

# **Social Enterprise Sunderland & Centre for Local Economic Strategies**

## **Changing Landscapes: Changing Face of the Public Sector**

### **Report 3: Recommendations for the Voluntary, Community and Social Enterprise Sector in the City of Sunderland.**

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## Foreword

### SES Background

Social Enterprise Sunderland (SES) is a social enterprise development agency with Local Enterprise Agency Status. SES targets its work within hard-pressed communities. It has promoted, developed and supported social enterprises in Wearside and the North East since it was launched in 1983. As a result the City boasts a vibrant social enterprise sector. There are over 38 social enterprises directly associated with SES, these social enterprises are financially independent, employ over 520 people and have a collective turnover in excess of £8.5 million via trading activities. SES is the lead agent of Sunderland Community Enterprise Network (SCEN), a partnership approach which targets and captures the imagination of local disadvantaged residents with the objective of starting locally owned business. During 2004-05 over 122 new business starts were created in this manner; for the year ending 2005-06 this has increased to 203.

SES is a relatively small Social Enterprise employing 16 staff and having a turnover of around £650,000; it is registered as an Industrial & Provident Society and is governed by a Board of Directors. SES' vision is to create opportunities for all through individual, community and social enterprise, in order to positively impact upon inequality and poverty, underpinned by an 'evidence-based' approach to our work. Our achievements are set within a backdrop of Sunderland being ranked 22 of 345 of local authorities IMD 2004, fifth worst area nationally with concentrations of worklessness. Wearside has very low rates of enterprise having a VAT registration score of 17.5% compared with an average LA rate of 41% and average self-employment rate of less than 2% in hard-pressed communities of City.

### SES Method of Work

Business support is vital to boost the chances of businesses in deprived areas to start-up and grow. SES has successfully facilitated a model of enterprise development that targets, captures the imagination of, and meets the needs of those most disadvantaged. A pro-active, holistic and integrated approach, it successfully engages people missed by mainstream agencies; such agencies are often geographically remote and may appear psychologically daunting to newcomers to enterprise. SES staff provide specialist advice and they support the business planning process, seek funding and assist with promotion; they are 'more hands on' however, when compared to a 'traditional' business counsellor, by:

- animating groups/ individuals
- influencing the pace of business plan development
- setting well-meaning obstacles - testing commitment of individuals
- writing aspects of the business plan
- forming close relationships, if appropriate, with groups to break down advisor client relationship barriers

### SES Innovation

SES has been researching and refining its method of work to achieve increased performance, based on a consortia-building approach; we have developed five distinct but highly inter-related themes in our 'Prospecting for Enterprise in Hard-pressed Communities Campaign':

**Social Enterprise:** For over 23 years SES has been delivering social enterprise; the 'jewel in the crown' is Sunderland Homecare Associates Ltd employing 180 local people. SHCA has a turnover of nearly £2m, and is expanding via replication / franchising in North Tyneside, Newcastle and Manchester.

**Business Starts:** SES is the lead agent within SCEN, a consortium of eight community enterprise organisations, involved in delivering business starts in hard-pressed communities. SES's role is to lead, improve quality and effectiveness of business start up provision whilst providing a networking role; from such work 203 new businesses were created during 2005-05 within hard-pressed communities of the City.

**Enterprising Futures:** A consortium involving SES, Sunderland Housing Group (SHG), Social Firms North East and Mental Health Care Ltd. Enterprising Futures' objectives include: exploring opportunities for SME's and Social Enterprises, via the purchasing power of SHG; provision of a SES business start-up worker for tenants and employees of SHG; identification of Social Enterprise opportunities within SHG investment plans.

**Fiscus Ltd.** SES has identified that it's not the lack of entrepreneurial spirit within hard-pressed communities that prevents business starts. Rather, the transition from 'benefits' to self-employment, personal debt, and perceived 'irregular' income patterns of enterprise are the real barriers. Our solution is a 'safe' transition from benefits into enterprise. We have branded and quality proofed this activity (maximising benefit, taxation credits, debt management/resolution prior to trading and trading stages). The brand is called Fiscus, now a trading Social Enterprise employing 3 people by winning service contracts.

**Changing Landscapes: Voluntary and Community:** Through ChangeUp, SES have expanded to a new market, providing enterprise and procurement support to the Voluntary and Community Sector. With the value of public services delivered by the voluntary and community sector (VCS) growing from £3.2billion in 1991-92 to £7.5billion in 2001-02 it is apparent that that the VCS is becoming increasingly important. A key area of concern nationally and locally is that the VCS have not really begun to think about the delivery of contracts as opposed to applying for grants. There is a lack of awareness where they can get support from in their proposals to deliver public sector contracts. In essence SES's work focuses upon improving the 'business footing' of the VCS and the opportunity for growth via social enterprises.

### *SES Proving and Improving*

SES's core value is to positively impact upon inequality and poverty by entrepreneurial action. Via a combination of Social Accounting, Auditing and evaluation research we continually 'learn from doing', enhancing our products and services to increase enterprise starts in hard-pressed communities.

External evaluation studies of SES/SCEN's activities has highlighted that during 2005-06 over 519 existing business within hard-pressed communities were supported, there were 203 new business starts of which 81% were classed as jobless while 41% fell into the category of Worklessness. The evaluation also shows that these new business starts were 'untouched' by mainstream Enterprise Agencies. Moreover, such work noted a shift in procurement patterns within SHG including: contracts to new Social Enterprises, introduction of local purchasing and/or community benefit clauses and commitment to a LM3 exercise. In relation to Fiscus during 2005-06 144 new business starts used the service resulting in financial gains of £286,121 via tax credits and a debt consolidation of £80,122; 88% of these users recorded that indebtedness was a barrier to enterprise and that the service greatly assisted them going into self-employment. Additionally, 38 social enterprises were directly assisted by SES, with a combined turnover of £8.5, employing 520 local people via trading income, an improvement from the previous year. From such work some interesting comparisons between social enterprise and enterprise starts within hard-pressed communities can be highlighted:

- Owners/Directors of SE were 'employed' before starting enterprise; owners of traditional enterprises were unemployed and disadvantaged.
- Owners/ Directors of SE were majority of women, traditional enterprise men.
- SE have a greater average job creation rate 15.5 compared with 1.5 of traditional business start.
- The majority of employees employed by SE and traditional business starts come from hard-pressed communities.
- Average first year turnover of SE was £95,889 compared to £30,000 first year traditional trading turnover.

This evidence based approach to our work facilitates our core value of addressing poverty and inequality by Social Enterprise & Enterprise action whilst also providing business support, 'know how' and added value to VCS with regard to public service delivery.

Mark Heskett Saddington & Kevin Marquis  
Directors - Social Enterprise Sunderland

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## 1 INTRODUCTION

This report is the third of three looking at the role of the voluntary, community and social enterprise sector in Sunderland. Whilst traditionally, the voluntary and community sector (VCS) and the Social Enterprise sector (SE) have been seen as separate entities, CLES and Social Enterprise Sunderland feel that in recent years with a shift in emphasis from grants to contracts and a range of new policy developments the two sectors are intrinsically linked and face many similar challenges. Social Enterprise Sunderland (SES) and the Centre for Local Economic Strategies (CLES) have sought to support, develop and position the voluntary, community and social enterprise sector so that individual organisations and the sector generally can take advantage of emerging changes within the public sector and public funding more generally. In recent years, a strand of Central Government thinking has been the devolution of greater powers for public service delivery towards the local level. Indeed local government and public agencies have thrived on delivering locally defined needs and services. To support and develop local service delivery more effectively and efficiently, a series of policies have been thought through centrally and delivered locally that seek to enhance local outcomes. This has been seen particularly in the development of Local Public Service Agreements (LPSAs), Local Area Agreements (LAAs) and the Local Enterprise Growth Initiative (LEGI).

Public Sector Reform has not however been primarily focused on local authority and other public sector agencies, but has highlighted that there is a key role for the voluntary, community and social enterprise sector in strategic policy development such as Local Area Agreements and also in the procurement and delivery of public services. The emphasis on voluntary, community and social enterprise service delivery has been seen in the commitment to the £80million Change Up programme to develop voluntary, community and social enterprise infrastructure support, and also the focus by local authorities on producing procurement strategies, designed to help the sector compete to deliver key public service delivery contracts.

It is on these issues of new policy developments and public sector procurement that the first two reports have focused upon.

### ***Report 1 – November 2005***

This report<sup>1</sup> sought to inform the voluntary, community and social enterprise sector of new policy developments such as Local Area Agreements and the Local Enterprise Growth Initiative and to assess the opportunities for the sector as a whole with regard these developments.

### ***Report 2 – March 2006***

This report<sup>2</sup> looked at the issue of public sector procurement and produced four case studies of voluntary, community and social enterprise sector organisations that had been successful in

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<sup>1</sup> CLES Consulting (2005) *New Policies: New Opportunities for Voluntary, Community and Social Enterprise Sector*

<sup>2</sup> CLES Consulting (2006) *Case Studies of Social Enterprise, Voluntary and Community Sector Organisations delivering Public Service Contracts*

delivering effective local projects in predominantly deprived areas for many years. The organisations were also chosen to be case studies because they had in recent years been successful in winning local authority contracts such as for Supporting People funds to deliver public services.

The purpose of this third report is to:

- ❑ summarise key findings from report 1 and 2;
- ❑ outline emerging policy developments;
- ❑ analyse questionnaire data gathered from voluntary, community and social enterprise sector organisations in Sunderland;
- ❑ provide a list of recommendation action points for the future direction of the voluntary, community and social enterprise sector in Sunderland.

