



**Unite response to the strategic review of Department of Health  
funding of third sector organisations**

**This response is submitted by Unite. Unite is the UK's largest trade union with 2 million members across the private, public and third sectors. The union's members work in a range of industries including manufacturing, financial services, print, media, construction, transport and local government, education, health and not for profit sectors.**

**Unite is the third largest trade union in the National Health Service and represents approximately 100,000 health sector workers. Unite has members in primary care, mental health and acute NHS Trusts. Unite is also the largest third sector trade union representing 60,000 workers in charities, professional bodies, housing associations and social care.**

**Unite welcomes the chance to respond to this consultation and would be willing to make further written and verbal submissions about any of the issues raised.**

**Executive Summary**

- **Unite welcomes this review as an opportunity to improve health service funding for the third sector but is concerned that its main aim is to strengthen the health service commissioning agenda.**

- Unite is strongly opposed to the Health Service commissioning agenda which seeks to transfer services and assets out of the public sector.
- Many third sector organisations are dependent on government funding and the prevalence of poor quality short-term funding is damaging both to the services they deliver and the terms and conditions of their staff.
- All government contracts and grants should have quality employment standards built into them, less bureaucracy and better systems of review and renewal.
- Claims about added value and innovation need to be substantiated by a proper audit and evidenced analysis of the role and benefits of third sector organisations working in health.
- Unite seeks clarity around many of the proposed changes in this review as they are vague and weak in evidence.

## **1. The Unite, case in detail**

**1.1** Unite is supportive in principle of the Department of Health's review of funding to third sector organisations. Many third sector organisations are dependent on government funding streams to continue to function. Unite members in the sector frequently report the negative impacts of poor funding mechanisms on terms and conditions, working practices, skills, staff retention and service delivery<sup>1</sup>.

**1.2** Much of this document is however vague and weak in details, thus obscuring what is being proposed in practice.

**1.3** Unite is therefore highly dubious about the motivation of this review as it appears to be reinforcing the Health Service commissioning agenda. This agenda is obsessed with a process of service and asset transfer from the public to the private/non profit sectors. Underlying this is a dogma that competition is the best way to improve services and a belief that public bodies are in some ways intrinsically worse at service delivery. This

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<sup>1</sup> 'Short Term Funding, Short Term Thinking' Amicus survey 2006  
<http://www.amicustheunion.org/default.aspx?page=2833>

ideological agenda underpins many of the reforms of the NHS with a process of commercialisation, fragmentation and privatisation taking place.

**1.4** Unite's position is clear<sup>2</sup>. This agenda is ideologically driven, lacking in evidence and disastrous for the National Health Service.

## **2. The Third Sector in Health**

**2.1** It is important not to over-simplify and generalise around the nature or benefit of the third sector to public services.

**2.2** The Audit Commission reports that "Government policies for the voluntary sector are based on the often-claimed assumption that the sector adds value. However, there is no evidence either for or against the argument that, at an aggregate level, voluntary organisations provide better or worse value for money in the provision of public services than either public or private sector providers. Even if such aggregate assessments were possible, we do not think they would be helpful. There is likely to be as much variation in cost and quality within each sector as there is between sectors."<sup>3</sup>

**2.3** In other words the third sector covers a vast number of different types of organisations and Unite believes that these roles should be properly audited and in the public domain.

## **3. Current situation**

**3.1** The Department of Health estimates that 35,000 third sector organisations currently provide health and/or social care in England and a further 1600 plan to do so in the next three to five years. The total funding for these services amounts to £12bn over the last year. This is

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<sup>2</sup> Amicus response to 'Health Reform in England: update and commissioning framework' [http://www.epolitix.com/NR/rdonlyres/30AD076C-5B1F-408F-861B-DB4FE56A9C80/0/AmicusResponsetoHealthReforminEngland\\_updateandcommissioningframework2.pdf](http://www.epolitix.com/NR/rdonlyres/30AD076C-5B1F-408F-861B-DB4FE56A9C80/0/AmicusResponsetoHealthReforminEngland_updateandcommissioningframework2.pdf)

<sup>3</sup> Audit Commission, 'Hearts and minds: commissioning from the voluntary sector', 2007 <http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=418C38AF-0D97-49dd-95D6-EE7E7BA43773>

approximately equivalent to 15% of the Government's budget for health and social care in England<sup>4</sup>.

