funding through options such as social investment and individual giving. However it should however be remembered that income diversification options need to be appropriate to the size of organisation and some options, for example, for income generation may not be appropriate for small grassroots organisations.

10.4 Meeting the support needs of BME VCOs, particularly around: collaboration; diversification of funding; maximising efficiency; and managing the impact of closures on communities will be essential throughout the spending cuts. **It is important that BME VCOs can access all support available and this will require better joint working between specialist and generic support providers.**

10.5 However it is essential that the role of specialist support organisations is maintained and supported. We have found that capacity building is not a generic skill that can be rolled out to meet the needs of all groups, but that BME VCOs have specific challenges and capacity building needs (for example as cited in section 9.3 around commissioning and procurement). It is also important to recognise that generic support providers have historically not effectively engaged BME VCOs. Our regional BME networks paper¹⁴ found that generic VCS networks and infrastructure organisations have not had the resources, organisational capacity or reach to act as an effective or trusted voice for the BME VCS.

Recommendation 20: Government should continue to support BME VCS support organisations at all levels and recognise the need for specialist support services.

11 **Accountability: Tools to ensure fairness**

11.1 We welcome the Government's aspiration to devolve power to a local level and to ensure that citizens have a greater say in decision making. This aspiration reflects what the BME VCS already achieves in the self-determination and empowerment of marginalised communities to come

¹³ V4CE, 2009, [Stories of Resilience](#)

¹⁴ Voice4Change England, 2008, The Continuing Need for Government Support for the Black and Minority Ethnic Regional Voluntary and Community Sector Networks in England, A Voice4Change England position paper.

together and develop their own solutions to the discrimination they face. We believe that through this role BME VCOs are well placed to identify local needs and are pleased that Government has recently announced that VCOs will be welcome in Local Economic Partnerships.

- 11.2 However, to ensure localism is successful there need to be checks and balances in place to ensure all citizens have equality of opportunity. Respondents to our *Shared vision for the BME VCS* research¹⁵ were concerned that without a strong steer from national Government on legal obligations and expected objectives on equality and human rights issues, the response at a local level would be varied, creating a postcode lottery for BME communities.

'if it is to be a fair process then it needs to be established centrally and it needs to apply across the whole country, it can't just apply in one local authority and not in another'

(Respondent, *Shared vision for the BME VCS*)

- 11.3 Questions were also asked over who will make strategic decisions about unpopular land uses such as Gypsy and Traveller sites, which are unlikely to find mass public support but are essential to the functioning of society.

- 11.4 One way to ensure fairness at a local and national level is to ensure that the Government follows a Compact way of working through the spending cuts especially around: assessing the impact on beneficiaries and service users (Commitment 13.1); giving at least 3 months' notice in writing (Commitment 13.3); giving organisations a chance to respond to a funding cut (Commitment 13.4); carrying out a joint review with organisations to discuss implications and inform future practice (Commitment 13.5); and complying with equality legislation (Commitment 19.1).

- 11.5 We would also like to reiterate the importance that the spending cuts do not impact disproportionately on different sections of society including women, BME communities, disabled people and those living on low incomes. **It is important that both national and local Government ensure they carry out the required Equality Impact Assessments, taking steps where measures risk disproportionately affecting different sections of society.**

Recommendation 21: Government should ensure Equality Impact Assessments are conducted on all proposed policy changes and funding cuts.

Recommendation 22: Government should explore ways of providing a strong national steer on equality and human rights objectives whilst allowing local authorities to be responsive to local needs.

¹⁵ V4CE, unpublished, *Shared vision for the future of the BME VCS*, due to be published September 2010.

Recommendation 23: Local decision making mechanisms need to allow for strategic decision making mechanisms and include clear processes for unpopular but essential land uses and other decisions.

Recommendation 24: Government should resource support for marginalised communities including BME communities to benefit from freeing up of state services.

Recommendation 25: Government should ensure it follows a Compact way of working throughout the spending cuts.

12 Comments on the response

We would be happy to discuss our response further with the Treasury.

Please contact Jemma Grieve, Policy and Parliamentary Officer, Voice4Change England at jemma@voice4change-england.co.uk or on 0207 843 6128 to discuss the response in detail.

For more information about Voice4Change England's activities, please visit www.voice4change-england.co.uk.

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