The background features a dynamic, abstract graphic composed of several overlapping, curved bands in various shades of blue and orange. The bands flow from the top right towards the bottom left, creating a sense of movement and depth. The colors transition from a bright, light blue to a deep, dark blue, with a thin, vibrant orange line running through the middle of the bands.

CARING – AT WHAT COST?

Rebuilding and refinancing
the community and
voluntary sector

SUMMARY REPORT

INTRODUCTION

In recent years, successive Irish Governments have increasingly relied on community/voluntary sector organisations to deliver services and outcomes that matter to some of the most vulnerable individuals and communities in Ireland. However, the continued capacity of this sector to play a strong and progressive role in service delivery has been severely tested over the past eight years of recession. Sustained cutbacks in organisational funding have been accompanied by increased demand for assistance, from individuals and communities that find themselves under pressure as a result of the well documented social and economic crisis. Within these organisations employees are increasingly expected to do more, with less and for less. Frequently, personal motivation, commitment and energy make the difference between continued provision or the reduction or discontinuation of services.

The purpose of the research summarised in this document is to examine the role of community/voluntary sector organisations and those who work within them in public service provision during the period of the recent economic and social crisis. In particular, the research focuses on the experiences of organisations, frequently described as 'Section 39' organisations. In 2014 almost 1900 organisations were supported by Section 39 funding, though within this there were substantial differences in levels of funding, service provision and employment.

Section 39 of the 2004 Health Act titled, 'Assistance for certain bodies' directs that:

*'(1) The Executive may, subject to any directions given by the Minister under section 10 and on such terms and conditions as it sees fit to impose, give assistance to any person or body that provides or proposes to provide a service similar or **ancillary to a service** that the Executive may provide [emphasis added].'*

In this regard, the section is almost a direct replica of Section 65 of the Health Act 1953 .

Attention has been drawn to the lack of a definition of what the terms 'similar' or 'ancillary to' mean. It has been argued that the absence of a definition in the original Section 65 means there was no formal relationship established between health boards and voluntary organisations in legislation. Instead relationships were built on needs as set down in health policy or potentially to meet local or regional priorities. As a result, in practice, it has been suggested that the 1953 Act led to diverse interpretations by various health boards and lacked specific criteria for organisations applying for and in receipt of funding. This research suggests that there has continued to be inconsistency between sectors and regions in the application of approaches to funding under Section 39.

Provision for the funding of non-statutory bodies is also made in Section 38 of the same 2004 Health Act. For clarity, Section 38 states that:

*'(1) The Executive may, subject to its available resources and any directions issued by the Minister under section 10, enter, on such terms and conditions as it considers appropriate, into an arrangement with a person for the provision of a health or personal social service by that person **on behalf of the Executive** [emphasis added].'*

Again, the origins of Section 38 can again be traced historically to earlier legislation, Section 26 of the Health Act, 1970 which in turn had repealed Section 10 of the Health Act 1953¹.

So, what is the difference between Section 39 and Section 38? In reality, when they are looked at side by side the distinction between the two seems somewhat vague and supports arguments to modernise the model of funding for community/voluntary sector organisations involved in service delivery. However, a key distinction is that employees of agencies that are funded under Section 38 of the Health Act 2004 are classified as public servants whereas those funded under Section 39 are not, despite in some cases providing comparable services.

The purpose of this short document is to provide a summary of the main research report. As such it:

- Describes what Section 39 involves
- Presents an outline of the main findings of the research and
- Offers a series of conclusions and recommendations.

¹ Health Act 1953 <http://www.irishstatutebook.ie/1953/en/act/pub/0026/index.html>

WHAT THE RESEARCH SHOWS

In this part of the summary, some of main findings of the report are presented. It first outlines how the research was undertaken before going on to highlight some of main issues raised in relation to the provision of Section 39 funding.

How the research was carried out

This research was carried out by:

- i. Undertaking an online survey amongst a sample of Section 39 funded organisations that employed at least 10-15 staff².
- ii. Carrying out interviews with senior staff in ten organisations drawn from this sample³.
- iii. Conducting a second online survey amongst members of IMPACT working within the health and welfare sector, though not exclusively within Section 39 funded organisations⁴. A focus group with IMPACT members was also held and was attended by 15 people.