## 2 THE VOLUNTARY, COMMUNITY AND SOCIAL ENTERPRISE SECTOR ARE IMPORTANT

### 2.1 General benefits of the VCSE sector

The prime benefit of the voluntary, community and social enterprise sector generally is that many of these organisations are often based in, and play a role in, the life and identity of communities. Local people often trust and identify with voluntary, community and social enterprise sector organisations to a far greater degree than they do with local authority and regional bodies. Voluntary, community and social enterprise sector organisations often deliver their services for particular neighbourhoods and particular sectors of the population, which is again beneficial. Focusing on service delivery there are a number of reasons why the voluntary, community and social enterprise sector are seen as important:

- ❑ the voluntary, community and social enterprise sector are central to many ODPM and other Government Department Initiatives (particularly the DTI focus on social enterprise, and the Home Office focus on citizenship and communities);
- ❑ the voluntary, community and social enterprise sector have knowledge about local needs and wants;
- ❑ the voluntary, community and social enterprise sector have a voice that can represent both the needs of the community and highlight underrepresented groups and sectors of delivery;
- ❑ the voluntary, community and social enterprise sectors activities are often rooted in partnership, with similar organisations often working together;
- ❑ the voluntary, community and social enterprise sector has intrinsic links to the issues affecting communities which potentially impact upon the social economy, and have far broader implications with regard to joined up service delivery.

### 2.2 A Government focus on localism

A key focus of the Labour Government over the last nine years has been the importance of the locality, whether this has been through handing more powers to local authorities or the advent of further area and neighbourhood based initiatives. One area of significant emphasis has been the improvement of service delivery, particularly in the most deprived areas. Indeed this emphasis on improved and more integrated services for the benefit of local people is seen in a number of policy developments and interventions, most notably: The National Strategy for Neighbourhood Renewal; Local Strategic Partnerships; the *local:vision* policies and Local Area Agreements. In each of these policy developments and interventions, Central Government and in particular ODPM have sought a degree of voluntary, community and social enterprise sector involvement, engagement, development and delivery.

### 2.3 Delivery of more efficient services

The voluntary, community and social enterprise sector are seen as key in the ongoing review of public sector service delivery efficiency being carried out by Sir Peter Gershon<sup>3</sup>. The review seeks to recommend ways in which central government departments and local authorities can reduce costs by providing more efficient and effective public services. With the value of public services delivered by the voluntary and community sector growing from £3.2billion in 1991-92 to £7.5billion in 2001-02, Gershon has recognised that there is a continued role for voluntary, community and social enterprise sector organisations in the delivery of public services and the added value they bring to efficiency gains, most notably:

- ❑ *in providing services tailored to personal needs* – VCSE organisations have fewer bureaucratic constraints and have greater flexibility to respond to individual needs;
- ❑ *in exhibiting a service ethos* – VCSE organisations have a higher level of personal commitment to third sector employment. Many VCSE organisations often employ local people to deliver local services, which not only contributes more efficient delivery of services, but also contribute to wider issues such as community cohesion;
- ❑ *in enhancing contestability* – the VCSE not only provide additional service delivery capacity but also provides valuable challenges and competition in sectors such as health, youth services and social care, which could mean improved efficiency.

Taking account of these added value considerations, Gershon recommended three key ways in which the Government could improve its funding relationship with the voluntary, community and social enterprise sector, which could lead to improved public sector efficiency and more effective public service delivery:

- ❑ improving stability by moving to longer-term, multi-year funding arrangements where possible;
- ❑ considering carefully the appropriate assignment of risk between the statutory body and the voluntary and community organisation when contracting for service provision;
- ❑ streamlining and rationalising monitoring, regulatory and reporting requirements (which is already being seen in delivery of Local Area Agreements).

The ongoing Lyons Review<sup>4</sup> is also of particular relevance to the voluntary, community and social enterprise sector and also local authorities with regard effectiveness and efficiency. The most recent interim report (May 2006) highlights a number of key changes that need to occur

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<sup>3</sup> Gershon, Sir Peter (2004) *Releasing resources to the front line: Independent review of public sector efficiency*  
[http://www.hm-treasury.gov.uk/media/B2C/11/efficiency\\_review120704.pdf](http://www.hm-treasury.gov.uk/media/B2C/11/efficiency_review120704.pdf)

<sup>4</sup> Lyons Inquiry into Local Government (2006) *National prosperity, local choice and civic engagement: a new partnership between central and local government for the 21<sup>st</sup> century*. <http://www.lyonsinquiry.org.uk/docs/20060504%20Final%20Complete.pdf>

to ensure better value services are delivered. The voluntary, community and social enterprise sector has a significant role to play in meeting each of the following objectives:

- ❑ a more efficient allocation of resources between and within services, based on local choices informed by effective public engagement;
- ❑ greater value obtained from local public services, through more co-production with service users themselves, and improved co-ordination across local public services more widely;
- ❑ enhanced delivery of a smaller set of national priorities, particularly where challenges and solutions need to be joined up locally;
- ❑ benefits from enhanced innovation and greater opportunities to test new approaches;
- ❑ as a result of all the above, greater public trust in the system of local and national government as a whole.

A further central government document on the voluntary and community sector and more efficient and effective delivery of services is the think smart...think voluntary sector report produced by the Active Communities Unit<sup>5</sup>. The report had four core objectives:

- ❑ to raise awareness of the importance which the Government places on increasing the participation of the VCS in the procurement of services;
- ❑ to emphasise some of the special expertise and opportunities that the VCS can offer;
- ❑ to highlight some of the barriers faced by the VCS in competing successfully for public sector contracts;
- ❑ to summarise what can be done to boost participation by the VCS in the successful delivery of service contracts.

Whilst all three of the reports identified above are linked and are important considerations in voluntary, community and social enterprise service delivery, there are tensions between the three. Predominantly, Gershon whilst referring to the sector is focused on local and central government efficiency and effectiveness and how the sector can contribute towards efficiency gains. The Active Communities Unit report is predominantly focused on the sector delivering services and how they can be supported. If a voluntary, community and social enterprise sector needs advice on which of the guidance notes are most relevant to them CLES would state the recommendations in the think smart...think voluntary sector would be of greatest

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<sup>5</sup> Active Communities Unit (2004) *think smart....think voluntary sector! good practice guidance on procurement of services from the voluntary and community sector*. [http://www.ogc.gov.uk/embedded\\_object.asp?docid=1001957](http://www.ogc.gov.uk/embedded_object.asp?docid=1001957)

benefit. The sector however needs to ensure that these recommendations are linked intrinsically to the wider regeneration and policy context in Sunderland.

#### **2.4 A series of committed funds**

The government has a series of targets, funds and departments dedicated to increasing voluntary, community and social enterprise contribution to public service delivery. The Home Office has a Public Service Agreement target to increase the volume of public services delivered by the voluntary and community sector by 5% by the end of 2006. In terms of funds, there are dedicated funding streams intended primarily to help achieve this target. For example, the Futurebuilders fund aims to improve public service delivery through long term investment in the voluntary and community sector in England. The fund provides a combination of loan and grant finance together with support to help organisations build their capacity and increase their effectiveness.

The Active Communities Unit within the Home Office is the department responsible for delivering the Public Service Agreement to increase voluntary and community sector delivery of public sector contracts. A key strand of the Active Communities Units work surrounds Compact agreements and the Change Up programme. The Compact on relations between government and the voluntary and community sector in England were first introduced in 1998 and aims to improve the relationship between the Government and the sector. The majority of local authorities have now signed Local Compacts, which are between all local public bodies and the voluntary and community sector, to improve their relationships for mutual advantage. The Change Up programme seeks to develop the capacity and infrastructure development of the voluntary and community sector. Increased capacity and infrastructure could lead to increases in the expertise and ability of the voluntary and community sector to deliver public service contracts.

The programme is supported by £80million of Home Office funding from 2003-2006. Between 2006 and 2008 a further £70million has been earmarked through the Capacity Builder Programme, which effectively seeks to carry forward the work of Change Up consortiums. Capacity Builders is also responsible for six hubs of voluntary and community sector expertise relating to governance, ICT, performance improvement, workforce, volunteering and finance.

### **3 POLICY DEVELOPMENTS AND THE VOLUNTARY, COMMUNITY AND SOCIAL ENTERPRISE SECTOR**

#### **3.1 Local Area Agreements – the generic benefits for the sector**

A Local Area Agreement is a three-year statement that sets out the priorities for a locality and is agreed between central government and the Local Strategic Partnership. Local Area Agreements have been hailed by central government as a new era for the relationship between central and local government. The ability for local authorities and Local Strategic Partnerships to set local priorities; to pool and align funds; to seek freedoms and flexibilities; and to bend monitoring arrangements is seen as critical in the quest to tailor solutions to local areas and reduce bureaucracy. The rhetoric provided in Government Guidance<sup>6</sup> on Local Area Agreements suggests that there is a key role to be played in the process by a string of local partners and the voluntary and community sector. Indeed, there are a number of benefits as to why the voluntary, community and social enterprise sector should be involved in Local Area Agreements, namely:

- ❑ Local Area Agreements demonstrate the added value that the sector can bring as a partner;
- ❑ Local Area Agreements contribute to changes in the way services are delivered for the benefit of communities;
- ❑ Local Area Agreements can secure new funds and other kinds of support for activities in the community;
- ❑ Local Area Agreements allow the sector to be effectively consulted;
- ❑ Local Area Agreements strengthen collaboration between voluntary and community groups working in the same area.

