Changing funding realities for charities and social enterprises: Responses to the Big Society agenda and austerity in the East of England

ISBE RAKE FUND

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Contents

Acronyms

ACEVO	Association of Chief Executives of Voluntary Organisations
BIS	Department for Business, Innovation and Skills
BS	Big Society
DoH	Department of Health
EEDA	East of England Development Agency
ESRC	Economic and Social Research Council
ISBE	Institute for Small Business and Entrepreneurship
LA	Local Authority
LEP	Local Enterprise Partnership
NESTA	National Endowment for Science, Technology and the Arts
NHS	National Health Service
NCVO	National Council for Voluntary Organisations
RAKE	Research and Knowledge Exchange Fund
SEEE	Social Enterprise East of England
VCO	Voluntary and Community Organisation
VCS	Voluntary and Community Sector

Executive Summary

Introduction

In a period of radical change for the voluntary and community sector, this study explores how charities and social enterprises are responding to the Coalition Government's Big Society agenda and the effect that the external environment is having on their funding. In particular, the project examined (a) the extent and nature of organisations' engagement with the Big Society agenda and b) how the changing economic and political context is affecting funding and income generation.

The Coalition Government claimed from its outset that its ambitious programme of reforms represents *'a real opportunity for the voluntary and community sector across the three core components of the Big Society policy agenda'* (Cabinet Office, 2010 b). These core components include *(1) empowering communities*, by giving local councils and neighbourhoods more power to take decisions and shape their area; *(2) opening up public services*, enabling charities, social enterprises, private companies and employee-owned co-operatives to compete to offer people high quality services; and *(3) promoting social action*, by encouraging and enabling people from all walks of life to play a more active part in society, and promoting more volunteering and philanthropy (Cabinet Office, 2010b).

One of the main assumptions of the Big Society agenda is that charities and social enterprises have unrealised potential to generate income from sources other than public sector grants, notably in order to facilitate participation in community activities and deliver public services (Cabinet Office, 2010 a, b, c; House of Commons, 2010). 'Traditional' charities are expected to move from a 'grant culture' to one of 'earning income' through trading to deliver public services, thus adopting the social enterprise 'business' model. Yet this expectation comes at a time of significant other changes that are affecting the wider economy and business environment in which organisations operate. This study provides evidence that charities and social enterprises are having their central and local government funds reduced, most recently as a result of the Coalition Government's spending review. Yet, simultaneously they are being expected to fulfil a central role in the Big Society policy agenda by creating volunteering opportunities, taking over assets for community benefit and delivering public services. Hence the main research questions addressed by this study are:

- To what extent are charities and social enterprises engaging with and responding to the Big Society and what are the implications of this engagement, or the lack of it?

- To what extent are VCOs and charities making this transition to public service delivery social enterprises and what is the nature of the processes involved?
- What are the challenges faced by the organisations and their services?

The qualitative research approach embraced by the study consisted of interviews with 32 charities and social enterprises that operate in the health and social care sector and 12 key informants and stakeholders involved in the roll out of the Big Society policy agenda. The study was conducted within a particular socio-political and economic regional context, the East of England.

This study was carried out by Middlesex University and the Guild and is part of the Institute for Small Business and Entrepreneurship/Research and Knowledge Exchange Fund (RAKE) 2011 programme: *'Entrepreneurial engagement with the Big Society: Rhetoric and Realities'*, and is funded by the Economic and Social Research Council (ESRC), the Department for Business Innovation & Skills (BIS) and Barclays Bank. The project ran from October 2011 to March 2013. The ideas for this study were largely conceived in early 2011, when the Big Society initiative was high in the agenda of the new Coalition Government. The study began in late 2011 when there were signs that the Big Society was fading away from the policy agenda and concluded in early 2013 by which time some commentators had already pronounced the Big Society 'effectively dead' (Bubb, 2013). This report identifies some of the underlying problems with this rather contested policy concept. It also shows how the Big Society agenda has been conflated with wider polices of austerity. These external pressures have resulted in a diverse range of coping strategies by charities and social enterprises.

Main findings

The changing business environment in which the voluntary and community sector (VCS) and charities operate, particularly within a context of austerity and cuts in public expenditure, are challenging the foundations on which the sector operate. Organisations consulted in the East of England were largely in a state of flux, some interviewees had changed their jobs, others had just lost their jobs by the time they were approached, and some organisations were in process of closing down.

The picture that emerged from field research on how charities are responding to change was one of 'stress' - organisations were working to their maximum capacity, with dwindling resources, increased demand, and under very uncertain conditions, and 'frustration'. They could see opportunities emerging from the new environment (notably, increased demand for services) but recognised that there were formidably barriers that prevented organisations from taking up such opportunities.

There was a remarkable degree of confusion and scepticism about the Big Society 'rhetoric' among organisations consulted, although a small proportion of respondents expressed that what they were already practicing (e.g. in terms of provision of health and/or social care services for the local community) exemplified the Big Society idea. In turn, the level of organisations' awareness about policy initiatives and announcements on the Big Society policy agenda (or Big Society 'realities') was surprisingly low, indicating the minimal extent to which the Big Society agenda had led to concrete actions among charities and social enterprises in the region. Interestingly, many organisations reflected on policy initiatives presented to them as 'concepts' rather than as tangible actions, further confirming the sense of vagueness that exists in relation to the Big Society agenda. A key area of policy intervention where organisations showed a relatively high level of awareness was 'opening up public services'.

Most organisations consulted had not responded in any way to the Big Society agenda and explained that they had carried on doing what they were doing before. Less than a third of organisations pointed out that they were responding to the Big Society in some way, for example by 'engaging in businesses with the Local Authority' or 'using volunteers'. A further small group were receptive to the Big Society concept, making reference to it when writing bids or in discussions with the Local Authority (LA).

When asked about the potential benefits and drawbacks of the general approaches and ways of thinking suggested by the Big Society agenda, the responding organisations overwhelmingly highlighted the many drawbacks associated with the agenda, including funding cuts, a reduction in grant funding available, and increased competition for the same funds. Others did not see drawbacks as such but pointed out that the promised benefits of the Big Society agenda had not materialised. Indeed, some organisations that were originally interested in the idea, expressed they now felt 'disenchanted' by the lack of concrete benefits delivered by the Big Society agenda.

With regards to the notion of VCOs and charities making a transition towards the social enterprise 'business' model, the two main areas of change observed in field research which can be associated with a transition of this nature were, a) the growing trend towards 'diversification of income streams' and b) 'culture change' within organisations. In both cases there was evidence of organisations trying to respond and/or adjust to the new funding environment. The main drivers of change were the ongoing move to transform pre-existing 'traditional' sources of community and charitable grant-funding into contracts, the nature of these new contracts, the complexity of the procurement and commissioning process and the new configuration of relationships between the local authority/health authority and organisations.

Despite the high degree of uncertainty and flux experienced by organisations consulted, there was also firm evidence of a process of diversification of income streams taking place within the sector. This is attributable in part to the increased use of 'trading' or commercial revenue as part of an organisation's portfolio of income sources. Three approaches to diversification are identified: 'New public service delivery' (including public sector contracts and personal budgets); 'new commerce' (including trading with consumers and renting space to others); and 'new philanthropy' (including sponsorship, grant and legacies). While all of these have elements of engagement with the enterprise agenda (something referred to as 'marketisation' (McKay et al, 2011), there was not a clear transition towards the social enterprise business model and the social enterprise label was not widespread. In fact, the majority of the organisations did not distinguish between 'earned income' and 'grant income' but between where the income came from, for example public sector, grant-making trusts, private sector, general public, etc. Interestingly, public sector contracts in most cases were not seen as 'trading' by the organisations.

Moves towards 'trading' with various business partners (public, private and third sector) and types of businesses (e.g. personalised budgets and direct payments) is producing a 'change of culture' within organisations. There is evidence of a shift towards more business and enterprise professional cultures, particularly among senior members of the staff. Some organisations were aware that they lacked the business skills and knowledge needed to expand their trading income and/or respond more proactively to the new funding environment. One fifth of the organisations consulted had tried to fill this skill/knowledge gap by either hiring new staff (particularly individuals with a background in business and/or experience in procurement), or hiring external consultants. Income diversification strategies were more commonly observed among this group of organisations. Yet, the majority of the organisations in the sample stated that they could not afford to hire this expertise in order to acquire needed skills and knowledge.

The changes and transitions explained above have also generated problems and dilemmas within the organisations, and in some cases this has resulted in the contestation of processes of change. For example, 'cultural change' of the type described above was deemed as *'dangerous'* or as an *'opportunity'* depending upon organisations' views of whether trading income and diversification was a good route for them or a route they were being forced down. Similarly, while 'money' was often cited as one of the reasons that a good idea had not got off the ground, organisations' views on external sources of finance, particularly loan finance did not provide much evidence of a 'cultural change' taking place at this level. For instance, organisations tended to associate finance with grant funding in the first instance and were extremely cautious when it came to loan finance – a viewpoint particularly evident amongst trustees. Fears of ‘mission drift’ also lead to resistance to change. Some organisations acknowledged the potential benefits associated with increased trading but felt that taking up new business opportunities could place too high a stress on their mission, services and capabilities.

Conclusions

Organisations were at the centre of a paradox, with reduction in funding, reduced support infrastructure and uncertainty about their short-term survival, on the one hand, and a greater expectation, referrals and increased demand on the other. While the latter resulted in high levels of ‘stress’ and ‘uncertainty’ the former resulted in ‘frustration’ - organisations could see the opportunities emerging from the new environment but were constrained from taking up these opportunities e.g. due to their small scale, limited resources and capabilities, as well as changes to their operating environment.

Straight scepticism, about the meaning of the Big Society, and critical appraisal about the real potential of this agenda, were the two most common themes emerging from field research. Organisations saw themselves as primarily responding to the needs of the people and communities they serve rather than to the Big Society. There are low levels of awareness of Big Society related policy initiatives and the perception of limited benefits resulting from this agenda. At the same time organisations blamed the Big Society agenda for a number of problems and policy developments related to austerity political agendas. While the Big Society agenda was seen as a ‘rhetorical intervention’ in order to build wider political consensus (Albrow, 2012) its association with a wider political environment of public sector cuts has dominated the views of charities and social enterprises.

The research identified a growing trend towards the ‘diversification of income streams’ and a ‘change of culture’ within organisations as the two main areas of transition towards the social enterprise ‘business’ model, and this is seen as an important route to self-assurance, certainty, and, potentially, sustainability. The emphasis placed by frontline organisations in relation to their diversifying business relationships was more on *who* that relationship would be with (e.g. public sector, private sector, public in general) rather than *what* the nature of that business relationship would be (e.g. contracts, grants, donations). This finding contests a commonly made assumption in social enterprise research concerning the divide between ‘trading’ and ‘grants’. This partly explains the reasons why many charities reject the social enterprise ‘label’ outright

(Sepulveda et al, 2013; Teasdale, forthcoming) but happily undertake business ventures that can be classified as ‘trading’.