Main issues emerging

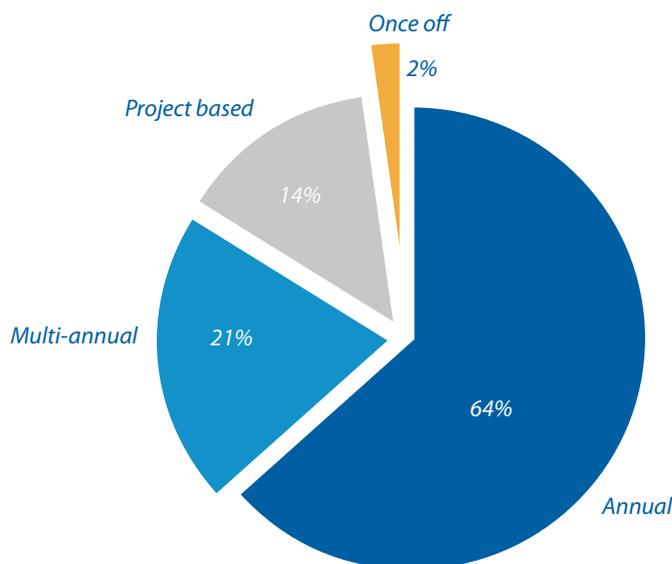
Issues of funding

The significance of Section 39 as a funding source was demonstrated by the research. Almost 60% of organisations who undertook the survey identified Section 39 funding as their primary source of income. Indeed for almost one quarter of the organisations surveyed it represents between 75-100% of their total revenue and for another quarter, between half and three quarters of total income. For only 25% of organisations did Section 39 funding represent less than one quarter of overall organisational income

For almost two thirds of the surveyed organisations, Section 39 funding is provided on an annual basis, with only 20% of organisations receiving multi-annual funding. This inevitably inhibits planning and potentially creates uncertainty for staff. Speaking about how government departments and agencies operate, one CEO commented:

“They cannot look beyond the next budget, that’s the reality of it; and you can’t blame the state bodies, it’s the political system that we deal within here the moment. But is it right? No, it’s a lousy way to plan anything”.

FIGURE 1:
funding
timescales



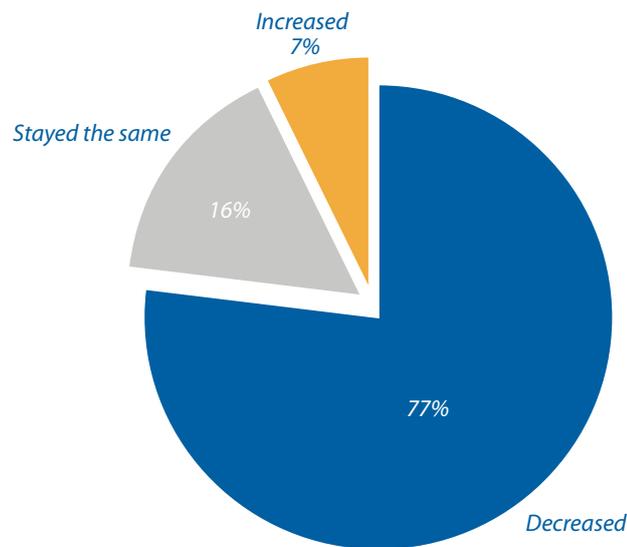
2 The online survey of Section 39 funded organisations was sent to 154 CEOs or other senior personnel. We received communication from five organisations to indicate that the survey was not relevant to their particular organisations due to the incidental nature of the funding provided. From the remaining 149 organisations, 56 undertook the online survey. However, nine of these were excluded as they were not sufficiently completed, leaving a response level of 47 i.e. 31.5%.

3 Requests for interviews were issued to 16 organisations from across the different categories and a total of 10 interviews were conducted.

4 This online survey was sent via IMPACT to approximately 800 people. 188 responses were received i.e. a response rate of 23.5%.

The vast majority of the organisations surveyed, over 77%, experienced a reduction in the level of Section 39 funding, despite clear evidence that the demand on their service has increased. Organisations are doing more, for less and with less, though there seems to be little consistency in the level of reductions with organisations reporting cuts of between 2% and 25%.