#### **3.2 Local Area Agreements – the challenges and opportunities in Sunderland**

Sunderland is one of 66 second stage Local Area Agreement pilots which were signed off by ODPM in March 2006. Whilst, Local Area Agreements have a rhetoric to engage the voluntary, community and social enterprise sector in decision-making processes, our experiences from two events held in Sunderland is that the comments made at those events suggest that improvement needs to be made as regard the engagement of the sector. Issues raised at these events include:

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<sup>6</sup> Office of the Deputy Prime Minister (2005) *Local Area Agreements Guidance*. Available at: <http://www.odpm.gov.uk/index.asp?id=1163656>

- ❑ lack of easy to understand information about Local Area Agreements;
- ❑ lack of clarity about how the sector can feed into Local Strategic Partnerships and Local Area Agreements;
- ❑ need to ensure the Community Empowerment Network and other representative bodies play a stronger and more effective role;
- ❑ unclear about which 'block' of the Local Area Agreement a voluntary, community and social enterprise sector organisation individually should fit into. Collectively there is a need to ensure the sector fits within all Local Area Agreement blocks and the activity of the sector cross cuts all the blocks.

Despite these concerns, there are a number of opportunities for the voluntary, community and social enterprise sector to influence both the development and delivery of Local Area Agreements, notably the opportunity to:

- ❑ develop further existing partnership arrangements;
- ❑ influence service design and delivery;
- ❑ engage the voluntary, community and social enterprise sector with new partners, which may contribute to improved service delivery;
- ❑ showcase the role of voluntary, community and social enterprise sector organisations in disadvantaged communities;
- ❑ prioritise the voluntary, community and social enterprise sector on the local authority agenda and contribute to meeting targets;
- ❑ deliver services contributing towards Local Area Agreement outcomes.

Local Area Agreements are also linked to Local Public Service Agreements (LPSAs). These were implemented in 2000 as a way of rewarding local authorities for achieving stretching targets. LPSAs are a partnership between local authorities and central government intended to improve local and national key outcomes. Each local authority sets around 12 outcomes for which it expects to deliver 'stretched' performance over the following three years. Thus far, there have been two rounds of LPSA targets in Sunderland. Round 1 (2001-2004) focused on outcomes and targets around young people and 13 targets, such as 'to reduce the percentage of young people re-offending within one year of reprimand and final warning', achieving a reward of over four million pounds. Sunderland's 2<sup>nd</sup> round LPSA, which forms part of the Local Area Agreement, focuses on reducing health inequalities across the city. Whilst focusing on health the LPSA is also looking to link health to wider issues such as worklessness and economic development.

In Sunderland, there is a particular opportunity for VCSE sector health organisations and projects to contribute, through the work they already do, to helping the local authority meet stretched targets. If the local authority are aware that a voluntary and community sector organisation are delivering projects that are contributing towards meeting 'stretch' targets, they may receive part of the reward and thus be able to develop further projects. For example, a local authority may have a LPSA target to reduce teenage pregnancy levels by 20% over the next three years. A voluntary and community sector youth organisation may offer advice services to young people, which indirectly could contribute to the target.

### **3.3 Local Enterprise Growth Initiative – what is LEGI?**

The Local Enterprise Growth Initiative (LEGI) seeks to provide flexible, local and regional investment to some of England's most deprived areas. LEGI will support locally developed proposals that seek to increase economic development and productivity through enterprise. Between 2006 and 2009, 30 existing Neighbourhood Renewal Fund areas will receive between £2 million and £10 million each to implement the proposals. LEGI has been developed because levels of enterprise in deprived areas are significantly and persistently lower than in more affluent areas. Fewer businesses start-up in deprived areas and there is a higher failure rate than elsewhere. These lower levels of enterprise and economic development have knock-on effects for other issues in the community, such as employment, health, crime and public service provisions. Sunderland City Council did put a bid in for LEGI funding which was unsuccessful in 2006. However, unsuccessful authorities do have the opportunity to resubmit bids for funding in 2007.

There are several ways in which the voluntary and community sector and in particular social enterprises could contribute to the development and delivery of LEGI proposals. These ways are primarily because of levels of expertise, for example:

- ❑ the VCSE sector have the know how and expertise to identify areas where there are key gaps in business development and enterprise;
- ❑ the VCSE sector can contribute through community consultation as to the gaps in business that exist in specific communities;
- ❑ the VCSE sector through their local focus often have knowledge of the key issues/barriers that are preventing businesses from both setting up and being sustainable in the most deprived areas;
- ❑ the VCSE sector also have expertise of the types of groups in deprived areas which may be able to develop new business and contribute to enterprise development, notably young people, ethnic minority groups and female entrepreneurship;
- ❑ the VCSE sector can draw upon a wealth of knowledge to ascertain the type of business that works in deprived areas and which local people support and utilise.

### **3.4 Change Up**

The Change Up framework sets out how government will support capacity building and infrastructure for the voluntary and community sector over the next ten years, in order to increase the role the sector plays in the delivery of public services and take into account the many gaps in infrastructure provision that are currently hindering this development. The framework sets out a strategic approach to addressing the key support needs of frontline organisations, focusing on performance improvement, workforce development and leadership, ICT, governance, recruiting and developing volunteers, and funding voluntary and community sector activity.

The bulk of Change Up investment to date has been made through the regions to support sub regional and local initiatives. Sub Regional Development Plans have been produced by steering groups, which determine the shape and structure of infrastructure provision best suited to meet the needs of voluntary and community sector organisations across specific areas. Each project identified within the Development Plan then sends a detailed project plan to the regional body managing the grant (for example in the North East this is the Community Foundation), which assess the plan and make recommendations to a sub regional consortium, who then agrees the grants.

Change Up funding is available for projects that provide capacity building and development services for voluntary and community sector organisations and is therefore, by and large, available for schemes run by voluntary and community sector organisations whose main purpose is the provision of infrastructure services to other voluntary and community sector groups, such as CVS, or organisations who provide some, or all of these services, but to their own organisations.

### **3.5 Public sector procurement**

A recent emphasis has been placed on the voluntary, community and social enterprise sector delivering public service delivery contracts. This emphasis has been a result of three key factors:

- ❑ the National Procurement Strategy<sup>7</sup> sets out how councils can improve the delivery and cost effectiveness of high quality services through more effective, prudent and innovative procurement practices. One of the key measures of doing this is through ‘contracting out’ to the voluntary and community sector;
- ❑ local authorities have been encouraged to produce local procurement strategies to highlight how they will support the voluntary, community and social enterprise sector in procuring service delivery contracts. Sunderland City Council have developed a procurement strategy that recognises the role the VCSE sector can play in supporting

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<sup>7</sup> ODPM (2003) *National Procurement Strategy for Local Government*

[http://www.odpm.gov.uk/pub/723/NationalStrategyforLocalGovernmentProcurementPrintVersionPDF362Kb\\_id1136723.pdf](http://www.odpm.gov.uk/pub/723/NationalStrategyforLocalGovernmentProcurementPrintVersionPDF362Kb_id1136723.pdf)

wider strategic priorities and the provision of services. Sunderland City Council contracts out over £163million worth of public services each year;

- ❑ there has been increasing recognition, at both the national and local level, to the string of benefits that arise from voluntary, community and social enterprise delivery of services. These benefits are predominantly related to engagement with communities, the sustainability of the sector, and the relationships between organisations and other bodies.

There are a number of specific service areas where delivery of public services by Social Enterprise and voluntary and community sector organisations are being actively encouraged. These include the fields of:

- ❑ health and social services;
- ❑ services for older people;
- ❑ homeless hostel provision;
- ❑ correctional services;
- ❑ ethnic minority employment;
- ❑ adult learning;
- ❑ services for children and young people.

For example, in the field of services for children and young people, there is active encouragement of voluntary and community sector organisations working in partnership with schools and local communities to deliver Extended Schools programmes.

#### 4 THE VOLUNTARY, COMMUNITY AND SOCIAL ENTERPRISE SECTOR DELIVERING PUBLIC SECTOR CONTRACTS: CASE STUDIES FROM THE NORTH EAST

The following four case study summaries highlight examples of good practice in voluntary and community sector delivery of public services in the North East. Each case study highlights some of the processes of voluntary and community sector service delivery, as well as some of the barriers faced along the way, and challenges for the future.

##### Community Campus 87

Community Campus 87 delivers housing related services to young people aged 16-25 across Middlesbrough, Redcar and Cleveland, and Stockton. The organisation was formed in 1987 and has evolved over the years, obtaining funding from regeneration programmes in the area and in recent years securing contracts from Stockton-on-Tees Council and Middlesbrough Borough Council, particularly in relation to Supporting People monies.

*Projects* – the organisation currently delivers a range of projects and services supported by an array of local and national funding. Projects include *Housing and Support Services*, which provides direct accommodation for seventy plus young people in forty plus properties in Stockton and Middlesbrough.

*Contracts* – the solid foundations laid by Community Campus 87's existing projects has enabled the organisation to be recognised by the local authority as a key contributor to local priorities, which has enabled the organisation in recent years to procure two public service delivery contracts. They deliver two Supporting People contracts in Stockton and Middlesbrough focusing particularly on young homeless people, and a resettlement contract in Middlesbrough supporting a wider age range.