**3.2** The aggregate cost of health care services provided by third sector organisations is £4.7bn pa, which equates to an average of £350,000 per organisation.

**3.3** Of those providing health and social care just over half of the organisations' funding comes from the public sector, although the public sector's share is higher for social care (62%) than health care (36%)<sup>5</sup>. It is also worth noting that just over half of funding for third sector-provided health care is generated through fees paid by service users (52%)<sup>6</sup>. In many cases these organisations are acting in conjunction with private sector organisations to lever them greater market access to healthcare delivery. Unite is strongly opposed to this and vehemently committed to the principle of universal free health care equally accessible to all.

**3.4** Advice (37%) is by far the most common health care service provided. Fifteen percent provide "alternative" medical care and 10% counselling. Nearly all day care providers receive public sector funding (98%), compared with only 20% of those providing "alternative" medical care.<sup>7</sup>

**3.5** These organisations are engaged in health care work with elderly people, people with mental health issues and disabilities. In terms of client needs, the most common group helped are those with physical disabilities/sensory impairment (32%), mental health issues (24%) and learning disabilities (23%)<sup>8</sup>.

**3.6** Unite has members in over 50 organisations receiving section 64 grants in 07-08. This review is therefore extremely important to them.

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<sup>4</sup> "Third Sector Market Mapping" Department of Health and IFF Research Ltd February 2007

<sup>5</sup> *ibid*

<sup>6</sup> *ibid*

<sup>7</sup> *ibid*

<sup>8</sup> *ibid.*

#### **4. Reinforcing the role of the third sector**

**4.1** Community and not for profit organisations have always had an important role in public services. The sector has been an important partner in highlighting gaps in services while advocating for and developing solutions to those gaps.

**4.2** In contrast the commissioning agenda has been about extending and changing that role rather than reinforcing it. Commissioning is about opening up markets of health care provision to these organisations and conditioning funding streams on the delivery of state contracts.

**4.3** This is leading to major changes in the nature of many of those organisations that depend on public money. Some have become so dependent on public funds that they could be defined as quangos or branches of government. At the same time public accountability for a service is outsourced and condensed into the legal wrangling of a contract taking vital resources away from front line delivery.

**4.4** Unite wants the third sector to be engaged to do what it does best - work in partnership with the public sector rather than being used to replace public sector delivery on the cheap<sup>9</sup>.

#### **5. Funding mechanism**

**5.1** Despite the Department of Health claim to be a 'centre of excellence' for third sector commissioning Unite members report similar problems with funding to those experienced from other departments.

**5.2** Unite welcomes the commitment to "full cost recovery" present in this document and the work that has been done to improve its delivery<sup>10</sup>. However members still report that funding is invariably short-term and

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<sup>9</sup> Amicus submission to the Public Administration Select Committee inquiry: Commissioning Public Services from the Third Sector. <http://www.epolitix.com/NR/rdonlyres/E3D440EF-4EE5-4431-81F4-9BFFDAA5016A/0/CommissioningPublicServicesfromtheThirdSector.pdf>

<sup>10</sup> [http://www.nao.org.uk/publications/nao\\_reports/06-07/third\\_sector\\_cost\\_recovery.pdf](http://www.nao.org.uk/publications/nao_reports/06-07/third_sector_cost_recovery.pdf)

bureaucratic and there are still concerns about the commitment to the principles contained in the Compact<sup>11</sup>.

**5.3** The result is a sector with some of the worst terms and conditions in the economy. Recent evidence shows that wages are 20% lower on average than the public and private sectors<sup>12</sup>. Job insecurity caused by funding pressures and short-term contracts means that staff turnover in the sector is unnecessarily high. The People Count survey found that on average one fifth (21%) of all employees in the sector left their jobs last year – the national average for all jobs is 16%<sup>13</sup>. As a result approximately 77% of voluntary and community sector organisations have experienced retention difficulties in the past years<sup>14</sup>.