FIGURE 2:
changes to
Section 39
funding

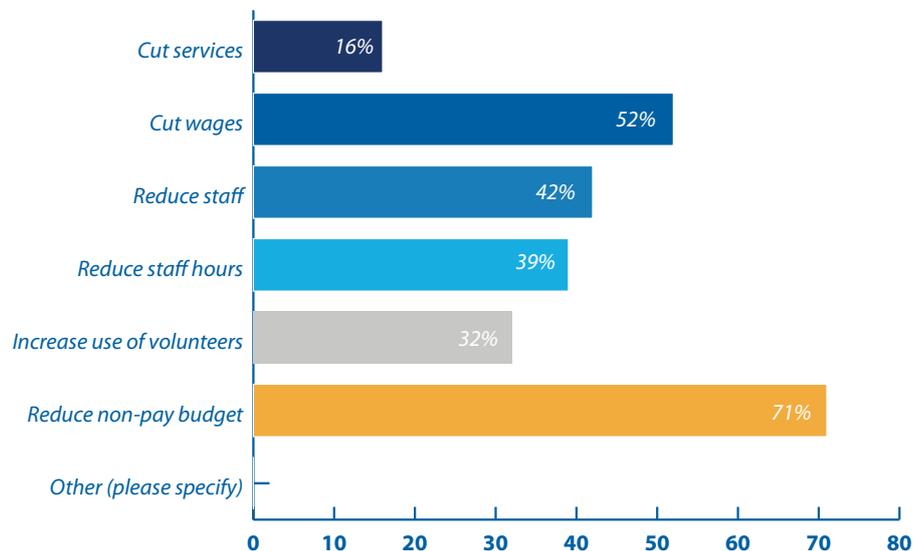


Beyond the immediately visible cuts in funding it was also suggested by another CEO that hidden cuts have been introduced, mainly in the form of delayed payments:

“Cutbacks are one thing but trying to get money physically out of them is another. This is one of the other cutbacks. Everybody says they are paying you, nobody is saying the payment terms have changed in any shape or form. But certainly if you talk to any of the organisations dealing with the [funder] they will tell you that it is more significantly difficult to get paid”.

The primary responses of the majority of organisations have been to attempt to cut non pay costs (71%) and to cut wages (52%). Many organisations however have pointed to the impact of this on staff and have questioned the sustainability of continuing to do more with less.

FIGURE 3:
primary
response to
service cuts



“It has been hugely stressful for staff [...] They have been magnificent. They have shown a corporate citizenship which is unbelievable. I am absolutely in awe of the sacrifices they have made to keep the show on the road”.

“... in some ways we have done more with less but it has been at a price and that is not sustainable and it is not fair to the staff or the clients. The staff can do it for a while but then you cannot work like that all the time”.

Organisations were asked whether they anticipated having to make further cutbacks over the next 2-3 years. Of the responses received a little more than half (52%) felt this was unlikely while the remainder felt that further cut backs would be needed. When asked to identify where such cuts might be made, staff (32%) and services (32%)

were the primary options, suggesting that the efforts to protect services within in many organisations were unlikely to be sustainable into the future. However, for some organisations, further cuts would be terminal, with one suggesting that “the organisation will probably close due to lack of resources”. Another commented on the emergence of fresh challenges:

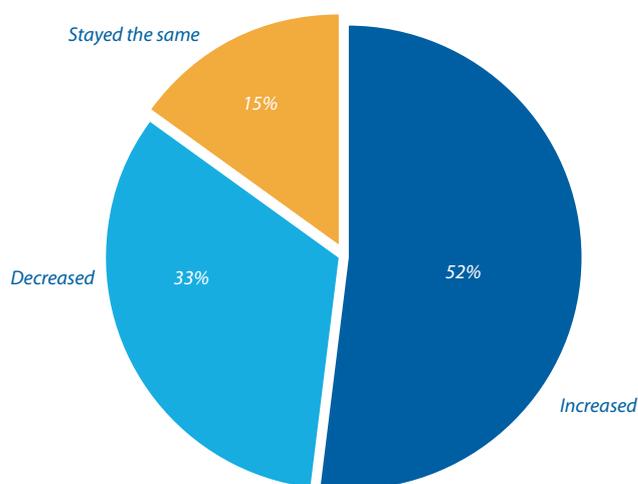
“We have managed to survive just about but there has been no end-of-recession dividend to us, by any means. This year, for the first time in 8 years, we have not had a cut but we have not had an increase. So if we do emerge, I would say the next year or two will probably be the most challenging because a lot of our philanthropy that was there has gone now. The two major philanthropic organisations that were responsible for 80% of all philanthropy are finished and both supported us”.