*Contract considerations* – they noted the need to professionalise the services that were delivered beforehand and not lose the focus of what the organisation is trying to achieve. Whilst Community Campus 87 continue to work with young people in an informal and positive way, they have changed some of their staffing structures and management techniques in line with the varied nature of the contracts.

*Benefits* – Community Campus 87 believe that the key benefits of their organisation delivering public services ahead of local authorities and the private sector, is the fact that they are a bottom up organisation and community based. They believe that the strong values of the organisation as a whole are reflected in the way in which contracted services are being delivered.

*Barriers* – Community Campus 87 highlighted that the key barrier to voluntary and community sector delivery of public services was the short-term nature of contracts and funding.

*Future challenges* – whilst Stockton-on-Tees Local Area Agreement has been in place for nearly 12 months, Community Campus 87 felt that they had not been hugely involved. This was despite a feeling that they were on the cusp of a number of issues and outcomes that the Local Area Agreement was trying to address with regard young people and vulnerable people.

### Sunderland Voluntary Sector Youth Forum

Sunderland Voluntary Sector Youth Forum is a registered charity looking to represent the voluntary youth sector in Sunderland. The Forum was formally established in its current charitable form in 2002 and seeks to support voluntary youth work agencies across the City of Sunderland in providing facilities and opportunities that will advance the education, social welfare and recreational interests of young people across the City, with the objective of improving their conditions of life.

*Policy context* – Sunderland Voluntary Sector Youth Forum have recognised that there are a number of policy agendas for consideration in their activities, most notably Every Child Matters, Youth Matters and Extended Schools.

*Relationships* – the contracting out of youth services in Sunderland and the development of a Children's Trust has led to a key opportunity for the Sunderland Voluntary Sector Youth Forum. With a place on the Children's Trust Board, the Forum has the opportunity to represent the viewpoints of its member organisations as well as helping to shape the future for voluntary sector engagement.

*Members* – the Sunderland Voluntary Sector Youth Forum currently has 12 full members and 6 associate members, including *Young Asian Voices*. This project, set up in the early 1990's in the Hendon area of Sunderland, caters specifically for young members of the local Asian community, many of whom do not find it easy to access mainstream youth projects. The aim of the project is not just about providing services for young Asian people but also encouraging young people of all cultures to integrate. The work of young Asian voices cross-cuts several themes and works in partnership with other initiatives across Sunderland.

*Benefits* – Sunderland Voluntary Sector Youth Forum highlighted that the key benefit of their member organisations delivering public service contracts was the fact that many are already strongly linked to the communities which they serve.

*Barriers* – the Forum has faced a key barrier in working with the varying viewpoints of the member organisations. Whilst maintaining an objective to represent the collective viewpoint of the youth services, the Forum must also take into account the varying individual organisation strengths, weaknesses, opportunities, personalities, history and ethos.

*Grants to contracts: key challenges* – the last couple of years has seen a change in the focus of the voluntary and community sector from one dominated by grants, to more of a contracting and commissioning process. The decision to commission services is a big one for voluntary and community sector organisations and has left some of the forums members in a quandary. The change to commissioning and competing to deliver services, changes the nature of organisations and the nature of relationships with partner organisations. Sunderland Voluntary Sector Youth Forum has found that commissioning has raised a number of crucial issues for their member organisations. Some of the organisations that did not go for commissioning felt that, firstly, it would be taking their organisation away from what they were originally set up for, and secondly, felt that taking on a larger geographical area would undermine the localness of their organisation.

### Wearside Women in Need

Wearside Women in Need is a women's charity that delivers a range of services to women, men and children who are experiencing domestic violence, mental health difficulties and/ or social exclusion. The services include refuges, drop in centres, a 24 hour phone line and outreach work.

*Projects* – the organisation currently delivers a range of projects, including *refuges for domestic violence*. This offers safe accommodation for around 60 women and children who are experiencing sexual, physical or emotional abuse. Service users receive emotional support and practical advice, 24 hours a day, on many issues including financial worries, access to medical services, legal issues, helping find school places for children and finding a new home.

*Contracts* – Wearside Women in Need have been procuring service delivery contracts for many years. They have a number of current contracts including: Wearside Women in Need deliver their residential projects (the refuges, TZ and Beechwood) and associated outreach and phone lines, along with the supported tenancy programme, through a contract acquired from Sunderland City Councils Supporting People Programme.

*Benefits* – Wearside Women in Need believe that across many areas, the local voluntary and community sector are best placed to deliver services that require specialist knowledge. Local VCS organisations will already have a good knowledge of their areas of work, links with the service users they are there to support, and an independence from the council that can make them more approachable.

*Barriers* – a key barrier is bureaucracy. Bidding for a contract from the local authority requires a huge amount of form filling, largely in terms of providing written evidence of what a VCS organisation would probably comply with 'on-the-ground' anyway.

*Management of contracts* – the principle contract for service delivery that Wearside Women in Need hold through the Supporting People Programme, has to date been renewed annually. However, the local authority are in the process of putting a three year contract out for competitive tender and cuts to the programme are being made nationally. Yet Wearside Women in Need remain confident about their future and continuing to deliver public services. They recently won their third Supporting People contract but do feel that it will become increasingly hard to secure contracts, due to higher levels of competition from national charities and housing associations.

*Advice* – Wearside Women in Need recognise the need for voluntary, community and social enterprise sector organisations to gain the support of the council when bidding for, securing and retaining contracts. It is important for a VCS organisation to think about their profile – and whether it would be beneficial to raise it. This could be done through raising awareness amongst the general public, targeted groups and local organisations, as well as the local authority.

### Hendon Community Care

Hendon Community Care provides home support services to older people and disabled people across inner city Sunderland who require assistance with their daily living needs. The organisation has been delivering contracts for Sunderland City Council since 1994, growing out of an established voluntary organisation that began operating in 1973. Hendon Community Care won its most recent contract at the end of 2005, a three-year contract from Sunderland City Council to deliver 'Support Services for People at Home'.

*Contracts* – Hendon Community Care has been delivering contracts for Sunderland City Council since 1994, and is contracted to only provide services for Sunderland City Council Social Service Department. At present, they are delivering two contracts that fall within 'Support Services for People at Home'. Through this contract the delivery organisation provides physical assistance to the service user, undertaking domestic tasks and doing shopping. The total value of the contract from Sunderland City Council is £19,900,000. Twelve organisations, including Hendon Community Care, deliver Home Support.

*Benefits* – the infrastructure of the staff within a VCS organisation is by nature 'flatter', in as much as decisions can be made quicker, without having to refer up and up the ladder. As such, VCS organisations can act more responsively. Also, there is less 'red tape' within the VCS than within the local authority, meaning there is the ability for the VCS to be more flexible.

*Barriers* – Hendon Community Care felt their status as a voluntary organisation was proving to be a barrier in terms of being taken professionally by banks, etc. A few years after acquiring their first contract from Sunderland City Council, Hendon Community Care decided it would be advantageous to change from a voluntary organisation to a company, however they still wished to retain their charitable ethos. Hendon Community Care received advice from the forerunner to Social Enterprise Sunderland, regarding the different types of company/enterprise they could become – and decided that a not-for-profit 'community business' suited them best.

*Management of contracts* – the two contracts that Hendon Community Care have secured from Sunderland City Council, Home Support and Companionship (part of 'Support Service for People at Home') are for three years. With an ageing population, it is felt such services will be in increasing demand, thus Hendon Community Care are confident that their services, and those of similar organisations, will continue to be needed.

*Lessons learned* – Hendon Community Care recognised that it is important that voluntary, community and social enterprise sector organisations maintain their profile. Hendon Community Care suggest to VCS organisations, that even though their remit may alter slightly as result of delivering public services – they do not have to alter their name, especially if it will be to the detriment of their profile.

*Future advice* – though some VCS organisations are becoming increasingly worried about housing associations and national charities winning contracts to their detriment, Hendon Community Care believe experience has shown that a management not located locally, results in a poorer quality service.

## 5 THE REGIONAL DIMENSION: THE VOLUNTARY, COMMUNITY AND SOCIAL ENTERPRISE SECTOR IN THE NORTH EAST

The voluntary, community and social enterprise sector makes a major contribution to the economy of the North East. There are thousands of organisations delivering an array of services and projects, supported by a host of funding streams, local authority contracts and infrastructure bodies. External funding sources that voluntary, community and social enterprise sector organisations have been traditionally able to access such as those provided through the Single Regeneration Budget, European sources and the National Lottery are beginning to be reduced or are drawing to a close. The potential impact of reductions in national funding streams is expected to hit the North East particularly badly. Indeed, the Voluntary and Community Sector Task Force (VCSTF) believe that the potential impact of changes to the funding environment may reduce funding to the voluntary and community sector by £50million post 2006.

A recent research study carried out by the Social Futures Institute at the University of Teeside<sup>8</sup> produced an extensive analysis of the sector in the North East with a particular focus on showcasing the size of the sector at present and the parts of the sector, which are most vulnerable to funding shortfalls, and which parts of the sector expect their income to remain static or rise over the next few years.