This study has wider implications for policies related to civil society. Firstly, interventions need to be distinguished from other policy agendas such as reducing the size of the state. Secondly, there is a need to disaggregate the sector and identify which segments of organisations are supportive of a social enterprise model e.g. involving public sector contracts and loan finance. For those organisations that perceive social enterprise trading models to place too much stress on their mission and volunteers the current policy environment does not offer support and encouragement.

1. INTRODUCTION

1.1 The Big Society Agenda: from 'Rhetoric' to 'Realities'

At its outset, the Coalition Government (2010-to date) claimed that its ambitious programme of reforms represents 'a real opportunity for the voluntary and community sector across the three core components of the Big Society policy agenda' (Cabinet Office, 2010b:3). These reforms include the establishment of policy initiatives aimed at 'empower communities', giving local councils and neighbourhoods more power to take decisions and shape their area or decentralisation; 'opening up public services', enabling charities, social enterprises, private companies and employee-owned co-operatives to compete to offer people high quality services; and 'promoting social action', encouraging and enabling people from all walks of life to play a more active part in society, and promoting more volunteering and philanthropy (Cabinet Office, 2010b). These three core components constituted the discursive platform upon which 'the Big Society rhetoric' was built, particularly around the crucial role that Voluntary and Community Organisations (VCOs), charities and social enterprises could play as key agents of change in building the Big Society (Conservative Party, 2010; Blond, 2009). The Big Society vision however can not be understood fully without understanding underlying policy trends which are essentially framed within a neoliberal political philosophy (Blond, 2009; Norman, 2010). While some of these policy trends are referred to in our analysis of the interviews (e.g. austerity measures) they are not fully examined in the report.

One of the main assumptions of the Big Society agenda is that VCOs, charities and social enterprises have unrealised potential to generate income from sources other than public sector grants, notably in order to facilitate participation in community activities and deliver public services (Cabinet Office, 2010 a, b, c; House of Commons, 2010). 'Traditional' VCOs are indeed expected to move from a grant-based culture to one of earning income through trading to deliver public services, thus adopting the social enterprise 'business' model (Social Enterprise UK, 2012; NCIA, 2011). Yet this expectation comes at a time of significant other changes. Based on previous research (Alcock, 2010; Sepulveda, 2009; Teasdale, 2010), there is evidence that VCOs are having their sources of funds from central and local government reduced as a result of the spending review (OCS, 2010), at the same time as they are being expected to fulfil a positive and proactive role in building the Big Society (Alcock, 2010). Examples of these expectations include creating volunteering opportunities, taking over assets for community benefit and delivering public services, and the argument is that VCOs would seek to replace public sector grants with earned income, notably engaging in competitive bids for public service contracts (Cabinet Office 2010, a, b). Similarly, recent research in the East of England by Stevenson and Fitzhugh (2011, a, b) has shown that the regional Voluntary and

Community Sector (VCS) is too undergoing a similar process as regards their funding sources and the overall business environment.

Understanding the nature of the Coalition government's programme of welfare reforms (e.g. the redefinition of the relationships between citizens/civil society, economy and state) and the specific role that the Big Society came to play within this context go far beyond the scope and possibilities of this pilot study (for critical analysis of these issues see Albrow, 2012; Alcock, 2010; Corbett and Walker, 2012; Glasman, 2010; Macmillan, 2013; Scott, 2011; Tam, 2011). The study instead focused on one specific aspect of the 'entrepreneurial engagement with the Big Society': whether VCOs and charities are making a transition into public service delivery social enterprises and if this is occurring within the context of the implementation of the Big Society in England.

In particular, the study examined the extent to which 'traditional' VCOs, charities and social enterprises are a) engaging with the Big Society agenda and b) making a transition into a more 'business-like' social enterprise model, the nature of this process and the challenges that it poses to organisations and the services they deliver (BASSAC, 2010; Brady, 2010; Lyon and Ramsden, 2006; Sepulveda, 2009; Stott, 2010; Third Sector, 2009). Although they are declining in numbers, 'traditional' grant-based VCOs and charities continue to represent a qualitatively important part of the VCS (Clifford, *et al*, 2010; NCVO, 2009).

1.2 Research approach

A fundamental aspect of the methodology used in the study was to conduct a piece of qualitative research in the East of England, where Social Enterprise East of England (SEEE) and The Guild are placed and have well-established relationships with VCOs, relevant public sector bodies, third sector umbrella organisations, and members of East of England's Local Enterprise Partnerships. The pilot study sought to examine the views and experiences of VCOs, charities and social enterprises and key stakeholders within one particular sector of activity, the health and social care sector as justified below (Department of Health, 2006; 2009; 2010). In order to explore the micro-realities and dynamics of the Big Society rhetoric and practice, it was necessary to select specific local areas in an English region as a pilot case study. The 2010 National Survey of Charities and Social Enterprises shows that 'the local authority area' and 'the neighbourhood' are the main geographic areas in which approximately three quarter of the 44,000 organisations surveyed carried out their activities (NSCSE, 2011). Not surprisingly, it is at a local level where the Big Society was meant to be materialised into concrete policy actions and have a greater impact (Phillip Blond, 2010).

The East of England region includes the counties of Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk and its administrative centre is Cambridge. According to the 2011 Census its population was of 5,847,000 millions inhabitants – up from 5,388,140 millions in 2001, and Peterborough, Luton and Southend-on-Sea are the region's most populous cities. The East of England represents an interesting regional-based case study for a number of reasons. Primarily because SEEE's role as a partner organisation in the project provided the researchers access to its 160 social enterprise members and an online network of nearly three thousand third sector organisations, and both the research partners have recently undertaken research work on the VCS and charities in this region. One of the first public service 'spin-out' mutuals (Anglia Community Enterprise CIC), providing community based care is in the region and there are several proactive third sector umbrella organisations located throughout its geography.

The selection of the health and social care sector is justified by the fact that this broad sector has been the main target of welfare reforms and policy experiments (Department of Health, 2006; 2009; 2010 a, b) which have explicitly promoted the *social enterprisation* of state-run public services in recent years (Sepulveda, 2009). Such reforms began with New Labour but have intensified during the Coalition Government, with the Coalition explicitly committed to transform the National Health System (NHS) into *'the largest social enterprise sector in the world'* (Department of Health, 2010). Research undertaken in Norfolk by The Guild in 2006 showed that health and social care was the most mature sector in terms of the developing contractual relationships between third sector organisations and relevant public bodies and therefore it is assumed that a critical mass of accumulated experience and evidence exist within the region as to study processes of transition from VCOs and charities into social enterprise and their nature (Stevenson and McDaid, 2006).

This report presents the results of this study carried out by Middlesex University and The Guild on the role of VCOs, charities and social enterprises in building the 'Big Society' and the associated processes of transition towards the social enterprise model. It builds upon the limited yet emerging empirically informed literature on third sector perspectives on the Big Society (ACEVO, 2011; McCabe and Phillimore, 2012; Mcmillan, 2013). In particular, the project examined the extent and nature of organisations' engagement with the Big Society and the effects of policy initiatives and announcements associated with the implementation of the Big Society agenda; and the evidence of transition from 'grant dependant' VCO funding models towards a more 'business-like' social enterprise model and its implications.

The study is based on a purposeful sample of 32 charities and social enterprises operating in the health and social care sector and 12 key informants and sector experts involved in the roll out of the Big Society policy agenda in the East of England (detailed report on the methodology used in this study is provided in Appendix I). The sample includes organisations of different size, age, activity and location. Charities with income of less than £10,000 were excluded. The main research questions allowed the research to explore if charities and social enterprises in the East of England were engaging with 'the core components' of the Big Society agenda (as set out in the Cabinet Office's 2012 document) and the extent to which the implementation of the Big Society agenda was having an impact on the organisations and the environment in which they operate (Bubb, 2010; Chanan and Miller, 2010). These questions were:

- To what extent are VCOs, charities and social enterprises engaging with and responding to the Big Society agenda and what are the implications of this engagement, or the lack of it?
- To what extent are VCOs and charities making this transition to public service delivery social enterprises and what is the nature of such process?
- What are the challenges of change faced by the organisations and their services?

Information was collected on organisations' concrete actions and their views, opinions and mood in relation to the Big Society. This allowed the research to explore the generalised confusion that exists in relation to this policy concept, both within the third sector and general public (Barnard, 2010; NEF, 2010; Teasdale et al, 2012; Macmillan, 2013).

2. LIVING WITH THE BIG SOCIETY AGENDA IN THE EAST OF ENGLAND

2.1 Introduction

The context in which this study was conducted (late 2011 to late 2012) determined the nature of the data collected and made the strategy of both data collection and analysis challenging and at times time consuming (for more details see Appendix I). Organisations and individuals approached and/or consulted stated that they were overwhelmed by the magnitude of the changes taking place. Austerity and cuts in state expenditure were challenging the very foundations of the business environment in which the Voluntary and Community Sector (VCS) and charities used to operate. Hence the majority of the organisations approached for interview were in 'state of flux': some individuals had recently changed or lost their jobs, some well-established VCOs had closed down and others were either in process of closure or not knowing what was going to happen to them in the coming months (late 2012- early 2013) when major contracts were set to expire.

The overall level of confidence and optimism expressed by the organisations approached particularly in relation to their short-term future was considerably lower than that expressed by participant organisations in the 2010 National Survey of Charities and Social Enterprises (NSCSE). This large scale survey found that 85% of the organisations felt 'confident' in that they will succeed in meeting their main objectives over the next 12 months (NSCSE, 2011). While the NSCSE was conducted from September to December 2010, when the expectations about the Big Society agenda were greater and austerity measures had not properly materialised, our survey was conducted from June to September 2012 by which time the Big Society agenda was already in retreat and austerity was affecting the income of charities and social enterprises.