**5.4** In addition, public and private sector spending on training and development is, on average, over 50% higher than the third sector. This has a major impact on skills in the sector.

**5.5** Much of these problems are felt further down the funding chain at PCT commissioning level where the Department of Health has less control and where PCTs are also struggling to maintain their services due to funding constraints imposed by the Treasury or servicing of serious deficits<sup>15</sup>.

**5.6** Unite believes that the Government has a duty to guarantee quality employment standards. Contracts and grants should therefore be extended beyond the Government minimum of three years with adequate warning for changes to the contract and a simple process of renewal for services that are working fine<sup>16</sup>.

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<sup>11</sup> NCVO Civil Society Almanac 2008

<http://www.ncvo-vol.org.uk/publications/publication.asp?id=6926>

<sup>12</sup> Croner Reward 2007

<sup>13</sup> People Count Survey

<sup>14</sup> *ibid.*

<sup>15</sup> Amicus Memorandum of Evidence to the Health Committee Inquiry into NHS Deficits

<http://www.epolitix.com/NR/rdonlyres/D873E677-055D-4F45-B0C8-93EA276C5813/0/MemorandumofEvidencetotheHealthCommittee.pdf>

<sup>16</sup> <http://www.amicustheunion.org/Default.aspx?page=5518>

## **6. Evaluation and evidence**

**6.1** Unite would stress that the running theme of much of the Government's work with the third sector is lack of evidence and information. Unite is extremely supportive of the establishment by the Office of the Third Sector of an evidence base centre to audit and analyse the useful contributions the sector can make.

**6.2** Unite suggests that the Department of Health collaborates strongly with this initiative and joins Unite in calling for some of that work to focus on improving the employment standards of the sector and good practice approaches to funding.

## **7. Value for money**

**7.1** The experience of Unite members is that "value for money" is often synonymous with "cheapest price." The third sector already has some of the worst terms and conditions in the UK economy and the pressure placed on organisations to justify both the cheapness of their service and the added value/quality of those services is making it worse. The result is a culture of long hours, unpaid overtime, inadequate pensions, poor staff training and development and related workplace health issues such as stress and bullying. In addition, Unite is increasingly seeing the private sector pushing into service areas traditionally delivered by the voluntary sector. This is especially true at PCT level.

**7.2** Unite believes that contracts and grants should have the basic terms and conditions of the delivery hardwired into them through social clauses. These terms and conditions should be equivalent to those working directly for the NHS to prevent the sector being used as a way to deliver services on the cheap and this should apply equally to all new employees to prevent the creation of a two tier workforce.

**7.3** It is also important to note that commissioning and sub-commissioning costs money especially when legal processes are used to

negotiate/renegotiate contracts. This further undermines concepts of value for money.

## **8. Innovation, excellence and service development**

**8.1** Developing innovation and excellence is an important part of any public service. However, there is no evidence that any particular sector is intrinsically better at developing innovation and excellence.

**8.2** Innovation and excellence are only possible with staff that are valued, respected, empowered and properly resourced to do their work. In some cases this means providing resources for experimentation and funding projects with the understanding that innovation has the potential to fail. It also means increased trust for staff and reducing bureaucracy that acts as a barrier.

**8.3** The third sector has a clear role here both in advocacy and development which should be funded through grants. It is, however, not a unique role to the sector and the same resources and flexibilities should also be available for public sector staff who wish to develop new ideas.

## **9. Service design**

**9.1** Unite supports a collaborative approach to service design whereby ALL organisations engaged with the service and service users are involved in mapping and developing that service. This would circumvent the damaging practice of competitive bidding that has undermined cooperation between organisations and partnership between sectors.

**9.2** Having said this without seeing the detail of the models being proposed it is difficult to assess what systems are being proposed.

## **10. Social Enterprise Investment Fund**

**10.1** Unite strongly opposes the creation of new social enterprise organisations for the express aim of outsourcing sections of the National

Health Service. There is a major distinction between bringing in organisations that have organically arisen from social need and government created social enterprises.