### 5.1 Characteristics of the sector

From a study of over 350 voluntary and community sector organisations in the North East, the University of Teeside found that as a whole the voluntary and community sector is relatively stable with 85% of organisations having been established for more than five years. As will be discussed later in the report the findings of the University of Teeside report correlate with our findings from Sunderland. The sector is also varied with a wide variety of organisations which range from small locally based voluntary and community sector organisations with no paid employees and limited income, to large regional and national organisations with significant levels of income. The key characteristics of the sector can be summarised as follows:

- ❑ 80% of voluntary and community sector organisations in the North East are registered charities;
- ❑ organisations operate at different spatial scales, with 17% working within a single postcode area, contrasting with 9.7%, which work nationally or internationally;
- ❑ over 25% of voluntary and community sector organisations have an income above £250,000, 35% are medium sized with incomes ranging from £50,000 to £250,000 and about 35% are smaller concerns with incomes lower than £50,000 a year;

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<sup>8</sup> Social Futures Institute (2006) *Facing the Future: a Study of the Impact of a Changing Funding Environment on the Voluntary and Community Sector in the North East of England*, University of Teeside  
<http://www.tees.ac.uk/docs/DocRepo/Social%20Futures/vcs.pdf>

- ❑ most voluntary and community sector organisations have multiple sources of income with the principle source of income being government grants and contracts (distributed by local authorities, government departments, Primary Care Trusts, Learning and Skills Councils). Over 13% of funding comes from the National Lottery, 24% from charitable trusts and foundations, and the remaining 17% from donations and other earned income;
- ❑ in terms of functions, the principal aim of 37% of voluntary and community sector organisations is to provide 'primary support services' to beneficiaries (such as accommodation, health care, childcare, training), 48% provide 'secondary' support (such as information, advice and guidance, advocacy) and 12% 'tertiary support' (such as campaigning and research);
- ❑ the voluntary and community sector as a whole serves a wide range of beneficiaries. Often individual organisations support people with disabilities, disadvantaged people in urban areas, people with mental health problems, unemployed and workless people, and BME groups.

## **5.2 Concerns over the changing funding environment**

There are three funding/income sources, which University of Teeside research indicates are subject to decline by the end of 2006 (SRB, EU, National Lottery). Declining funding to the tune of £50million is of real concern for the voluntary and community sector, which could impact on the sustainability of the sectors organisations and the local communities which they serve. Key predicted changes in funding streams are indicated below:

- ❑ Single Regeneration Budget is to be phased out with a loss of up to £20million for the voluntary, community and social enterprise sector;
- ❑ European funding is to be reduced with the share the sector receives of European Social Fund likely to fall to between £1million and £3million per year;
- ❑ Lottery funding is expected to decline with the sector expected to receive around £5million from 2006.

## **5.3 Awareness of changing funding environments**

Whilst the majority of voluntary and community sector organisations surveyed as part of the University of Teeside research were aware of changing funding streams, many have not actively changed their practices or planned ahead in anticipation of funding cuts. The research found that:

- ❑ there is a low level of planning for forthcoming changes in the funding environment. 20% of voluntary and community sector organisations did not anticipate significant changes after 2006. Almost a quarter did not know about possible changes, or if they

did, have only begun discussing the issue in a preliminary way. Over a half of organisations had no specific plans in place;

- ❑ medium sized organisations appear to be more active in planning for the future than large and smaller voluntary and community sector organisations;
- ❑ about a half of voluntary and community sector organisations expect that grants from government, foundations or lottery sources will remain vital for the sustenance of core activity;
- ❑ most voluntary and community sector organisations are unaware of, unwilling to or ill-prepared to engage in contract work. 22% of organisations are unaware of contract opportunities, 17% reject the idea because it runs against their core values. 40% are aware of the option but require more information, support, or feel that there are too many barriers to do such work.

The last two of these findings are of concern for two reasons:

- ❑ central government are attempting to move the voluntary and community sector away from a reliance on grants towards more of a contracts based culture;
- ❑ the fact that 40% of organisations require further support and information is concerning, particularly with dedicated support commitment to the sector in the shape of Change Up, Capacity Builders and the Future Builders Fund.

## 6 THE VOLUNTARY, COMMUNITY AND SOCIAL ENTERPRISE SECTOR IN SUNDERLAND

The Centre for Local Economic Strategies (CLES) and Social Enterprise Sunderland (SES) produced a questionnaire, which sought to analyse the size and shape of the voluntary, community and social enterprise sector in Sunderland. Specific questions for example looked at the main activities of organisations, their core client groups, the annual turnover of the organisation, and the sources of their income. It also sought to assess where there were particular gaps in voluntary, community and social enterprise support and awareness of policy developments, such as Local Area Agreements. Using percentages and cross tabulation the questionnaire data shapes the action plan recommendations for the future direction of the voluntary, community and social enterprise sector in Sunderland. The questionnaires were sent out to around 400 known voluntary, community and social enterprise sector organisations in Sunderland, with a total of 87 questionnaires returned. Looking at the social enterprise sector within Sunderland that has been directly assisted by Social Enterprise Sunderland, the sector has a collective turnover of about 8.7 million via trading income streams and employs over 500 people.

### 6.1 Core activities of the sector in Sunderland

Table 1 highlights the main activities of voluntary, community and social enterprise sector organisations in Sunderland. The areas in which greatest activity took place are in education and community development. The data also highlighted that the activities with no involvement currently in the sector in Sunderland were design and print services, financial services (loans), grant giving, manufacturing, retail, and tourism.

**Table 1: Main activities of voluntary, community and social enterprise sector organisations in Sunderland**

Type of activity	Percentage of respondents
Community development	7.7%
Education	7.7%
Training	7.2%
Health and social care	7.2%
Employment	6.2%
Counselling, support and advice	5.7%
Recreation/sport	5.2%

When the main activities highlighted above are cross tabulated with the main client groups it is clear that certain activities delivered by organisations in the sector are associated with particular client groups. Table 2 highlights this cross tabulation. Whilst the majority of organisations focus their activities on all residents, there are organisations, which are focusing their activities on particular client groups:

- ❑ predictably, whilst much educational activity is focused on children and young people, it is interesting to note that 4 organisations each identified asylum seekers, women and BME groups as their main client group;
- ❑ also, whilst employment activities focus predominantly on the unemployed and the long term sick, 5 organisations see disabled people as one of their main client groups;
- ❑ in terms of gaps in particular activities for particular client groups, there are 0 respondents delivering health and social care activities as their main activity, focusing on asylum seekers/refugees and BME groups. This is a concern as health inequalities between BME and other groups are often greater than average;
- ❑ also 0 respondents delivering community development activity are focusing on disabled people and the long term sick.

**Table 2: Main activities cross-tabulated with the main client groups**

	All residents	C/YP	Disabled	Elderly	ASY/REF	Tenant	Women	Unemployed	Long Term Sick	BME
Community Development	10	6	0	2	2	0	2	2	0	2
Education	6	8	3	2	4	0	4	3	1	4
Training	5	6	1	0	3	1	3	4	1	2
Health and social care	10	2	4	5	0	0	2	1	4	0
Employment	9	1	5	0	2	1	4	7	4	3
Counselling, support and advice	8	3	3	0	1	2	3	5	2	1
Recreation/sport	5	3	1	1	1	0	2	0	0	1

**6.2 Sustainability of voluntary, community and social enterprise sector organisations in Sunderland**

Data gathered from the questionnaires suggest that the voluntary, community and social enterprise sector is pretty healthy in Sunderland:

- ❑ over 77% of organisations have been established and operating for over 4 years, with 23% of organisations over 25 years old (see table 3).

**Table 3: Cross tabulation of type of organisation and length of operation**

	0-11 months	1-3 years	4-10 years	10-25 years	25+ years
Independent/stand alone	4	9	21	16	12
Partner organisation		1		1	
Branch of a larger organisation		1	2	1	7
Wholly owned subsidiary				1	
Trading arm of another organisation					
Partnership or network		3	4	1	3
Unsure		1			

The table highlights that:

- ❑ the majority of voluntary and community sector organisations in Sunderland are independent or ‘stand alone’ with the majority having been in operation for between 4 and 10 years;
- ❑ an interesting aspect of the data identified above regards networks and partnership. With 3 networks having been in operation for between 1 and 3 years, the Change Up programme appears to have had an impact in Sunderland with the setting up of three new infrastructure bodies/networks since the advent of the Change Up strategy in 2003;
- ❑ it is also positive that 3 networks/partnerships have been in operation for over 25 years highlighting continued support to the sector.

**6.3 What is the voluntary, community and social enterprise sector worth in Sunderland and where do organisations get their money from?**

The voluntary, community and social enterprise sector makes a significant contribution to the local economy in Sunderland, both in economic and social terms. Focusing on economic contributions and the turnover of voluntary, community and social enterprise sector organisations, there are two turnover ranges which significant organisations fit into:

- ❑ 28% of respondents to our surveys had turnovers of between £0 and £20,000;
- ❑ over 22% of respondents organisations had turnovers of between £100,000 and £499,999.

**Table 4: Annual turnover of voluntary, community and social enterprise sector organisations in Sunderland**

Annual turnover	Percentage
£0 - £20,000	28.1%
£20,000 - £50,000	12.4%
£50,000 - £99,999	12.4%
£100,000 - £499,999	22.5%
£500,000 - £999,999	2.5%
£1 million or more	9.0%

The voluntary, community and social enterprise sector have traditionally focused on utilising grants and external funding sources to fund their projects, services and activities. In recent years, there has been however a focus centrally and locally on the voluntary, community and social enterprise sector on procuring services and contracts from local authorities and other agencies. Table 5 highlights the percentages of income that different sources make up of an organisations income, while Table 6 cross tabulates the income of voluntary, community and social enterprise sector organisations with the percentage of the income they receive from particular sources, such as contracts, donations, grants and sale of goods. The tables highlight a number of interesting patterns.