This state of affairs observed among our sample of VCOs, charities and social enterprises in the East of England was also reflected in the views of key informants and sector experts interviewed. Their overall view on how organisations were responding to changes in the environment was one of *'stress'* –as organisations were working to the maximum capacity, with dwindling resources, increased demand, and under very uncertain conditions, and *'frustration'*– as they could see opportunities emerging from the new environment (e.g. increased demand for their services) but recognised that there were (immovable) barriers that prevented them from taking up such opportunities (all of the 12 key informants interviewed made this point). Analysis of the interviews shows the extent to which interviewees were exasperated, frustrated, genuinely confused and plaintive about the situation their organisations faced and the way the current funding and political climate had come about – such feelings were expressed by all of the key informants and two thirds of the organisations. This stress should not be underestimated. As one interviewee put it: *"It's awful but we constantly have to worry where the next bit of money is coming from. It causes stress. Will I have a job? Also with the stress of working with the families* [with complex needs]…"

Organisations were thus facing two competing and contradictory pressures: lower funding, reduced support infrastructure and uncertainty about their survival, on the one hand, and a greater expectation (from funders and policy makers), referrals and increased demand on the other. One organisation expressed the view that the pressure on volunteers and volunteering meant that many VCOs are experiencing an expectation from local elected councillors that they will deliver services for no money. The views on the Big Society agenda expressed by the organisations interviewed should therefore be read in light of these perceptions.

VCS's respondents were initially consulted in relation to four dimensions of the Big Society. These were: definition of the Big Society; responses to the Big Society and organisations' engagement with the implementation of the agenda; benefits and drawbacks of the Big Society; and awareness of Big Society-related policy initiatives and announcements. These dimensions of analysis relate to the proposition articulated by Cabinet Office minister Francis Maude that it is not for central government (or 'Big Government' – Conservative Party, 2010) to specify what the Big Society is or does, but responsibility of the social actors and communities themselves, i.e. the job of the third sector.

2.2 Defining the Big Society

The issue of the definition and understanding of the meaning of the Big Society was one of the more difficult themes to tackle. Broadly speaking responses to the question, *'what does Big Society mean for you?'* can be classified into two main groups (see table below). The first group of responses was made up of those interviewees who expressed a very critical and indeed sceptical view about the Big Society and its meaning. The report refers to this group of as 'the sceptical' group.

Table 1. Definitional groups of organisations

Definitional groups	Number	Subgroups of responses
'The sceptical'	14	1) '*it* [Big Society] *means absolutely nothing'*
		2) '*I have not idea'* of what it means
		3) '*it means nothing new'*
'The pragmatic-realist'	18	1) Neutral-sounding definition but critical appraisal
		2) The work the organisation does plays a part in fulfilling the Big Society vision

Unlike 'the sceptical' group, the second group of interviewees tried to explain their understanding of the original intent of the Big Society in a rather positive way, although criticism was also present. The report refers to this group as the 'pragmatic-realist' group.

2.2.1 'The sceptical'

A range of distinctive views characterised the mood about the Big Society existing within this group. The more common responses were: (1) The Big Society *'means absolutely nothing'*; (2) *'I had no idea'* of what the Big Society might means; and (3) The Big Society *'means nothing new'* (14 organisations in total = 44% of the sample). A common factor within these three groups of responses was that they all rejected the Big Society rhetoric outright - this included those respondents who could not define the concept and those who said it *'means nothing new'* as well. The sceptical view about the Big Society was less prevalent among the key informants (sector specialist, umbrella organisations and commissioners) who commonly offered a definition – although a degree of scepticism about the whole agenda was also manifested. Some quotes serve to illustrate the sceptical view on the meaning of the Big Society:

> *"It* [the Big Society] *means absolutely nothing. I think it's party political ideology. I think it's ideology that's trying to take away the welfare state and throw the poorest in society onto philanthropic handouts."*

> *"Not a lot. It can mean whatever you want it to be. What it means to Mr Cameron is shifting responsibility for delivering our type of service to the third sector, without*

necessarily underpinning it with finances and support. It was a case of the government trying to push responsibility for services to the public rather than government or public organisations."

"I just think it's rhetoric. I haven't seen any Big Society initiatives cutting through to the lives of my service users. The feeling on the ground is it's been articulated as a vision but hatcheted by cutbacks at the other level."

Arguably, the answers *'it means nothing new'* do constitute a form of definition (i.e. the Big Society means something that already exists but may exist under a different name or label) and this is qualitatively different from the answer: *'it means nothing'*. As explained however, this group of responses was classified as 'sceptical' because they rejected the Big Society rhetoric outright and saw no added value in the concept. Some examples of responses that suggested that the Big Society *'means nothing new'* also explained that this idea is no different to what voluntary and community organisations *'already do'* or *'have always done'* and that perhaps the difference is that it has now become part of a political discourse (a view also observed among most key informants):

"In many ways it [the Big Society] *was what was happening anyway. Caring for people in the community – we've always done that."*

"Well I think it's putting a label on what's happening anyway, but that's nothing new. There's lots of examples around – they are all under-resourced."

"To a certain extent it's appropriating existing structures and calling it Big Society – voluntary and charitable activity has always gone on! Sorry to be cynical…"

"We've been doing it for 100 years. The problem is trying to sell it when sweeping cuts are undermining the organisations that are doing it …It's the right policy at the wrong time with wrong other policies." (Key informant)

"The press suggests it's something new but we've been doing it for years. Some organisations think it's a pat on the back for the work they've been doing but most responses seem negative." (Key informant)

2.2.2 'The pragmatic-realist'

The second and slightly larger group of responses was made up of those interviewees who tried to articulate an answer and explained their understanding of the original intent of the Big Society agenda (18 organisations = 56% of the sample). Most key informants and sector expert fell within this group. Responses among this group of interviewees were even more heterogeneous than observed among 'the sceptical' (see quotes below) and hence it became very difficult to classify them into discreet definitional subcategories despite their attempt. Perhaps the more common factor was that they expressed 'a neutral-sounding definition' that suggested for example that the Big Society (1) *'would not'* or *'was not working'* (the largest subgroup) or that (2) the work they do played a part in fulfilling the Big Society vision. In other words, these organisations tried pragmatically to go along with what seemed to make sense in the Big Society agenda (or what they had to 'sell' because it was their job within the local third sector infrastructure) but many were realistic in their assessment of the potential of this agenda. Examples of the first subgroup of responses included:

> *"I had hopes that it* [the Big Society] *meant valuing the voluntary sector, reinforcing the voluntary sector with resources and integrating people into society."*
>
> *"To me it's about getting people involved in their local community … But most people need to work full-time and use volunteering as a way into work. Less people are around who have the time to give to volunteering* [given family demands etc.]. *I'd love to get more involved but I don't have the time, you have to be realistic."*
>
> *"I think it was great in theory – everyone doing their bit. Unfortunately in practice a) a lot of people have to work full-time (for instance both parents now working) b) and even in terms of if you want to volunteer, there are lots of unemployed people to compete."*
>
> *"Actually it was a broad statement to councils saying: 'Get your finger out and do it another way'. But they didn't manage to stop – the bureaucracy is always there. Big Society was there to shake everything up and say let's find a different way to do things. It's what social enterprise does."*
>
> *"Most rural communities have been doing Big Society forever. It's the way society works, by people getting together to help each other … initially organisations got excited by it but now they're reporting that bids they make to deliver this agenda are failing so they've lost faith in it. They're still doing the work but have lost faith that the agenda is going anywhere."* (Key informant)
>
> *"All the work of the VCS* [the organisation's name]*, especially volunteering, is part of it* [the Big Society agenda] *but we need to make sure it stays outside the political agenda. Big Society has been badly handled and has muddied the water at a time when there should be discussions with the sector – we're weathering the fall out rather than negotiating the position."*(Key informant)
>
> *"Two years ago people would emphasise Big Society in their bids but not anymore, now they're more likely to talk about localism"* (Key informant)
>
> *"Big Society should mean that everyone in the local area is involved or could get involved, businesses paying rates, organisations delivering services and employing people and so on, providing support for the area. The reality is that the same people are doing the same things in the community and everyone else is burying their heads in the sand."* (Key informant)

As the quotations show, key informants expressed a slightly more sympathetic view on the Big Society than the selected organisations did. However, they also expressed that while the Coalition Government's rhetoric about the Big Society was in theory favourable to their work, the reality was that many other government actions (notably, austerity and cuts) were undermining the work of third sector organisations, including those who would be willing to do more to support this agenda. As a key informant put it, *'things are getting tougher and it is* *becoming more difficult to meet the objectives of the Big Society agenda even if that is what you want to do'*.

Those interviewees who suggested that the work they do played a part in fulfilling the Big Society vision or were somehow 'aligned' to the Big Society message, commonly gave a more 'straight definition'. Definitions varied however (see below), covering areas of institutional action and policy intervention such as 'public-private-VCS partnerships', 'personal responsibility' and 'community action', 'devolving power to communities', 'volunteering' and 'social inclusion':

> *"It* [the Big Society] *means for us, for example partnership with Local Authorities … and other agencies such as the Fire Brigade."*
>
> *"Originally I was very critical of the BS* [Big Society]. *But now I have a better understanding of how it actually works on the ground. For example, now I understand better the key role and importance of partnerships to deliver social care services, particularly at a local level."*
>
> *"I think Big Society means trying to encourage people to be in control themselves and making a contribution – being involved in their community."*
>
> *"In a nutshell: care in the community being more obviously about care by the community."*
>
> *"From a business perspective* [it means] *people who face barriers getting involved in all parts of the community – local services."*
>
> *"Supposed to mean people at a local level working together to improve their quality of life. The devolving of power to local from central."*
>
> *"Using volunteers out in society, keep costs down, support others."*
>
> *"Big society means equal opportunities for everyone."*
>
> *"It meant trying to get communities to better support communities. But it's kind of a swear word isn't it!"*
>
> *"Big society is a shift of support from the state to the individual. This is the government policy – the public sector will contract and civil society will take on more. It's not about volunteers running old people's homes. It's a more subtle approach in which people in the community support an older person, enabling them to stay in their own home and be part of the community for longer, say six months."* (Key informant)

2.3 Responses to the Big Society Agenda

The previous section focused on the issue of the definition and understanding of the Big Society trying to capture individuals' perceptions and feelings about this rather elusive policy concept. This section instead sought to identify concrete forms of engagement of VCOs, charities and social enterprises with the Big Society agenda and its implementation. Respondents were asked if the organisation they represented was 'responding' to the Big Society in anyway and if possible prompted to provide examples of this engagement.

Table 2. Forms of response to the Big Society agenda

Typology of organisations	Number	Forms of response
'Unresponsive'	22	---
'Responsive'	10	• Partnership/contractual relationship with the LA • Use of volunteers • Use of the Big Society concept to write bids and in discussions with commissioners and funders

The majority of organisations interviewed (22 cases = 69% of the sample) stated that they had not responded to the Big Society agenda in any way. The report refers to this as the group of 'unresponsive' organisations which had not engaged with this agenda in any way, and in principle this data suggests that the Big Society agenda has not been embraced by a significant part of the VCOs, charities and social enterprises in the East of England.