The impact of cuts on service delivery

It might have been expected that in a situation of reduced funding most community/voluntary organisations would have had to reduce services. However, the opposite is the case, with a majority (52%) of organisations actually increasing their level of service provision.

Meanwhile a little over 15% of organisations have maintained their level of services and while only one third have had to reduce them. One organisation that was forced to cut services commented that “all services have been severely affected and the decision to cut funding will cost the Irish tax payer significantly more in the long run”.

FIGURE 4:
changes in
service
delivery



Many are concerned about quality and the ability to sustain services with increasingly stretched staff:

“The level of services we would be offering would be significantly greater from the same cohort or a smaller cohort of people than was the case... caseloads have increased significantly in the last couple of years. We are spreading ourselves significantly thinner than we would necessarily want or to like to be – more than we think is good for the customer... I don't think it is sustainable in the long run”.

However, looking to the future, virtually all interviewees commented that more fundamental issues about service design and delivery exist, captured in the view of one long standing CEO:

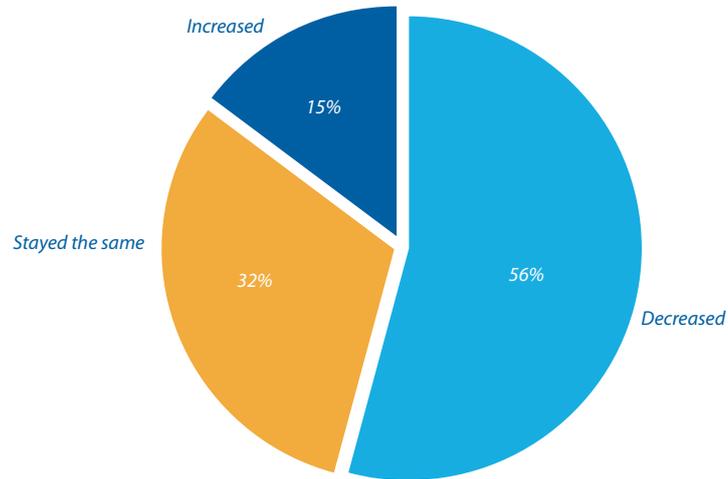
“The policies are all right, we don't need any more policies. What we need is for people not to be practising against them. I think Ireland has to start asking itself what its ambition is in relation to public service. What standard of public services we want. Then you design for that and then you start working out how you fund it”.

The impact of cuts on those who deliver services

The continued and indeed expanded delivery of services during a period of sustained funding reduction is clearly dependent on the commitment of staff within the range of Section 39 funded organisations. Clearly, organisational capacity to generate income has a direct impact on their ability to attract, engage and retain staff.

In the majority of organisations – over 56% – the number of staff employed has decreased. However, in a smaller number of organisations, approximately 14%, the numbers employed have actually increased. In certain cases it should be noted that where new staff have been employed, they have done so on different and most likely poorer conditions than those previously employed.

FIGURE 5:
changes in
staffing
levels

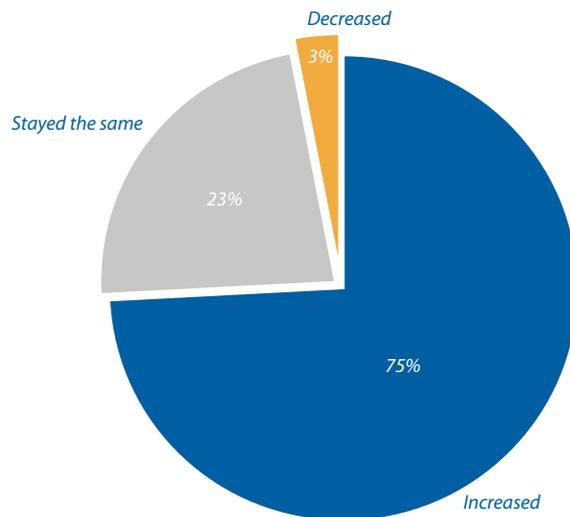


Maintaining staff over the past number of years has largely been a function of the availability of resources. However, as economic recovery takes hold and particularly as the terms and conditions of public sector workers improve, attention inevitably turns to the position of those in Section 39 funded organisations who do not enjoy an automatic entitlement to pay restoration and a return of long frozen increments or some other mode of salary progression. In the view of one CEO:

"I think is going to create some real problems for organisations for sure – everybody understands the principles of taking cuts, salary freezes, when everybody is doing the same. But once you start bringing in an element of competition, an element of some people getting and others not! If money is being doled out to civil servants and others we are going to have a real issue. We are going to struggle to come up with monies to pay that based upon the current situation as it stands".