**Table 5: Percentage of income from different sources of voluntary, community and social enterprise organisations in Sunderland**

Income source	% of organisations which utilise this source as part of their total income stream
Contracts	37.9%
Donations	26.4%
Grants	62.1%
Lettings	25.3%
Sale of goods	14.9%
Sale of services	25.3%
Bank loans	1.1%
Business development loans	1.1%
Other	12.6%

It is clear that the sources the voluntary, community and social enterprise sector organisations receive most income from, across all income scales, is contracts, grants and donations:

- ❑ 37.9% of all organisations surveyed utilised contracts to make up some proportion of their income;
- ❑ 26.4% of voluntary, community and social enterprise sector organisations income streams were made up of donations;

- grants appear to be the mainstay of income for the sector in Sunderland, however with 62.1% of all organisations having grants as part of their income sources.

**Table 6: Cross tabulation of the income of voluntary, community and social enterprise sector organisations in Sunderland**

Turnover (£)	Contracts			Donations			Grants		
	1-33%	34-66%	67-100%	1-33%	34-66%	67-100%	1-33%	34-66%	67-100%
0-20,000	3	1	1	3	1	5	7	3	7
20,000 - 50,000			2	2		1	2		4
50,000 - 100,000	2	2	4	4				1	6
100,000 - 499,999	7	5	1	6	1		4	6	7
500,000 - 999,999		1					2		
1 million or more	1	3					2	2	1
% of organisations	14.9%	13.8%	9.2%	17.2%	2.3%	6.9%	19.5%	13.8%	29%
Turnover (£)	Lettings			Sale of goods			Sale of services		
	1-33%	34-66%	67-100%	1-33%	34-66%	67-100%	1-33%	34-66%	67-100%
0-20,000	2		2		1	1	2	2	1
20,000 - 50,000	2					1		1	1
50,000 - 100,000				1				1	1
100,000 - 499,999	5		1	2	1	1	6	2	1
500,000 - 999,999					2			1	
1 million or more	2	2		1	1	1	2		1
% of organisations	12.6%	2.3%	3.4%	4.6%	5.7%	4.6%	11.5%	8.0%	5.7%
Turnover (£)	Bank Loans			Business Development Loans			Other		
	1-33%	34-66%	67-100%	1-33%	34-66%	67-100%	1-33%	34-66%	67-100%
0-20,000							1		5
20,000 - 50,000							1		1
50,000 - 100,000				1					1
100,000 - 499,999							2		
500,000 - 999,999									
1 million or more	1								
% of organisations	1.1%			1.1%			4.6%		8.0%

With regard to contracts it is clear that organisations with larger income streams receive greater levels of their sources of income from contracts. Whilst some smaller organisations do procure public sector contracts, they often make up a small percentage of their turnover:

- despite concerns over reduced levels of funding highlighted in the recent University of Teeside report, and a perceived shift in culture from grants to contracts, a significant number of organisations of all turnover sizes in Sunderland continue to see grants as their main income sources:
  - 25 of all the organisations, which completed the survey, stated that between 67 and 100% of their total turnover came from grants;

- ❑ organisations with turnover of between £50,000 and £100,000 and £100,000 and £499,000 have both greater numbers of contracts and contracts make up higher percentages of their income;
- ❑ organisations with smaller levels of turnover are also more likely to rely on donations as the mainstay of their organisation than those with higher levels of income.

There is thus a clear need for targeted assistance to these voluntary, community and social enterprise sector organisations with advice on opportunities for other income streams and awareness of public service contracts. Of the other income streams, only lettings and sales of services have a number of organisations stating that these are their main income streams. Other sources of income included investments and endowment funds.

When asked about barriers and obstacles in securing future funding or income for their organisation, a number of organisations saw funding and access to funding as one of their biggest obstacles in the coming years.

**Table 7: Barriers/obstacles in securing funding**

<b>Barriers/obstacles</b>	<b>% of respondents</b>
Limited funding available	15.5%
Funders criteria	14.9%
Lack of knowledge/support	8.7%
Lack of resources	7.8%
Lack of planning	5.8%
Competition	5.8%
Changing processes/adapting	4.9%
Time constraints	4.9%
Venue/premises/property constraints	4.9%
Lack of customers/sales	2.9%
Other	2.9%
No answer	21.9%

Looking at external funding sources in more detail, it is clear that a high proportion of voluntary, community and social enterprise sector organisations have been unsuccessful in bids for particular funding sources for a range of reasons (table 8).

**Table 8: Percentage of organisations who have recently been unsuccessful in applying for funds**

Have you been unsuccessful in applying for funding	% of respondents
Yes	41.6%
No	34.8%
N/A	6.7%
No answer	16.9%

Of the organisations that have been unsuccessful in applying for funding there is no one source which stands out as consistently turning down the sector, however a pattern does emerge with regard to the reasons why an application has been turned down. This is primarily because there is either a lack of funding or not enough funding to support all requests from the voluntary, community and social enterprise sector. This is concerning for two reasons:

- as has been highlighted earlier, a large proportion of voluntary, community and social enterprise sector organisations use grants as one of their main sources of income;
- as has been explored earlier, funding sources for the sector are predicted to be reduced post-2006.

Table 9 highlights some of the sources for which requests for funding were unsuccessful and the reasons why the requests were unsuccessful. Other sources for which requests were unsuccessful included Greggs Trust, Hedley Denton and Learning and Skills Council.

**Table 9: Unsuccessful requests for funding sources and reasons why**

Funding source	Number of unsuccessful requests	Reason for unsuccessful application
Community Foundation	3	Already funded
Awards for All	2	Over subscribed
Community Fund	2	Constitutional constraints
Community Chest	2	Lack of funding
Heritage Lottery	2	Change of criteria
Included Communities Fund	2	Not enough finance to meet requests
Big Lottery	1	Age of building
Northern Rock	1	Did not meet criteria

By looking at unsuccessful requests for funding and types of activity delivered by voluntary, community and social enterprise sector organisations in Sunderland, there are some clear activities where there is a lack of funding or where organisations are particularly unsuccessful in being awarded funds (table 10):

- ❑ 8 organisations that saw community development as one of their main activities had been unsuccessful in applying for external funding sources;
- ❑ education, counselling, support and advice, and employment were other activities where organisations had been particularly unsuccessful in applying for funds.

**Table 10: Successful/unsuccessful applications for funding**

Funding source	Unsuccessful applying for funding?	
	Yes	No
Community development	8	5
Education	8	5
Counselling, support and advice	7	3
Advice service	5	5
Employment	5	6
Training	4	7
Youth services	4	7
Arts and leisure	3	3
Business development	3	2

#### 6.4 Awareness of social enterprise and the need for further support

The Department for Trade and Industry defines a social enterprise as ‘a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. Social enterprises tackle a wide range of social and environmental issues and operate in all parts of the economy’. Whilst respondents in our survey had good awareness of social enterprise, fewer organisations actually considered themselves to be social enterprises. 50 organisations surveyed saw themselves as a social enterprise and 31 did not. Encouragingly, for infrastructure bodies such as Social Enterprise Sunderland, there are a significant number of voluntary and community sector organisations that would like further information on social enterprise. Of the 31 organisations that said they were not a social enterprise currently, 26 said they would like further information, 15 stated they had begun to think about becoming a social enterprise, and 2 had already asked for support from organisations such as Social Enterprise Sunderland.

In terms of advice on business development, planning and service development, Social Enterprise Sunderland are the leading organisation in the city offering this type of advice. 44% of the organisations that had received support had accessed this from Social Enterprise Sunderland. A range of other organisations also provided business support, but not to the extent of Social Enterprise Sunderland, including Business Link, Jobcentre Plus and the Sunderland Community Enterprise Network. A concern is that only a small number of

voluntary, community and social enterprise respondents received advice or support from Sunderland City Council or their departments.

**6.5 Future developments**

**6.5.1 Procuring service delivery contracts**

Service delivery by the voluntary, community and social enterprise is becoming increasingly important. The sector is being actively encouraged to deliver their services as part of contracts procured from the local authority and other public sector bodies. A key area of concern nationally and from our surveys in Sunderland is that voluntary, community and social enterprise sector organisations have not really begun to think about the delivery of contracts as opposed to applying for grants. There is insufficient information about service contract delivery opportunities, and many organisations are unaware of where they can get support from, in their proposals to deliver public sector contracts.

In Sunderland, whilst 47% of organisations surveyed had either begun to think about service delivery contracts, 53% were either not considering service delivery contracts or were not sure what a service delivery contract was or what they involved. Table 11 highlights that there is a key support opportunity with regard to service delivery contracts, as many organisations are currently unaware of where they can get support and information opportunities about service delivery contracts.

**Table 11: Key support opportunities as regards service delivery contracts**

<b>Do you need more information about service delivery contracts?</b>	<b>% of respondents</b>
Yes	63%
No	27%
No answer	10%

**6.5.2 Barriers to expansion**

Respondents to the questionnaire survey were asked to tick up to five options of what they thought would be the main problem(s) for the expansion of their organisation in the future. Table 12 highlights this data. From the data it is possible to identify three key areas where voluntary, community and social enterprise sector organisations envisage there being problems to the expansion of their organisation:

- firstly, a significant majority of organisations sighted funding and finance related problems as their major concern. Four of the five problems with the highest number of responses were funding related, namely getting finance for development, getting grant funding, insecure funding and lack of capital;

- ❑ a second key problem surrounds information and advice. Some organisations saw lack of funding information, lack of training information, lack of market information, lack of ongoing support, and lack of business advice as their main problems;
- ❑ thirdly, some organisations saw premises and personnel as a key problem, which could impact the future expansion of their organisation. Lack of trained and qualified staff and a lack of volunteers are identified as a key future problem.