2.3.1 'Responsive' organisations

'Responsive' organisations represented 31% of the sample (10 cases) and were classified within this category as they were responding to the Big Society 'in some way' at the time of the interview (Summer-Spring 2012). Some common examples of organisations engaging with the Big Society were as follows:

- Engaging in a contractual relationship with the Local Authority' to deliver services (however, some attempts referred to were unsuccessful)
- Proposing and forging partnerships and sharing costs with other organisations (although this response primarily referred to the expression of a wish more than a concrete practice)
- Leading a partnership of organisations with money from a Big Society related fund from the City Council (example of a concrete action)
- Starting a volunteer programme (example of concrete action).

As seen, only 2 out of the 10 'responsive' organisations were engaged in a concrete action (a programme for volunteers and a partnership respectively) which can be directly associated with the implementation of the Big Society agenda, while another organisation highlighted that they have (pragmatically) tried to use the idea as a leverage for funding applications but they did not succeed in attracting funding. In a similar fashion, a couple of organisations professed themselves ready to use the 'Big Society concept' to write bids and/or in business conversations with the Local Authority - one of these organisations explained that they were 'forced' to respond to the Big Society agenda. This type of response has been recently characterised as a 'positioning strategy' through which VCOs seek to 'position' themselves and their activities alongside and in relation to the Big Society (Macmillan, 2013).

2.3.2 'Unresponsive' organisations

Out of the 22 organisations that were not engaged with or responding to the Big Society agenda, the majority however expressed that *'they were doing it anyway'* or that *'that was the way they work'* or that *'they were rather responding to 'local needs – not to policy agendas'*. (See quotes in Section 2.2). In particular, many organisations responded with a comment with the gist: *'we were doing it anyway'* or *'it's just built into the way we do things anyway and that's not new because of Big Society'*.

That VCOs and charities *'were rather responding to 'local needs – not to policy agendas'* was the most common view expressed by key informants and sector experts when consulted about organisations' engagement with the Big Society agenda. They explained that whatever they or the organisations they work with think about the Big Society agenda, they all are doing their best to continue to provide services and enable volunteering - the things they have always done. Yet, the argument continues, this is proving very difficult for the organisations even among those who are considering a different approach that involves trading and taking on public sector contracts. Hence criticism of and frustration about the Big Society agenda is a prevalent factor among this group of organisations. Some examples of key informants serve to illustrate this critical view on the Big Society 'realities':

> *"People are ignoring the labels but are doing it. Local authorities are still giving grants to voluntary organisations but are focused on how they can reduce their budgets as well as meet the needs of their communities"*
>
> *"They've got people who are setting up a cat sitting circle – how do you move from there to running a big community transport scheme or the library – how on earth would you do that?"*
>
> *"The environment I came into already supported the voluntary sector as valuable organisations and service deliverers. I don't think the government has changed that".*

"People just think "it doesn't mean me". Community centres are having to close because they can't persuade volunteers to come forward"

"More people are resigning from community organisations as it's unworkable. If you've been doing the accounts for a voluntary organisation and you're also working harder at your day job, you can't continue. I've just resigned as a parish councillor because the expectations of the county and district councils were that we would do more and more".

"The downside is getting elected councillors saying "why don't you do x [with volunteers] *not us?" But how can we do this for a quarter of the money? But we are having the conversations – statutory organisations are realising that they have to transform the delivery of public services but they want innovation at a quarter of the price and people in voluntary organisations are too busy to be innovative"*

2.4 Perceptions of benefits and drawbacks of the Big Society agenda

Respondents were asked if their organisation had experienced any tangible a) 'benefits' and b) 'drawbacks' from the policy initiatives and general approaches suggested by the Big Society agenda. Responses obtained can be seen in the table below. The assumption here is that the implementation of the Big Society may have (positive or negative) externalities for the organisations even if they are not engaged with this agenda.

The majority of the organisations interviewed focused on the many 'drawbacks' they associate to the Big Society agenda (53% of the sample identified one or more forms of 'drawbacks') and the very fact that the potential 'benefits' of this agenda, as promoted by the Coalition Government's rhetoric about the Big Society agenda, have not materialised at all (50% of the sample did not identify any form of 'benefit' for them resulting from this agenda).

Table 3. Perceived benefits and drawbacks of the Big Society agenda

	Orgs (%) that answered 'No'	Orgs (%) that answered 'Yes'	DK/DA	Total
Have you experienced tangible benefits?	**16 (50%)**	10 (31%)	6 (19%)	32 (100%)
Have you experienced tangible drawbacks?	10 (31%)	**17 (53%)**	5 (16%)	32 (100%)

The most common 'drawbacks' mentioned by the organisations and that they associate with the Big Society agenda were:

- Cutbacks and funding cuts

- No or few grant funding available
- Loss of professional expertise and sector infrastructure capacity
- Far more organisations vying for the same funds; and
- (this resulting in) Generalised uncertainty and threat to organisations' survival.

Interestingly, this finding reveals that while for many VCOs and charities the Big Society means nothing or means nothing new and has not properly materialised (i.e. in the East of England), they do blame it for a range of problems that are negatively affecting the environment in which organisations operates. This suggests that organisations are conflating the Big Society agenda with wider austerity measures and this clearly affected the views that organisations expressed in relation to this particular policy agenda.

Table 4. Areas of interest for the Third Sector in relation to the Big Society agenda

Areas of interest	Examples
Responsibility & transparency	• The Big Society message chimes with the idea of self-direction and personal responsibility the organisation is trying to promote • It encourages the idea of taking greater personal responsibility in troubled times • It fits with the organisation's agenda and makes the Government's aspirations transparent
Localisation & community action	• Its message chimes with the idea of local solutions for local problems – *'The idea of looking for local or community solutions to local problems is at the heart of what we do'* • It encouraged people to think a bit more about their community.
Volunteering	• It celebrates that voluntary action can happen – *'But we were doing mentoring and volunteering before the Big Society anyway'*
Partnership	• It allowed discussions to take place between an organisation that had previously not held contracts with the local authority • It encourages partnership working
Personalisation	• It encourages personalisation – *'We have obviously embraced personalisation as that's a good source of funding'*

Among those organisations that said that there were no 'drawbacks' for them (31%), a group of them explained that they did not see 'drawbacks' as such but that *'the promised benefits of the Big Society had not materialised'*. Indeed, half of the organisations interviewed expressed that the Big Society agenda has not brought any benefit for them. Most organisations in this group fell within ‘the pragmatic-realist’ group of organisations in Section 2.2, and could therefore be referred to as a group of organisations which had somehow accepted the Big Society agenda but were rapidly ‘disenchanted’. Around a fifth of the sample of organisations consulted could identify neither ‘benefits’ nor ‘drawbacks’ for their organisations associated to the Big Society – these were mainly small or very small community groups that commonly depended on volunteers and received none or no significant public funding (e.g. voluntary and self-help groups).

Out of the 10 organisations that said that they had benefited from the Big Society agenda (31% of the sample), they did so from the general approaches and ways of thinking suggested by the Big Society (or ‘Big Society rhetoric’) rather than from concrete policy actions (or ‘Big Society realities’). This further confirms the certain level of empathy that exists between the Big Society idea (as portrayed in Section 1) and the VCO and charitable sector. Organisations explained that they were already doing what the Big Society rhetoric was telling them to do; hence this degree of understanding of this policy agenda. Some examples of this level of empathy that exists between VCOs and the Big Society are listed in Table 4.

2.5 Awareness of Big Society-related policy initiatives and announcements

Throughout this study, it became clear that in feedback from VCOs, Big Society ‘rhetoric’ and Big Society ‘realities’ appeared dissociated. Their awareness about Big Society-related policy initiatives and announcements was another area of disassociation. Participants were asked if they knew of specific policy initiatives or other announcements of intent made by the Coalition Government which have been linked to the Big Society agenda (Cabinet Office, 2010 a, b). They were then asked whether these were relevant to their organisations or if they were engaged with them in any way. The list of policy initiatives and announcements presented to the interviewees included:

(a) Opening Up Public Services
(b) Big Society Capital
(c) Empowering communities
(d) Transfer of public assets
(e) ‘Level playing field’ within the commissioning process – Public Services (Social Value) Act
(f) Localism
(g) Local Economic Partnerships (LEPs)
(h) Growing Place Funds and other sub-regional initiatives
(i) Community Organisers Programme (National Citizen Service) / Volunteering promotion

A number of problems arose in relation to this question which added complexity to the analysis of the data collected in field research; hence findings presented in this section should to be treated with caution when drawing conclusions on the (low) levels of awareness observed among the target group. As with other questions about the Big Society agenda, the interviewees reflected more on this list of items presented to them as 'concepts' rather than 'tangible policy initiatives' that may affect the organisation that the interviewee represented. For example some organisations reflected on Local Enterprise Partnerships (LEPs) as a public-private-VCS partnership, not as a particular policy initiative called LEP. The interviewer was in fact regularly asked to explain items such as 'Big Society Capital', 'Transfer of public assets', 'Local Enterprise Partnerships' and 'Community Organisers Programme'.

2.5.1 Opening up public services and 'level playing field'

The majority of the more informed observations collected were in relation to the broad area of intervention associated with 'Opening up public services' (Initiative 'a' in the list above) and 'level playing field' within the commissioning process (Initiative 'e'). Overall, reflections on the 'opening up public services' from organisations was around the balance of opportunity and risk. Interestingly, while discussing public services, organisations often referred to the discourse of 'red tape' and expressed that the 'reduction of red tape' within the commissioning process was an area of public policy that required more attention as it was not improving, and in fact in some cases was getting worse (notably, in the health sector). Only those who said that they had been invited to have an input into how commissioning was changing (2 cases) appeared to express alternative views about whether reduction of red tape and 'the levelling of the playing field' was actually happening. Attitudes towards 'opening up public services' and 'commissioning' are explored in more detail in Section 3.2 of this report.