Unsurprisingly, perhaps, 75% of respondents indicated that their workload has increased in recent years. When asked to identify the reasons for this increase, 25% of responses referenced increased administration; 30% cited increased demand for client services, while 33% identified the reduction in staff as the primary reason for the increase in their workload.

FIGURE 6:
increase in
workload

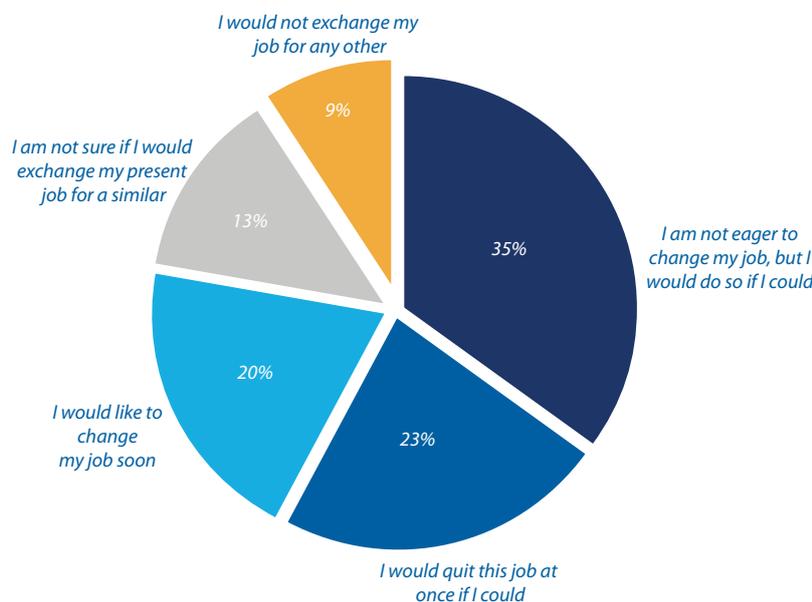


Inevitably, increased workload leads to at least some level of increased stress with one senior manager arguing that levels of stress amongst staff have increased leaving to higher levels of stress related sick leave:

"What I will say to you is that in the last couple of years I certainly could say that I have more people out on stress than I had previously. My figures bear that out".

Employees were also asked about their feelings in relation to changing their current job. It is perhaps worrying for organisations in the health and welfare sector to note that 43% of respondents indicated that they would either change their current job at once if it were possible (23%) or would do so soon (20%). A further 35% indicated that while they are not eager to change jobs, they would do so if they received a better position. Only 9% of respondents revealed they would not exchange their current job for any other position. These figures indicate that as the economy improves community/voluntary organisations may find that their highly educated and experienced staff choose to pursue higher levels of career and salary satisfaction elsewhere and, in the process, reduce the capacity of organisations to maintain current levels of service delivery.

**FIGURE 7:
statement
about
changing
job**



Relationships with the state

A number of issues concerning relationships with the state were raised by those interviewed. In particular, there was a tendency for the relationships between the state and non-profit organisations to assume the characteristics of a private sector, marketised transaction, where the focus is solely on the efficient management of resources and the delivery of activities and outputs and much less so on the generation of outcomes and impacts in the lives of citizens. Such an approach is suggested in the comments of one CEO:

“9 times out of 10 if you are being asked questions and there is an interest being shown it will be with a view to saving money in some shape or form. It won't be with a view to providing a better service. If that was the motivation that was driving this communication process I think everybody would be much more open to it and it would be much more positive”.

Indeed, a number of interviewees observed that the HSE sometimes does not appear to be engaged with them in considering the outcomes produced for service users:

“I'm not sure they're all that interested in what's being done. I think you're lucky in some regions if you have someone who has knowledge... But there would be some regions where it would be purely administration. And they would hang you up on the wall for the slightest discrepancy”.

“It's a question in some ways of the HSE understanding. They don't take the time. We have service level agreements but they don't really understand... They don't understand what we do in the general sense; they don't understand what community work is about, they have no concept of what working in the community is. The question is do they value it?”

It is also suggested that this may be compounded by a poor attitude and understanding about what the role of the community/voluntary sector is:

“There is very little respect or understanding of the work we do in the sector. If I could do anything it would be to train civil servants in understanding what we do. Because I think what they think is we are some pile of 'yoikes' out there who do not understand anything about anything and have no skills or training. Much in the way people who are on social welfare are framed as scabbing off the state. I think the community/voluntary sector is viewed as scabbing off the state without giving anything back”.