The concerns highlighted in the questionnaire form part of wider concerns with regard to the voluntary, community and social enterprise sector:

- ❑ funding is a concern in the North East, particularly with the imminent reduction of funds from, for example, the European Union;
- ❑ information and support are key issues which sub regional Change Up consortium are attempting to address by supporting and financing infrastructure bodies and networks;
- ❑ volunteering also forms part of wider plans for greater levels of active citizenship. Voluntary, community and social enterprise sector organisations need to be aware of funding changes, of existing infrastructure and support networks, and of opportunities with regard to volunteering.

**Table 12: Main problems for expansion in the future**

<b>Problems for expansion</b>	<b>No. of respondents</b>
Getting grant funding	38
Getting finance for development	37
Insecure funding	24
Lack of capital	23
Lack of volunteers	23
Establishing new markets	20
Lack of trained/qualified staff	20
Lack of revenue	18
Premises inappropriate	18
Lack of ongoing support	12
Lack of leadership	11
Lack of funding information	10
Lack of market information	8
Lack of IT training/equipment	6
Lack of specialist business advice	5
Equipment inappropriate	4
Lack of specialist business support	4
Legal constraints	4
Culture/religious beliefs	3
Lack of start up business advice	2
Language	1
None applicable	1

External constraints (NHS initiatives)	1
Training inappropriate	0

### 6.5.3 Policy developments

Local Area Agreements, Change Up, Local Enterprise Growth Initiative, Local Public Service Agreements, Local Strategic Partnerships and Single Status Review are seen as key parts of the policy agenda. As has been explained earlier in this report, these policy developments provide a series of opportunities for the involvement of the voluntary, community and social enterprise sector. As part of the questionnaire survey we asked respondents to highlight their awareness of each of the policy developments. The results are highlighted in table 13:

- ❑ the greatest awareness is of Local Strategic Partnerships, which reflects the fact that the Sunderland LSP has been in operation since 2001;
- ❑ the primarily social benefits of voluntary, community and social enterprise sector organisations is reflected in there being only a 26.4% awareness amongst our respondents of Local Economic Growth Initiative. There is also lower awareness of this initiative probably because it is relatively new and the fact that no funds have been allocated to Sunderland thus far;
- ❑ Local Area Agreements have an awareness level of 48.2%. However, as has been found in the previous two events held by CLES and Social Enterprise Sunderland, there is a certain degree of wariness within the voluntary, community and social enterprise sector of Local Area Agreements. In particular the opportunities for the sector in the process and what it is likely to mean for existing funding streams and opportunities to access future funding.

**Table 13: Awareness of policy developments**

Awareness of policy developments	% of respondents
Local Area Agreements	48.2%
Change Up	39.1%
Local Enterprise Growth Initiative	26.4%
Local Public Service Agreements	40.2%
Local Strategic Partnerships	63.2%
Single Status Review	19.6%

Cross tabulation of awareness of policy development against the type of information required about that policy development, highlights there are varied needs across the voluntary, community and social enterprise sector (see table 14):

- ❑ the key area where further information is required is Local Strategic Partnerships;

- ❑ there is a need perhaps for the voluntary and community sector, as regard the Community Empowerment Network, to link more effectively with the sector in disseminating information about, for example, procuring funds;
- ❑ the area where there is greatest need for information across all policy developments is with regard to procuring further funds. This appears to be in line with previous concerns indicated earlier in the questionnaire analysis.

**Table 14: Cross tabulation of awareness of policy development against the type of information required about that policy development**

	<b>General Info</b>	<b>Opportunities for VCS</b>	<b>Procuring further funds</b>	<b>Improved service delivery</b>
Local Area Agreements	28	36	47	30
Change Up	22	31	43	28
Local Enterprise Growth Initiative	16	19	32	19
Local Public Service Agreements	23	29	41	27
Local Strategic Partnerships	37	46	59	40
Single Status Review	15	17	26	16

## 7 THE VOLUNTARY, COMMUNITY AND SOCIAL ENTERPRISE SECTOR IN SUNDERLAND: RECOMMENDATIONS FOR THE FUTURE

As has been identified through each of these three reports the voluntary, community and social enterprise sector currently face a number of key challenges. These include:

- ❑ policy developments such as Local Area Agreements;
- ❑ reductions in key sources of funding such as European Social Fund;
- ❑ a change in focus from 'grants' to 'contracts';
- ❑ renewed competition both within the sector and from private companies in bids for contracting public services.

As a result of these key challenges, it is imperative that the voluntary, community and social enterprise sector as a whole and individual organisations make changes to their operational and working practices. However, this change must not be restricted to the voluntary, community and social enterprise sector. The local authority and other public sector bodies need to change their practices to ensure that their awareness of the advantages of the voluntary, community and social enterprise sector in delivering contracts and contributing to Local Area Agreement targets is both enhanced and recognised.

CLES and Social Enterprise Sunderland has identified 4 key areas in which change is required by both the voluntary, community and social enterprise sector and the local authority and other public sector bodies in Sunderland:

- ❑ *awareness* – changes to awareness and knowledge about the role the voluntary, community and social enterprise sector can play in service delivery, in policy developments, in a 'contract' culture, particularly by the public sector. Also, need for awareness and knowledge with regard to what is available for the voluntary, community and social enterprise sector;
- ❑ *skills and abilities* – change needs to occur to ensure that the voluntary, community and social enterprise sector have the appropriate skills and abilities to get contracts. This needs to be a two-way change with the public sector detailing the stages the voluntary, community and social enterprise sector need to go through to win a service delivery contract;
- ❑ *strategic positioning* – change needs to occur to ensure the voluntary, community and social enterprise sector are strategically placed to address issues such as Local Area Agreements. There is particular need for stronger strategic leadership than is currently provided by infrastructure bodies with regard policy developments and closer working relationships between infrastructure bodies and the organisations of the voluntary, community and social enterprise sector;

- *manage and maintain contracts* – change needs to occur to ensure voluntary, community and social enterprise sector organisations are able to manage effectively and maintain service delivery contracts.

Using these four ranges of change, CLES has identified some of the greatest issues the sector faces in the future in Sunderland and then highlights 13 recommendations of what the voluntary, community and social enterprise sector in Sunderland could do to address these issues. The recommendations require collaboration between the voluntary, community and social enterprise sector, infrastructure and support bodies and the public sector.

## 7.1 ISSUE: gaps in target group service provision

The voluntary, community and social enterprise sector has specific skills in working at specific geographical levels and with specific target groups such as BME and the disabled. Questionnaire analysis has found that in Sunderland there are particular gaps in activities by the voluntary, community and social enterprise sector for particular target groups (e.g. no respondents in our survey currently provide health and social care activities predominately for asylum seekers/refugees and BME groups). Similarly, there are no respondents targeting sport and recreation activities at the unemployed and long term sick. Health and worklessness are, however key strands of Sunderland's Local Area Agreement and Local Public Service Agreement.

### Recommendation 1

CLES recommends that the public sector in Sunderland identifies gaps in target group provision such as those identified above and raises awareness to the voluntary, community and social enterprise sector of contract opportunities to deliver services targeted at these groups. There could be for example, opportunities for organisations currently delivering health and social care activities to target a significant scope of their activity towards a particular target group such as BME groups. This could raise awareness and knowledge of the organisation by the sector and could subsequently lead to a public service delivery contract.

## 7.2 ISSUE: a shift from 'grants' to 'contracts'

As has been identified throughout this report and in a report by the University of Teeside, the amount of money the sector receives through grants and external funding sources is set to be vastly reduced post-2006. There is therefore a major onus on voluntary, community and social enterprise sector organisations procuring service delivery contracts from the local authority and other public sector bodies. CLES is concerned with the apparent reliance by the sector in Sunderland on grants and is unsure whether the sector has the awareness of and knowledge required to win and deliver public service contracts. This concern is emphasised in the questionnaire analysis with 62.1% of organisations having grants as part of their income sources and only 37.9% procuring contracts as part of their income.

## **Recommendation 2**

CLES recommends that there is a major shift in emphasis from 'grants' to 'contracts' in the voluntary, community and social enterprise sector in Sunderland. There is thus need both within the voluntary, community and social enterprise sector and by the public sector to raise awareness and knowledge of contract opportunities.

### **7.3 ISSUE: Local Area Agreements and the Statement of Community Involvement**

Local Area Agreement Guidance states that local authorities and Local Strategic Partnerships should seek a degree of voluntary and community sector involvement when developing their Local Area Agreement. Indeed, Local Area Agreement pilots are expected to draw up a Statement of Community Involvement detailing how the voluntary, community and social enterprise sector has been involved in drawing up the agreement. Evidence to date suggests that degrees of involvement of the sector in the Statement of Community Involvement have been varied, but on the whole poor. A 2005 study by the Improvement and Development Agency (I&DeA)<sup>9</sup> found that from 1<sup>st</sup> round Local Area Agreement pilots most final documents contained only a short section valuing partnership working with the VCS, and stating that the VCS had been involved in drawing up the agreement. From surveys of CVS and CEN organisations in the 21 pilot Local Area Agreements, I&DeA had some worrying findings:

- ❑ only four said they had been specifically involved in the Statement of Community Involvement;
- ❑ only one Local Area Agreement pilot had involved the CVS and CEN in drafting the Statement;
- ❑ several CVS stated that they did not know anything about the Statement of Community Involvement, or that they had not been involved;
- ❑ many Statements of Community Involvement are statements of a broad commitment to partnership rather working, rather than having any real subsistence as to how the voluntary, community and social enterprise sector can be involved in Local Area Agreements.