Among the key informants consulted, the assumption was that if VCOs and charities are to become more sustainable and resilient within tougher funding environments, they will need to be able to compete to take on contracts to deliver public services (Initiative 'a'). They also remarked that organisations which were originally set up as social enterprises seemed more willing and more able to take on this challenge than 'traditional' 'grant dependent' voluntary and community organisations. In particular, some key informants who were commissioners themselves critically commented on the 'contracting public services' agenda and the claimed 'reduction in red tape':

> *"Every time there's a funding round the forms get bigger. Reducing red tape is important but it's a balance between accountability and making the processes supportive of the* [voluntary and community] *sector…We need to see that performance monitoring is proportionate to the project, I think at the moment we can be a little bit over the top".*

> *"The reduction in red tape is pie in the sky – commissioning is mandated by government processes… We always get more applications than money. So we need to be fair, we need to be transparent. If it was less fair* [because you'd been less transparent or followed fewer rules] *you'd have loads of unhappy organisations saying 'where are your rules?'"*

> *"We have been working on the reduction of red tape with the county council. It's a strategic objective but making it happen is hugely difficult."*

2.5.2 Big Society Capital

Similarly, there was a fairly low level of awareness about the 'Big Society Capital' initiative ('b') among those VCOs interviewees who chose to comment on it (many did not) – this is despite the fact that this is the only policy initiative that explicitly uses the Big Society label in its title. This came as bit of a surprise for the researchers as the 'Big Society Capital' has to a degree been publicised in the region as a new platform for social investment for the third sector (e.g. through seminars on Big Society Capital hosted by Social Enterprise East of England –SEEE). Among those organisations who were aware of the Big Society Capital, the only additional comment relating to it was that loans and other forms of external investment requiring a return were *'impractical'*, *'a burden'*, and represented *'too much of a risk'* for their organisation. One interviewee pointed out: *"Well, I think this is one of the things where there's a gap between reality and practice. Most charities are risk adverse and not even considering this"* [loan funding].

More surprisingly perhaps was the fact that 9 out of the 12 key informants interviewed had not heard about this initiative and those who commented on it pointed out that it would not be relevant for VCOs as it only provides loan funding - not grants. Accessing finance as an issue for third sector organisations is further examined in Section 3.4.

2.5.3 Other initiatives

Organisations' awareness about of the 'transfer of public assets' agenda (item 'd' in the list) was also low, although a couple of interviewees who knew or asked about it stated that this would be something they would consider looking into.

Local Enterprise Partnerships (LEPs) ('g') were commonly misunderstood as the drive towards public–private-VCS partnerships, rather than as distinct policy entities for local/regional economic development. Out of 32 organisations, only 3 were aware of their local LEPs because they were part of it in some way. Where LEPs were understood, there was some displeasure from one respondent over what was perceived as their 'private business' focus, rather than partnerships between private businesses and those (third sector) organisations that are also ‘business-like’, but for a social purpose. One key informant worked for a LEP and talked extensively about the potential positive role they could take on:

> *“It’s a huge opportunity. Some* [LEPs] *have been effective at being a voice for local business. They cover a sensible geographic area and are strategic. They aren’t member organisations so they can look at the wider economy not just members’ interests. Success so far is varied but in the long term there’s a huge opportunity for getting one voice for business to tackle long term barriers, for example developing skills that link to employers’ needs. There are opportunities to link with the VCS as they are helping people furthest removed from the labour market – we need to work out how we can work together to achieve progression for these individuals, to identify and provide what’s needed locally – call it economic localism.”*

Similarly, only two respondents knew about the ‘Community Organisers Programme’ (‘i’) as they were going to be host organisations for the project in the near future. One key informant critically commented upon the approach taken on by this initiative: *“Community Organisers Programme is being delivered in isolation. The government programme has had a slow start. Long term community activists will carry on regardless – the programme should have focused on them.”*

2.6 The East of England’s Big Society

The last level of analysis of the Big Society ‘rhetoric’ and ‘realities’ was that relating to the local and regional level of implementation of this agenda. Participants were directly asked whether ‘anything’ or ‘anything new’ was happening in the East of England and in their local area with a particular connection to the Big Society agenda. Responses received were emphatic. After more than two years of policy rhetoric by the Coalition Government and the Prime Minister in particular, the realities of the Big Society in the East of England were practically unobserved and there were few examples of concrete policy action or materialisation of the influence of policy discourses in all of the 6 counties that made the East of England region.

A couple of respondents noted that there were some ‘forums’ and other ‘networks’ operating in their local areas, but also that they had existed before the change of Government in 2010 and that, while fitting with the Big Society agenda, they did not arise from it. A further two organisations said that they were going to host ‘Community Organiser’ projects from the Autumn 2012 onwards, and another one was aware of a ‘Community Agent’ project in the area. Finally, one interviewee knew about some community budgeting work in his local area and others talked about funding being provided to their local CVS to promote volunteering. Across the board, however, few local activities and initiatives related to Big Society were mentioned at all. Most participants simply did not have an answer to this question and one interviewee’s response went so far as to say: "[From the] *things I pick up in* [our county] *– it doesn't feel like it's actually started. It doesn't feel like anything is happening."*

3. Evidence of transitions towards the social enterprise 'business' model

3.1 Introduction

The second part of the study examined the extent to which health and social care-focused VCOs and charities in the East of England are making a transition towards a more 'business-like' social enterprise model, as forwarded and promoted within the context of the Big Society agenda (Cabinet Office, 2010 a, b) . This analysis will further contribute to assess whether there was fertile ground for the realisation of the Big Society agenda in this region and if organisations were willing to embrace some underlying principles associated to this policy agenda.

Two interrelated areas of change that can be associated with the transition of VCOs and charities towards the social enterprise model were identified. The first one related to the growing trend towards the diversification of income streams of organisations. The second in turn referred to a change of culture that appears to be occurring, through which organisations are trying to respond to the imperatives of the new funding and policy environment.

3.2 Drivers of diversification of income streams

The pressures from the 'new funding environment' in which VCOs, charities and social enterprises operate was singled out as the most powerful driver of change. Almost all of the 32 organisations consulted pointed out that they 'forced' to respond and were changing in some way in order to response to the new (yet, difficult to understand) funding environment within which the Voluntary and Community Sector (VCS) organisations operate.

While organisations in general offered a more negative view with regard to this new environment and its implications for organisations and the services they deliver, the majority of the key informants and sector experts consulted agreed that some of these changes have had, or have the potential to have, a positive impact on the whole VCO and charitable sector. However, these sector experts also expressed that some VCOs did not appear to recognise the likely impact of the changes on them or seemed unable to respond to these changes in an appropriate form.

In order to understand these processes of transition from one model of operation into another one it is necessary to first understand in more detail the factors shaping the nature of the new funding environment, particularly as organisations themselves understand them. The key drivers of change as singled out by the interviewees are listed below – although they should be seen as a mixed-cocktail which most organisations were dealing with in a simultaneous form. These included: Transforming grants into contracts and relationships with public agencies; Challenges of the procurement process and restrictions of available funds; Scale of contracts, localism and economies of scale; and Personalised budgets and direct payments; alongside the overall reduction in funding available for the sector and the generalised uncertainty about the new funding environment.

3.2.1 Transforming grants into contracts and relationships with public agencies

The move towards transforming previous community and charitable grant-funding into contracts was singled out as both a major driver of change and source of uncertainty which affects the entire VCS. There were also those organisations for which the change from grants to contract meant they were eating into their reserves to continue operating. One interviewee commented: *"Our turnover hasn't changed, but it's more at risk because we're not sure we're getting a renewal of contract. Our reserves are depleted because we've used our money to keep going."*

Relationships with public agencies, including local authorities and the national health infrastructure, were commonly identified as one of the most obstructive and confusing factors within the new funding climate faced by the VCS. In particular, ongoing reorganisation and re-structuring of the local authority and health service make the environment for business forecasting and planning extremely difficult. Institutional complexities and changes around the commissioning process have generated communicational breakdowns which many organisations are also finding difficult to deal with. Even those organisations that held contracts with public agencies complained about the volatility of the new environment as they were experiencing constant changes in the way contracts were composed, advertised and bid for, with a shift towards greater competition and more clearly defined delivery within set budgets. Some respondents complained that they had invested heavily in building relationships with funders and policy makers in the past but that these relationships had been jeopardised by the changing environment (e.g. individuals leaving organisations, re-structuring, new regulations, closures, etc.). The point here is that business relationships with commissioners and funders do define the frontier of possibilities for many organisations as to whether they are for instance capable of transforming their grants into contracts. Some quotes serve to illustrate the effects of institutional complexity:

> [In response to a question about barriers faced an interviewee said]*: "I guess one of them is the speed of change which commissioners and funders are having to work at. A lot of them are an absolute mess. They've been given targets but the left arm doesn't know what the right arm is doing. One commissioner recently told us our funding was being stopped and a week after we got an extension from another commissioner* [in the same organisation]*."*

"We spend a lot of energy trying to keep on the ball. Who is the future? [in terms of commissioners to talk to] *It's just a nightmare at the moment. It doesn't help, the insecurity we have. Procurement say one thing and do another."*

"We were getting to the point where we didn't know what would happen with the commissioning agreement. You can't do financial modelling on no information to model on. So we said to the local authority that we'd have to close our doors for a month to re-configure, get ourselves ready for what was coming next without the pressure of people coming to us. We said we'd put a note on the door saying to go to the civic hall. That was when proper funding negotiations started. But we didn't do it solely for that – we weren't bluffing. We needed them to understand. Sometimes, when we bend over backwards in this sector we're our own worst enemy."

[More generally] *"The government is committed to cutting red tape and decentralising but is doing the opposite. In adult skills, decisions are being made locally, previously the EEDA* [East of England Development Agency] *agenda was publicly consulted on, now, what's the process? Who has the overview? Funding is now more centrally decided so people are now more uncertain about what is expected of them".* (Key informant)

[In a context of an organisation transition towards personalised services] *"We still don't know how to invoice. It's by no means definite. So we can't ask our database designers to make our database able to do it* [invoice under the new regime] *because we still don't know how we will need to invoice. That means we'll probably have to start by just doing it manually - which is a lot of hassle".*

Ultimately, one organisation pointed out: *"If they are going to run it like a business* [the council]*, then they actually need to run it like a business!"*

3.2.2 Challenges of the procurement process and restrictions of available funds

Overall most public sources of funding (whether previously grants or contracts) were reported to be adopting tougher and/or more complicated processes for procurement; hence many of the interviewees scoffed at the idea that the Government agenda to *'reduce red tape'* and provide '*a level playing field'* within the commissioning process was having any positive effect at all.

"I've just had a tender through…. 14 months ago they said it would happen imminently. It's taken that long. It's 180 pages and we've got a month to respond – it's all for only £25,000. It's ridiculous!"

"I was going to laugh then [when asked if there had been a reduction in red tape] *but I'd better not* […] *It's actually got worse. Tenders have got bigger and longer-term. It's pushing out the small local providers."*

"I'm an ex-commissioner and I don't even understand it! There isn't ease for the voluntary sector … it's full of jargon and red tape."