**10.2** There is no evidence or popular support for the establishment of so called “social enterprise pathfinder” projects. For example, Central Surrey Health (CSH) was the first major social enterprise established out of a PCT deciding to hive off a large chunk of its direct healthcare provision. A large amount of Department of Health support and resources were provided to establish and begin running CSH, and there were large expenditures on legal and consultancy costs in the run-up to its establishment. All 650 nursing staff were transferred over and received a 1p share each, officially making them ‘co-owners’. Yet, there was little staff consultation about the proposal and the potential impact upon services and their terms, conditions and pensions. A ballot of union staff members found 80% opposed being transferred out of the NHS.

**10.3** Unite members are extremely concerned that while there were guarantees agreed in term and conditions there are no safeguards for the future as CSH is no longer part of the NHS.

**10.4** Unite is strongly opposed to policies that cause the fragmentation of the NHS both in terms of its impact on service quality and the terms and conditions of NHS staff.

## **11. Strategic Partners**

**11.1** The concept of ‘strategic partners’ is a recurring theme of this consultation document however it is extremely unclear what it refers to.

**11.2** From the information available it can be assumed that the strategic partner model will reinforce the financial dominance of large public service delivery organisations to the exclusion of small organisations and also potentially develop a new layer of bureaucracy that takes resources away

from frontline delivery. It is however hard to evaluate these proposals without any details or examples.

**11.3** This appears to be another government initiative with no evidence base or justification. Unite would like to know which organisations are being proposed for such a role? What the role would be in practice? And what actual benefits this would deliver?

## **12. Volunteering**

**12.1** Unite is supportive in principle of greater volunteering as a positive feature of active citizenship and also believes that there are many roles for volunteering in health and social care. For example, supporting local sports initiatives or healthy lifestyles. However, volunteers should never be used to replace properly paid and trained professional staff.

**12.2** Again it is difficult to assess the merit of the proposed changes based on the information available in this consultation. Those organisations that do deliver volunteering projects need to be effectively resourced, well trained with clearly defined objectives and activities linked to their funding. Volunteers may not be paid but they do deserve good standards and conditions in their voluntary activities<sup>17</sup>.

**12.3** Unite would be resistant to any proposal that led to major job losses in the organisations currently delivering the Opportunities for Volunteering (OFV) scheme<sup>18</sup>. Changes to the way that funding is allocated also need to be consistent with the funding mechanisms described above.

## **13. Contracts vs Grants**

**13.1** Unite recognises and supports the fact that the current government has increased the amounts of money available to voluntary sector organisations and public services more widely. However, Unite members

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<sup>17</sup> <http://www.amicustheunion.org/Default.aspx?page=1408>

<sup>18</sup> [http://www.dh.gov.uk/en/Aboutus/HowDHworks/DHrecruitment/DH\\_4123259](http://www.dh.gov.uk/en/Aboutus/HowDHworks/DHrecruitment/DH_4123259)

are opposed to increased use of contracts as a mechanism to distribute that money as contracts can limit organisational flexibility and reduce scope for innovation.

**13.2** If the use of contracts is going to be increased they will need to have quality employment standards equivalent to those available in the NHS hardwired into them. As has already been said contracts should be long-term and cover the full cost of the contract.

#### **14. Coordination and management**

**14.1** Unite seeks greater clarification as to the proposals for a more centralised management and stronger coordination approach.

**14.2** On one hand the model seems welcome as it may circumvent some of the poor commissioning and outsourcing taking place at PCT level while reinforcing the use of the Compact and commitments to employment standards and full cost recovery. On the other it could risk undermining local arrangements, knowledge and understanding and squeezing out smaller organisations.

**14.3** To help improve decision making and strategic planning for the sector Unite believes there needs to be a properly audited and publicly available list of all contracts and grants right down to PCT level. Then an evidenced based analysis of the services being delivered can be produced. This will enable the sharing of good practice and highlight where the policies are falling down.

**18th March 2008**

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