With Sunderland being a 2<sup>nd</sup> round Local Area Agreement pilot, it was expected that lessons would be learnt from 1<sup>st</sup> round pilots and that the Statement of Community Involvement would involve much wider consultation with the voluntary, community and social enterprise sector and would highlight greater options for sector involvement. Looking at the final draft of Sunderland's Local Area Agreement, it is concerning that the role of the sector is only mentioned briefly. The sector has been involved predominantly in a series of workshops and seminars seeking to gauge the sectors opinions of already chosen priorities. Also, three

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<sup>9</sup> Improvement and Development Agency (2005) *Making it work: Voluntary and Community Sector Involvement in Local Area Agreements*. <http://www.idea-knowledge.gov.uk/idk/aio/1359044>

representatives from the Community Development Network are invited to attend and participate in all meetings of the Sunderland Strategic Partnership.

Looking at the Local Area Agreement document and the findings from questionnaire analysis, CLES believes that the local authority and Local Strategic Partnership could have gone much further in the involvement of the voluntary, community and social enterprise sector in the Local Area Agreement process.

### **Recommendation 3**

CLES recommends that the local authority, the Local Strategic Partnership and representatives of the voluntary, community and social enterprise sector work together to develop a more comprehensive Statement of Community Involvement and framework for sector involvement in Local Area Agreements.

### **Recommendation 4**

CLES recommends that the joint framework should address:

- o how the voluntary, community and social enterprise sector will be involved in delivering Local Agreement targets and outcomes;
- o how much reward the sector will receive if individual organisations contribute to the meeting of 'stretch' targets;
- o what the Local Area Agreement will mean for the monitoring of spend by the sector of specific funds such as Neighbourhood Renewal Funds.

### **Recommendation 5**

In addition to the above, CLES recommends that this Framework or Statement of Community Activity makes specific reference to the voluntary, community and social enterprise sector as deliverers of contracts. CLES believes that this formal recognition of the sector as contributors to targets and outcomes related to service delivery should lead to greater consideration in Local Area Agreement activity.

## **7.4 ISSUE: awareness of the voluntary, community and social enterprise sector by the local authority and other public sector agencies**

From our two events in Sunderland, there appears to be some degree of mistrust (though this is not unusual) between the voluntary and community sector and the local authority, which is particularly evident in levels of engagement and involvement around Sunderland's Local Area Agreement. Many voluntary, community and social enterprise sector organisations remain unsure as to what role they have within the Local Area Agreement process, and are particularly concerned about what it means for some of their funding sources. Also, whilst the

voluntary, community and social enterprise sector currently and are likely to continue to contribute towards local targets, there is no formal recognition of this contribution. Delivery of public sector contracts by the sector is often not highlighted publicly with it difficult to find out which organisations deliver contracts and where opportunities are available.

#### **Recommendation 6**

CLES recommends that Sunderland City Council and other local public sector bodies across all departments and themes recognise and corporately acknowledge the role the voluntary, community *and* social enterprise sector can play in delivering services and meeting targets. Where for example a youth organisation has contributed to meeting a target to involve more young people in physical activity, CLES argue that this role should be publicly recognised. This recognition and corporate acknowledgement between the local authority and the sector could lead to improved trust and increased partnership working.

#### **Recommendation 7**

CLES recommends that relationships are enhanced through for example a series of open days and that contributions to targets are recognised on a dedicated website or as part of a newsletter between the local authority and the voluntary, community and social enterprise sector.

### **7.5 ISSUE: smaller voluntary, community and social enterprise sector organisations and service delivery contracts**

Smaller voluntary, community and social enterprise sector organisations are often situated in smaller geographical areas and have the ability to reach the most vulnerable people in society in more efficient and effective ways than larger sector organisations and the local authority. This ability to target projects in smaller areas often leads to increased levels of trust and enhanced social capital. However, despite these benefits of smaller voluntary, community and social enterprise sector organisations very few deliver public service delivery contracts. Indeed from questionnaire analysis, only 5 organisations in Sunderland with turnover of between £0 and £20,000 utilised contracts as part of their income source. CLES believes that there is significant scope in Sunderland for service delivery contracts to be devolved to smaller geographical areas and smaller voluntary, community and social enterprise sector organisations.

#### **Recommendation 8**

CLES recommends that there is further assistance provided by both the local authority and voluntary, community and social enterprise sector infrastructure bodies to ensure that the smaller organisations have the skills required to develop, deliver and maintain public service delivery contracts.

**7.6 ISSUE: strategically link the procurement strategy to the needs of the voluntary, community and social enterprise sector and the Local Area Agreement**

The links between local authorities and the voluntary, community and social enterprise sector are often seen as an example of messy governance. The sector and the local authority are often working to different priorities and objectives at different geographical scales. Procurement strategies, also often expect voluntary, community and social enterprise sector organisations to cover a wider remit than they currently deliver.

**Recommendation 9**

With Local Area Agreements setting a series of local priorities defined by a range of partners, CLES recommends that the service delivery contract areas identified in the procurement strategy are strategically linked and mapped to the skills, experience and geographical delivery levels of the voluntary, community and social enterprise sector and also the core outcome priorities of the Local Area Agreement. This recommendation would require strategic partnership between Sunderland City Council's Procurement Team, voluntary and community sector infrastructure bodies and the local authority policy team responsible for developing, delivering and monitoring the Local Area Agreement.

**7.7 ISSUE: do all voluntary, community and social enterprise sector organisations want to deliver contracts?**

As was found with some of the member organisations of Sunderland Voluntary Sector Youth Forum, not all organisations want to contract or commission services. The Youth Forum had a number of organisations that when youth services in Sunderland were being contracted out a couple years ago felt that commissioning would be taking their organisation away from what they were originally set up for and that the process would mean that they would have to take on a larger geographical area which would undermine the localness of their organisation. CLES understands that contracting services may not suit all voluntary, community and social enterprise sector organisations and that a 'one-size-fits-all' model is unlikely to be effective in Sunderland.

**Recommendation 10**

CLES recommends that the sector is separated in two ways. First, there are those organisations, which are currently or want to deliver public service contracts. Second, there are those organisations, which have operated effectively for many years without contracts and grants and primarily operate on the basis of involving and empowering local people in the area that they serve. CLES recommends that the local authority and the voluntary, community and social enterprise sector as a whole recognise these two sides and tailor awareness, skills, guidance and strategy accordingly.

## 7.8 ISSUE: representing the sector

CLES believes that the voluntary, community and social enterprise sector in Sunderland faces three key challenges in the coming years:

- ❑ there appears to be a lack of awareness of reductions in funding sources;
- ❑ despite the need for the sector to move away from grants towards more of a 'contract' culture, relatively few organisations have been successful in procuring public service delivery contracts and those which have been successful have been predominantly larger organisations;
- ❑ there are a range of policy developments which voluntary, community and social enterprise sector organisations need to be aware of and access.

### **Recommendation 11**

CLES recommends that a dedicated guidance body is set up to help the sector deal with these challenges. The guidance body could be an expansion of an existing infrastructure body such as Social Enterprise Sunderland or a totally new body. CLES believes the guidance body should have the following remit:

- o to build awareness of funding opportunities in the North East such as those provided by Northern Rock<sup>10</sup>, Greggs Trust<sup>11</sup> and the Included Communities Fund<sup>12</sup>. Also, to provide guidance to voluntary, community and social enterprise sector organisations on meeting funding criteria and filling out funding applications;
- o to build awareness and knowledge of public service delivery contracts, particularly pointing voluntary, community and social enterprise sector organisations towards emerging opportunities. Also, to provide guidance on contract bids and the maintenance of contracts;
- o to build awareness of policy developments such as Local Area Agreements when they emerge and assist voluntary, community and social enterprise sector organisations in showcasing the benefits they could bring to the policy development to the local authority. The guidance body could also provide entry points or represents the sectors organisations on the various theme groups of the Local Strategic Partnership.

Having a guidance body representing the whole of the sector could also have benefits to recommendation 1 when the public sector are looking to commission contracts for target groups and under-utilised activities.

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<sup>10</sup> <http://www.nr-foundation.org.uk/NRF/pages/home.html>

<sup>11</sup> <http://www.greggstrust.org.uk/>

<sup>12</sup> [http://www.communityfoundation.org.uk/pdf/funds/included\\_communities\\_guidelines.pdf](http://www.communityfoundation.org.uk/pdf/funds/included_communities_guidelines.pdf)

**7.9 ISSUE: Sunderland's varied geographical, social and economic landscape**

The City of Sunderland has a varied geographical, economic and social landscape. There are some deprived communities particularly around the docks and in areas previously associated with coalmining. There are also areas of prosperity. Therefore voluntary, community and social enterprise sector organisations in different parts of the city face different challenges, provide different projects and services and target different sectors of the population.

**Recommendation 12**

CLES recommends that the voluntary, community and social enterprise sector in Sunderland builds on the existing Area Neighbourhood Networks set up by Sunderland Community Development Network in the East, West, North and Coalfields areas of the city. These were established to enable voluntary and community sector groups and organisations in Sunderland to feed into the wider network therefore giving the sector more opportunities to have their say across a range of issues. There could be increased emphasis placed on the social enterprise sector in the networks with a Social Enterprise Board.