Even for organisations whose previous funding arrangements were already contracts (and who were therefore 'trading' with the public sector), the change appears to be around the size of contracts and the expectations for delivery within the set budgets provided. Some organisations reported that they were being advised to be sustainable and to find ways of keeping appropriate levels of reserves. However, they found that the only way to supply reserves was to have enough funding to pay direct project costs, pay overheads and then keep reserves back. With the restrictions being placed on contracted delivery at the same time as reduced budgets, organisations are finding themselves faced with no clear way of maintaining or re-building reserves and therefore at risk of breaking contractual agreements. Some examples of this variety of problems are presented below:

> *"When you are contracted it funds that particular thing. You can't take money designed for something else to set up new systems."*
>
> *"A lot of funding is good for set-up, but then they say after 3 years you have to be sustainable. But where do you get it from?"*
>
> *"We are seeking a way to gain unrestricted income – we could rent out our new premises to gain income. We need monies that come in and that are unrestricted. The key issue is not where the money comes from - it's the restrictions with the money."*
>
> *"I can go for grant funding, but it's my costs that kill me. It's about reaching the requirements for infrastructure, management etc…The frustration of the funding side is – contracts don't allow profits or excesses. Grant givers only want to fund things with direct impact. Now I wait for people to die* [and leave us legacies] *– that's awful isn't it?"*

3.2.3 Scale of contracts, localism and economies of scale

In contrast to the rhetoric associated to the localism agenda, the story presented by the organisations interviewed was one of larger contracts that cover whole top-tier local authority areas or wider health-related areas. Some organisations explained that where three or four local organisations may have previously provided under service level agreements, the new arrangement might be one contract for the whole area. The perception among some interviewees was that this is excluding their organisations from the process. This is perceived as actively going against central principles of localism as promoted within the context of the Big Society agenda:

> *"The tender specification* [in which the organisation was involved] *was for county-wide services which means we were automatically denied access to the tender because we didn't meet the criteria. Other charities have been forced into closure. You are then bound by the funding you get, but the funding is not local – it's county-wide."*
>
> *"Bigger charities will be contracted, swallow up our services and take our funds."*
>
> *"I haven't heard of anyone expanding locally. There is expansion at national level. I have a friend working at* [national charity] *– they are winning big contracts but have just*

cut back by 40% so now they can't cope – they don't have the capacity to deliver contracts."

"One local organisation that had been going for over 100 years recently had to close after it lost a contract to a national organisation… One national organisation won a contract over an established local provider. The local organisation challenged the process used and won so the tender had to be repeated. However the council changed the criteria and used a higher turnover as an eligibility threshold so the local organisation couldn't bid the second time."

"Two local organisations have closed after they lost contracts to large national organisations. The funding was still on the table but they couldn't compete."

"A chief exec of a local authority said to me they are getting two different signals – localism and cutting – coming out of central Government. He said: 'I'll be measured more on cutting than on localism."

3.2.4 Personalised budgets and direct payments

At the other end of the scale to county-wide contracts is the introduction of personalised budgets and direct payments - direct payments are cash payments given to individuals to pay for social care service provision which they have been assessed as needing. Around 40% of the organisations consulted pointed out that they were considering or planning the move to personal budgets / direct payments. In the personal budget quasi-market the income would come directly or indirectly from the local authority and/or health infrastructure, but in the indirect case would be via the 'open market choice' made by the individual budget holder. This form of operation necessarily implies changes in business practices and strategies, as personalisation for example requires a different marketing strategy targeting individuals (not local authorities), different invoicing systems and makes planning more difficult, all of which impose further pressures on them. A number of the interviewees pointed out the risk and uncertainty that the move towards personalised budgets / direct payments could cause for them and the services they deliver:

"We're moving from a point where the trading income is predictable, to one where we have to win it on a person-by-person basis. As time goes on block funding will disappear and we'll have to compete against other providers. This [personalised budgets] *is a risk for us – what if they won't buy?"*

"There's a lot of uncertainty around personalised budgets because you can't budget in advance effectively. We're going to have to invoice the council for the service, but we don't know yet how or what that'll look like […] *The added uncertainty of the personalisation agenda means it's harder to budget appropriately."*

"That's what we're trying to get our heads around now. Personalised budgets may only be accessible by people in more extreme cases. We used to have [a service for people with mental health issues]*, our funding was reduced by 10% one year, 28% the next and*

then to nil. We may get some of that back through personalised budgets but the number of people accessing will reduce dramatically."

3.3 Strategies for diversification and the 'grant' vs 'trading' divide

Having examined the main drivers of change, it is possible now to offer a better informed account of the push towards the diversification of income streams of organisations.

Table 5. Spheres and strategies for diversification

Spheres	Strategies
(1) New public service delivery	a) Organisations considering and planning for the change to personalised budgets / direct payments (*) b) Organisations which had only ever had grants/donations considering public service contracts for the first time c) Organisations trading with the public/private sector and intending to continue doing so/expand their operations d) Organisations trading with the public and intending to continue doing so and/or expand their operations. e) Organisations which had previously had public service contracts considering changing the format of those contracts f) Organisations hoping for service level agreements (either in a different area of work or to replace grants)
(2) New commerce	g) Organisations considering finding ways of trading with the public to gain income to support continuation of service provision - often through a 'trading arm' rather than transition to social enterprise (*) h) Organisations considering trading with the public/private sector to gain income to support continuation of service provision (for instance through renting out space)
(3) New philanthropy	i) Organisations considering and applying for new grant options (*) j) Organisations looking for business sponsors or patrons k) Organisations carrying out fundraising with the public and promoting opportunities for legacies/personal donations

* The most popular strategy within the sphere

During field research it became clear the while this study focused on the transition of organisations towards trading and away from grant, the reality on the ground as experienced by the organisations was actually a picture of diversification of income streams in many different ways (see strategies listed below) and in response to different drivers, depending on the situation that each organisation was in. In general, organisations were simultaneously pursuing two to three or more strategies and sometimes strategies opposed each other (i.e. grant vs trading). For instance, in five organisations new ideas for income streams included simultaneously setting up social enterprises and applying for a range of new grants from grant-making trusts. Strategies can be grouped into 3 main spheres (see Table 5).

Apart from the wide spectrum of possible income diversification avenues, the picture that emerged from this analysis is that organisations on the ground did not make a simple distinction between 'trading' or 'grants' but rather classified their income generating strategies into different analytical categories, for instance: (a) Income from the public sector vs income from grant-making trusts and foundations; (b) Block contracts vs personalised budgets and direct payments; (c) Any kind of income they had to solicit themselves vs income that arrived via donations and legacies; (d) Restricted vs unrestricted funds; and (e) Large vs small amounts of funding.

This appeared to prompt respondents to concentrate not on the *'nature'* of the income (e.g. whether it is 'earned income' or 'grant income') as the classification above shows, but on the *'source'* of the income such as public sector, grant-making trust, private sector or the general public. This was noticeable in the way interviewees went about describing their funding and their possibilities for trading. Notably, contracts with the public sector were not always seen as trading, even where they had been gained through competitive tendering processes and involved signed contracts to deliver specific services. This meant that when respondents were asked if they would consider trading, the range of replies often hinged around the respondents' pre-conceptions of *who* that trading would be with, rather than *what* it would be.

This also helped to understand why a number of interviewees initially did not consider that providing services to public or private organisations under contract was a type of trading. Yet they were happy to talk about 'charity shops', 'community cafés', 'gyms', 'crèches', etc. as trading arms, for instance. When prompted specifically about whether they would consider making a transition towards trading more for a social purpose (or social enterprise-like activity), just under half of the organisations (44%) suggested that they were considering options for trading with the general public or private sectors (rather than, or as well as, public service contracts). Therefore, these findings suggest that for VCOs and charities 'trading' with various different people and agencies was commonly being seen as one component within an income diversification strategy, which include market-based transactions, rather than a 'transition' in one direction e.g. towards the social enterprise model.

It is important to remember here that the majority of the organisations in the sample already held public service contracts, but also intended to continue gaining their income directly from other sources such as the general public, private businesses, grant-making bodies – and not just from public service contracts. Of the 10 organisations that suggested they had under 25% trading income as percentage of their total budget (in 2012) (see table below), only one of them expected to trade significantly more with the public sector over the course of 2 years. The rest were considering new grant options, combined with a range of other options as explained above. This further confirms the importance of the diversification of their income streams for the organisations consulted and the fact that over-reliance on public sector funding (whatever its nature) is perceived to be too risky a strategy within the new funding environment.

Table 6. Organisations and trading income

Trading income as % of total income (2012)	**N of cases**	**%**
0-10	8	25
11-25	2	6
26-50	2	6
51-75	6	19
76-100	10	32
DK/DA	4	12
TOTAL	**32**	**100**

Having said that, most of the respondents were at least considering a move towards more 'trading' or a mixed portfolio of income streams that included 'trading' (e.g. contracts, direct payments, personalised budgets, trading arms), regardless if they called or recognised it as such or not. In fact, when directly consulted if they would consider placing a greater emphasis on trading as a means of income, the majority of organisations (29 cases = 91% of the sample) responded that they would. Nevertheless, 8 out of these 29 organisations explained that while willing to pursue this route, they have wanted to increase their trading revenue, but had not been able to because they *'were not ready to'* do so e.g. they explained that they lacked the skills, capacities and other resources necessary to pursue this route (see more details on the issue of lack of skills in Section 3.3).

3.4 Transition and change of culture

While there was evidence of a shift to trading income for some organisations, this study also examined associated cultural changes which were evident from the field research. In effect, a common issue highlighted by organisations and key informants was that moving towards (broadly defined) 'trading' would provide a much needed 'change of culture' within the organisations, in particular a change towards a more 'focussed', 'professional' and 'business-like' approach to run organisations. This view was more apparent among organisations who had or were in process of stepping out from the public sector (or 'spinouts' organisations) and/or that identified themselves as 'social enterprises'. Those that identified themselves as social enterprises were more likely to report cultural changes related to changing income sources. One organisation stated that *"We've definitely had a massive change in culture"*, while others reflected on changes related to management practices:

> *"I argue we brought a culture of reward to innovation. We encourage our staff to be creative and innovative, even financially. We support people financially to develop new ideas within the organisation. We empower local management to develop radical thinking and come out with new solutions to problems."*

> *"A level of productivity was set for individuals so we've had quite an abrupt culture shift. We've had to say, this is a job – if you don't feel you can keep up, you might need to look at other options."*

Key informants and sector experts were particularly vocal about this 'change of culture' which they related to attitudes and practices observed among 'managers' and 'senior staff' members of VCOs and charities. Key informants explained even when organisations were affected by cuts and the removal of grant funding, they regarded the new environment as one in which they have 'greater independence from funders', making them less project driven and better able to build integrated services based on the needs of their clients or service users, and that this prompted them to change. They also explained that senior staff and trustees in these organisations were developing an 'entrepreneurial spirit' and relishing that they had more flexibility in how they deliver services:

> *"Trading can enable you to be more flexible and to pursue your own vision, not others' agendas"*

> *"It's a good thing if it's made people challenge their own practice"*

> *"We used to have money and had to be project driven, now we're using our own money and we're able to direct our own work and make sure it is relevant to our members"*

> *"Given that there isn't public funding it frees us up to think more independently."*

Similarly, key informants were enthusiastic about a change of attitude observed among senior member of staff in statutory organisations who were now starting to recognise the need to change their approach to and relationships with VCOs – which may yield positive outcomes for the VCS and statutory bodies alike. Some quotes serve to illustrate this point:

> *"A positive impact is the recognition of the role of voluntary organisations and community groups – that they are needed to make a difference"*

> *"The* [commissioning organisation] *are really beginning to understand the* [VC] *sector. We had a good session with a* [commissioner] *and* [a local voluntary organisation] *– he hadn't realised the impact they could have on his clients. Now they understand how valuable the sector is".*

This apparent change of culture is also evident in a range of innovative organisational strategies. For example, it was reported that some (larger) organisations had begun to measure the impact of what they do so that they can prove their case to funders and commissioners and as part of their preparation for developing tenders to compete to deliver services. Processes of merger and formation of consortiums and partnerships were also reported so VCOs can deliver services more cost effectively and can respond to larger contract opportunities.

> *"We're having to look at our partners and doing things together. We're sharing costs. Increasing capacity and the service user will benefit. We're thinking – what can we do to make it better? It's like running across quicksand* [in the VCS right now] *and some of us get stuck and some of us get lost altogether."*

> *"They* [commissioners] *said they wouldn't accept tenders from individual organisations – we joined a consortium. Unfortunately that collapsed and we were left out. The contract was given to one organisation in the end."*

However, as explained earlier, most organisations who saw the potential in increasing their 'trading' income (25% of the sample) felt that they did not have enough 'knowledge', 'skills' or 'expertise' to focus on exploring that commercial route as well as keeping funding in the shorter term or diversifying in other ways. Similarly, a third of the organisations interviewed identified their lack of knowledge of and skills for trading as one of their main weaknesses – this was particular evident among smaller community groups. Some key informants and sector experts referred to these deficiencies as *'inherent weaknesses'* of the VCS, which also included the problems to having 'weak trustees' – some boards were seen as reluctant to recognise and engage with the new environment. This was particularly seen to be the case when board members were older and/or had been in office for a long time and had little 'opportunity for thinking and planning' to strategically respond to the new environment.

In response to these particular deficiencies, approximately 20% of the organisations were employing new staff with a business or procurement background (such as business development managers) or engaging with relevant business mentors and consultants (a further 13%). Organisations that filled their knowledge and skills gaps with external expertise were often among the clearest about their income diversification strategies and the role each different type of funding had to play in supporting the work and the strategy of the organisation.

However, interviewees were also clear about the fact that not all organisations could pay for or find free support to fill these gaps, even when they felt they needed to do so:

> *"There was a course, but I couldn't go. I don't think there's much out there that's affordable. Our training budget is limited and I don't want to be away from the office for a long day. Most of the training is in London. I don't understand why we don't use technology to be more innovative in how these are delivered."*

> *"If we had unrestricted funds we might attend* [courses in London]*, but we use extra funds for additional staff. We can't sometimes buy support in by the hour for things we need support on."*

3.5 Contesting cultural change

Transition towards greater use of trading income and the change of culture associated to it have both proved to be a complex and costly issue for many VCOs and charities. Two particular challenges to the concept of cultural change towards enterprise models were identified. These are the risk of 'mission drift' and 'attitudes to loan finance'.

3.5.1 Risk of 'mission drift'

The risk of 'mission drift' came out in relation to a number of issues which organisations and key informants were consulted about. Even when most VCOs and charities did not want to change their original mission and values, they were experiencing some forms of 'mission drift', straying from their intended purpose to meet the demands of funders and policy makers and the increased emphasis on 'trading'. Some key informants gave examples of local VCOs that experienced pressure to move into other geographical areas or deliver a different type of services that were not what the organisations were set up for. Others reported that organisations were being asked to do things that their governing documents do not empower them to do and that some were doing it anyway without thinking about the potential costs of their actions. A move to deliver new services can be seen as both positive (as a way of offering more support) or negative (if this comes at the cost of reducing the original services).

There is also a risk that such changes will affect the motivation of volunteers either due to the change of objectives or due to a shift towards a contract delivering culture from a philanthropic culture. As a manager of a local VCO put it: *'The Big Society is pushing for active volunteers – but active volunteers are giving up'*. One organisation explained that increased emphasis on 'trading' might subtly shift towards both those clients facing greatest need (if they attract greater funding) and those people who can afford services (either because they are eligible for funding or because of their own personal financial situation):

> *"We may get some* [money] *back through personalised budgets, but the number of people accessing will reduce dramatically. An awful lot are going to slip through the net."*
>
> *"Instead of focussing on low-cost or free* [at the point of delivery]*, we would be doing more for people who can afford it."*

VCOs consulted were even more vocal in expressing their concerns about the real risks of 'mission drift'. Yet, for most of them a change in culture and a greater emphasis on 'trading' did not necessarily mean a change in mission and values. When mission and values were specifically discussed by the organisations, commonly it was to clarify that these would remain the same or on very similar lines and that 'trading' income, if generated, was to fulfil that mission, *'It would just be a means to an end'* an interview said. Fear to 'mission drift' has led some organisations to contest change, which was expressed as follows:

> *'We have looked into this* [trading]. *At this point we don't see it as a way of making a great deal of income… How realistically can we deliver social enterprise? If we put too much emphasis on trading we might take our eye off the main mission'*
>
> *'We will only do things to keep our core* [activity] *going. We've talked about it* [trading] *– but we are not a strong group in terms of finances and capacity. I'm not sure we've got the skills and expertise* [it takes]*. It's an ongoing discussion. I'm not sure we're in a position to be more entrepreneurial. We didn't come into this to be more commercial. And how much energy do we have to put into building that side – which is not actually our interest?*
>
> *"We have to find things that fit our ethos and focus. We've thought about things like a handyman service, but to be of use to our clients that would have to be heavily subsidised ….we also don't want to be in competition with existing tradesman in the market."*
>
> *"There are things that we don't charge for, like befriending, are where it's intrinsically wrong to charge for it. If you charge for it, people won't be able to afford it or won't ask for help if they have to put their hand in their pocket."*
>
> *"There's no way we can charge for what we do. We work directly with children – very poor children usually. Most of our referrals come from statutory sources, but their attitude is 'we didn't have your service before so we'll do without it' - if we ask them to pay us."*

3.5.2 Attitudes to loan finance

Accessing (external) finance is commonly seen as a key enabler in getting trading up and running and facilitating the scale up of organisations (Cabinet Office, 2011; The Social Investment Business, 2012). Specifically, the availability of 'seed funding' or 'money' (more generally) was cited by the organisations as one of the main reasons that a good idea had not yet got off the ground or that trading had not properly materialised, these organisations were looking for grant funding and there was an attitude of aversion, distrust and fear concerning loan finance.

All loan finance can entail elements of both ‘risk’ and ‘rewards’. The risks of not being able to repay a loan were perceived by all but two of the organisations, to be greater than the potential rewards of delivery a larger service. According to some respondents, trustees of charities play a key role in shaping this attitude as they have the responsibility to hold money and resources in trust – and the move towards trading and the use of loan finance challenges this responsibility:

> *“Well, I think this* [loan finance] *is one of the things where there’s a gap between reality and practice. Most charities are risk averse and not even considering this.”*

> *“We tried and look at that– there are lots of banner headlines but every time you clicked on a website it would give a discouraging message to look somewhere else. They are all about loans and our trustees would be worried about taking on a loan. In terms of repayment – they’re scared stupid about that.”*

> *“Anything to do with capital is so hard. It’s just things that hang around your neck. It’s a great idea but we’re too small to take advantage of it. Loans are no good for us whatsoever, not in our favour.”*

> *“I don’t want to get a loan – I’d prefer a grant thank you very much! Don’t want the burden of a loan around our organisation’s neck!”*

There were other organisations that had been happy to pursue different sources and types of finance, including loan finance, to start social enterprises such as cafés and gyms. However, getting hold of the money was still an issue for these organisations:

> *“There is money around for social enterprises but the application is so difficult. I don’t mind a loan if we can service it properly. But I wasn’t able to fill in the 50 questions on the application form. There’s no organisation to go to for help with the application.”*

> *“We also wanted a community café…. I was hoping for an initial capital for launch. The coffee shop is ready for commission but we can’t get the money for the launch…. We’ll* [have to] *hire it out. They’re just putting the finishing touches on now.”*

4. CONCLUSIONS

This study has examined the changing nature of the third sector in relation to the UK Coalition Government's Big Society policy agenda (Cabinet Office, 2010 a, b; Conservative Party, 2010; House of Commons, 2010; OCS, 2010), with a particular focus on processes of transition of VCOs and charities into the social enterprise 'business' model and the extent to which this is contributing to the building up of the Big Society. In particular, the study focused on health and social care related VCOs, charities and social enterprises operating in the East of England region - where evidence of social enterprise development within this sector has been documented (Stevenson and McDaid, 2006; Stevenson and Fitzhugh, 2011, a, b).

VCOs, charities and social enterprises consulted were facing two contrasting and opposing pressures. The period of public sector austerity has led to less funding, reduced support infrastructure and uncertainty about organisations' short-term survival. At the same time, the economic crisis has led to greater expectation, referrals and increased demand. The cuts in support resulted in the high level of 'stress' and 'uncertainty' observed among participants. The greater expectations resulted in 'frustration' as they could see the opportunities emerging from the new environment (including the Big Society policy agenda) but recognised that there were many barriers (e.g. public sector austerity and cuts), that prevented them from taking up such opportunities, notably with respect to public services provision.

Straight scepticism (about the meaning of the Big Society, if any) and critical appraisal (of its real potential) were the two most common themes to emerge from the field research. At best, the concept of the Big Society represented what organisations felt that they *'already do'* or *'have always done'*, and therefore seems a redundant concept. However, a smaller group of VCOs expressed that their work was playing a key role in fulfilling the Big Society vision put forward by the Coalition Government.

If the Big Society rhetoric has not been wholeheartedly embraced and amplified by the third sector as the evidence presented here suggests, the 'Big Society realities' (or the actual implementation of this agenda) has not performed much better either. The remarkably low level of awareness about Big Society related policy initiatives contrasted with the fact that many organisations blamed the government's Big Society agenda and other policy initiatives for a number of problems which were undermining the work they did and their own future.

Hence, if the Big Society concept was meant to act as a 'rhetorical intervention' in order to build wider political consensus (Albrow, 2012) notably by reinstating 'the social' within the Conservative Party's political imaginary, and so helping to *'decontaminate the Conservative*

Party brand' from its past Thatcherite legacy (Macmillan, 2013:5), then this strategy is clearly not working well, at least within the 'third sector constituency' in the East of England.

A growing trend towards the 'diversification of the income streams' of organisations (including 'trading') and a 'change of culture' (towards a more commercial approach), were the two main areas of transition towards the social enterprise 'business' model identified by the field research. Yet 'trading' with various business partners was commonly seen as 'one component' within an income diversification strategy, rather than a transition in one direction towards the 'social enterprise' business model. Many organisations did not identify with the social enterprise 'label' despite having a large proportion of income from trading. Being proactive and succeeding in seeking multiple income streams seemed to be an important route to confidence and sustainability. The few organisations that were more optimistic about the future had already diversified their income streams, with a growing reliance on 'trading' income.

As regards the nature of 'diversified' business relationships, the emphasis (as expressed by front line organisations) was more on *who* that business relationship or 'trading' would be with rather than *what* it would be (e.g. 'grant income', 'contract income', 'donations', etc). This finding challenges a commonly made assumption in social enterprise-related studies (from the DTI 2002 report onwards) concerning the divide between the 'world of trading', on one side (the 'social enterprise' side), and the 'world of grants and subsidies', on the other. Hence academic and policy thinking about transition 'from grant funding to social enterprise' may in fact present a rather false spectrum as this supposed transition does not represent the everyday accommodations and changes organisations have to make to operate within the new environment.

Do VCOs, charities and social enterprises relate these processes of transition to the Big Society policy agenda? After all, this policy agenda is supposed to be the reference frame for the entire third sector under the Coalition Government. Based on our evidence from the East of England, very little in the way of change and transition can be directly attributable to the Big Society agenda and related policy initiatives (e.g. volunteering/community engagement programmes, localism or Big Society Capital). Instead, the evidence suggests that the main drivers of change (such as the transformation of grants into contracts) were policies introduced under New Labour and continued to present. In this particular sense the Coalition Government's Big Society agenda can be seen as a continuation of previous policies but under different policy narratives.

The extent and depth of changes and transitions occurring within the sector should be appraised in light of some counter tendencies observed which contest the concept of cultural change towards enterprise models. The risks of 'mission drift' and 'attitudes to loan finance' were the two main challenges identified. Even when most VCOs and charities did not want to change their original mission and values, they were experiencing some forms of ‘mission drift’, straying from their intended purpose to meet the demands of funders and policy makers and the increased emphasis on ‘trading’. Some organisations expressed that taking up new business opportunities could place too high a stress on their mission and capabilities, with a potential knock on effect for their volunteers, the services they provide and the community they serve.

Similarly, there was an attitude of aversion, distrust and fear concerning loan finance and this may negatively affect the growth potential of some organisations, for example in terms of their ability and potential to secure ‘scaling up’ funding and to get ‘investment ready’ status (Cabinet Office, 2011; The Social Investment Business, 2012). This finding suggests that the social investment market such as Big Society Capital’s type of loan finance is focused on a small part of the voluntary and community sector. While an important contribution, attention also needs to be given to those organisations playing important roles but not willing to shift to a social enterprise business model.

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APPENDIX I: RESEARCH METHODOLOGY

The study involved the following five components and comprised three main phases:

I. Phase 1

Phase 1 was carried out between November 2011 and February 2012 and involved a literature review of existing academic and policy-oriented publications and grey material on the topic of (a) the Big Society agenda and (b) VCOs, charities and social enterprises views on and engagement with the Big Society policy agenda, and c) the transition of VCS and charities towards enterprise models. An initial Internet search was conducted in November 2011 using Summon search engine and updated in September 2012.

II. Phase 2

Phase 2 was carried out between January 2012 and May 2012 and involved gaining access to secondary data on VCOs, charities and social enterprises in the East of England for case study selection and interviewing. This involved the collection of data concerning the population of VCOs, charities and social enterprises in the region and the identification of potential key informants and sector experts for interview.

III. Phase 3

Phase 3 was carried out between June 2012 and March 2013 and involved the preparation of the sampling and recruiting strategies used in the research; carrying out interviews; analysis of data collected from different sources; and report of findings.

Sampling frame

An initial sample frame of 455 organisations in the East of England was constructed based on the Charity Commission database, and regional sector network members. Out of these 455, a total of 171 organisations were selected on the basis that reliable contact data such as emails or telephone numbers were available. The final sample of 32 organisations was selected using a purposeful sampling technique through which the researchers tried to achieve a spread of geography, age, size and services provided within the sample. Organisations whose income was equal or less than £10,000 in the last financial year were excluded from the sample.

Characteristics of the sample

Each organisation was profiled for a range of variables. These included: geographical location; legal structure; origins, evolution and age; and size (by number of employees and volunteers).

1) Geography

The interviewees came from across the East of England and the purposive sampling achieved a reasonable spread of organisations located within the range of local authority areas. A number of the organisations operated across local authority boundaries and others operated within them (e.g. at district level). The table below thus should only be taken as a guide to where organisations are based, not their geographic reach.

Organisation base	Number	% of resp.
Luton, Central and South Bedfordshire	7	22
Cambridgeshire and Peterborough	6	19
Essex and Southend	4	13
Hertfordshire	3	9
Norfolk	7	22
Suffolk	5	16
Total	**32**	**100**

2) Legal structure

The most common arrangement was for the organisation to be a Registered Charity and a Company Limited by Guarantee. This was seen in over half of the sample. One organisation was contacted which was not currently a voluntary, community or social enterprise organisation, but which provided similar feedback from a unique position within a local authority.

Legal structure	Number	% of resp.
Registered Charity and Company Limited by Guarantee	18	56.3%
Registered Charity	7	21.9%
Company Limited by Guarantee	2	6.3%
Community Interest Company (CIC)	1	3.1%
Industrial and Provident Society	1	3.1%
Registered charity consolidated with a housing association	1	3.1%
Company Limited by Shares (where the local authority is the main shareholder)	1	3.1%
An organisation operating within a local authority (currently classified as a department) considering externalisation	1	3.1%

3) Age

The interviewees were asked when their organisation was established. This elicited more than one answer if the organisation had not continued to use the same legal structure and/or name throughout its life, so the year of latest change in form was recorded as well as the approximate year of overall origin (not always known by the interviewee).

Age	Number	%
Over 100	2	6.3
51 to 100	3	9.4
31 to 50	5	15.6
21 to 30	5	15.6
11 to 20	10	31.3
0 to 10	5	15.6
No date given	2	6.3
Total	**32**	**100**

The next table is about year of establishing the current organisation / legal structure in a change from what came before:

How many years old?	Number	%
Over 50	1	3.1
31 to 50	2	6.3
21 to 30	4	12.5
11 to 20	10	31.3
6 to 10	6	18.8
0 to 5	9	28.1

Given this research's interest in the factors that could influence how interested an organisation is in transition to social enterprise, a rough classification of the organisations was made, to ensure background and origin could be taken into account:

The organisation was…	Number	%
Set up from start as a charity or an association that became a charity	18	56.3
Set up from start as a social enterprise	1	3.1
Was the result of a merger or consolidation	2	6.3
Was originally a project within another charity or VCS infrastructure organisation - became independent	4	12.5
Was originally part of the public sector - became independent	3	9.4
Was originally a private sector business - became a charity / social enterprise	2	6.3
Went through multiple changes (public/private/ VCS)	2	6.3

4) Size

The total number of paid employees and volunteers was used as a rough guide to calculate the organisation's size. The purposeful sample aimed to have a cross section of sizes of organisations, while excluding those with no employees or those with turnover of less than £10,000. The results therefore give greater emphasis to the small and medium sized charities rather than the micro charities. According to the 2010 National Survey of Charities and Social Enterprise, approximately 35% of the total population of charities and social enterprises in England have an income lower than £10,000 (see NSCSE, 2011). Similarly, 22% of the incorporated charities in England have no FTE (Geyne-Rajme and Mohan, 2012). Incorporated charities represent almost 80% of our sample.

Total employees	**Number**	%
0 to 5	6	18.8
6 to 10	8	25.0
11 to 20	5	15.6
21 to 50	5	15.6
51 to 100	4	12.5
Over 100	3	9.4
Unknown	1	3.1

While there was a mixture of volunteer usage across the different sized organisations, very broadly speaking, the more paid staff the organisation had, the more volunteers it made use of, although there were a few very tiny organisations (in terms of staff) managing volunteer-led projects with small, but proportionately larger volunteer counts.

Average number of volunteers	**Number**	%
Up to 5	4	12.5
Up to 10	5	15.6
Up to 20	6	18.8
Up to 50	3	9.4
Up to 100	5	15.6
Over 100	6	18.8
Unknown	3	9.4

Selection of key informants

When the initial proposal for this research was submitted there was still a wide range of regional infrastructure organisations in place and it was our intention to interview representatives of these bodies. However, with the closure of Regional Development Agency, the withdrawal of Government Offices of the Regions and the ending of a regional Business Link presence, funding streams for independent regional organisations has all but ceased. To an even greater degree than front line organisations, voluntary and community sector (VCS) infrastructure bodies have undergone significant change since 2010 and many agencies have closed. We were therefore forced to review our proposed sample and redefine it according to the current environment.

The twelve key informants that we interviewed represented different types of organisations: in total there were 7 VCS respondents; 4 public sector respondents; and 1 business sector respondent.

Type of organisation	Number
Regional VCS infrastructure	3
Local VCS infrastructure	4
Public sector commissioners	3
Public sector infrastructure	1
Local Enterprise Partnership	1
Total	**12**

Selecting the organisations to contact for interviews presented some of the same challenges as for the VCS/social enterprise interviews: organisations were in a state of flux, individuals had changed jobs, some organisations had closed or were in the process of closing and some simply did not feel that they had anything to say. The selection and recruiting strategy was the following:

Our original intention was revised in order to talk to larger, regional organisations and contacted four organisations that had an active role in the Transforming Local Infrastructure Fund programmes in the region. They were able to offer a valuable perspective as they are currently addressing the issue of how to respond to the changing environment in which they find themselves.

Ten commissioning organisations in the public sector were contacted to ask them to participate. It is undoubtedly the case that the three individuals who agreed to talk to us, did so because they represent forward looking organisations that are taking positive steps to enable VCOs in their areas to be able to participate in the new funding environment.

Questions asked to the key informant interviewees differed somewhat from the questions asked of the individual VCOs, charities and social enterprises, in that we expected them to have a wider perspective on the changes and to be more engaged with the policy agenda in which the changes are taking place. We did not ask about the impact of the changes in their own organisations although sometimes they were able to illustrate their points with examples of their own experiences. Key informants were also able to offer anecdotes and examples from the organisations they meet and work with on a daily basis, as illustrations of the impact of the Big Society agenda.