However, for some, the experience has been more positive:

“In reality, in most cases, we actually work in partnership. We have developed a very good working relationship particularly with TUSLA and the HSE, where we have a very close working relationship, where we would take referrals from and refer back”.

The elements of a more effective relationship were described by one Community Development organisation:

“In our situation we have strong relationships with key individuals – that's even within finance! We find them good to work with because they actually listen to us and they see the reality on the ground. They understand the frontline issues. As a result they have maintained an ability to keep good standards and be flexible at the same time”.

From this, it is suggested that relationships with officials, including those in financial management, roles are important. Moreover, a capacity to listen and understand the reality of a situation, the frontline issues, is needed. Equally, an absence of flexibility impedes the achievement of results and inhibits constructive sharing of expertise.

CONCLUSIONS AND RECOMMENDATIONS

In this part of summary report, twenty immediate conclusions, arising from the research are presented along with a number of targeted recommendations. The conclusions and recommendations are informed by an examination of the historical origins of Section 39 funding and by the detailed research findings described in the next section. These conclusions and recommendations address some immediate realities; the broader funding and operational environment and some issues of relationships between the community/voluntary sector and the state.

Immediate realities

There have been a number of direct and immediate realities for Section 39 funded organisations and those who work within them.

1. Despite a sustained period of funding cuts community/voluntary sector organisations have continued to provide essential services at a highly professional level. In fact, as this research demonstrates, they have actually increased the level of service delivery, albeit with concerns about the ability to keep doing so and maintain quality. Crucially, they have done so at a time when demand for their services, in no small part due to the recession, has increased and intensified. While these cuts may be coming to an end, there is no guarantee that funding will be restored to the level needed to meet on-going demands.
2. It has to be remembered that these organisations are providing vital services to citizens who otherwise would not receive that service. Moreover, the services are not 'ancillary' or similar to HSE services, they are provided in place of state services, on behalf of the state. As such, funding is not provided as a 'favour' to the receiving organisation, it is provided to meet the needs of citizens.
3. It is incontrovertible staff have carried the burden of maintaining service delivery over a sustained period of time. They have experienced wages cuts and wage freezes. Some have experienced cuts in hours worked; others have had to take on extra work for the same or reduced pay while many have had to take unpaid leave. This is despite having started off relatively poorer terms and conditions, including shorter holidays and lower mileage rates, by comparison with their colleagues in the public sector, and indeed, colleagues in comparable Section 38 funded organisations.
4. This research also shows that those who work in this sector are a highly educated group which bring a strong level of personal commitment and conviction to their jobs. However, dedicated as they may be, the research also suggests that as the economy recovers and as pay and conditions are restored in the public sector and other comparable non-profit organisations, the pressure and moral obligation to look to the needs of those in Section 39 funded organisations increases. Indeed, if this is not addressed there is concern that organisations will find it difficult to retain staff.
5. The research also concludes that as a result of the cuts in funding, some organisations have become more streamlined and have reduced operating costs. Virtually all of the organisations have pursued rent reductions, utility savings, technology enhanced services, to name but a few. However, indications are that the limit to such savings has been reached.
6. Alongside cuts in state funding supports, virtually all organisations have experienced severe pressures on direct fund raising. This is in part due to the impact of the recession, to the over use of some fund raising routes, especially retail outlets, but is also as a result of the negative publicity surrounding a small number of registered charities.
7. Many organisations report actual and planned collaboration with related organisations. However, none report full mergers or plans for merger. Moreover, they question the somewhat simplistic and naïve commentary about collaboration and point to the funder led culture of competitiveness that ultimately undermines collaboration and co-operation.

Recommendations

To address these immediate realities, a number of recommendations are made:

- Levels of funding for organisations currently funded under Section 39 should be gradually restored to enable sustainable delivery of services and to ensure that staff are not lost from community/voluntary sector organisations. Organisations cannot continue to do more with less without a knock on impact on services and on the staff to deliver them.
- A priority for increased funding must be a restoration of pay and conditions for staff in Section 39 organisations – without additional productivity demands. As is evident in this report, staff in Section 39 organisations played their part in maintaining and increasing services for vulnerable people while at the same time worked longer and for less pay. This contribution needs to be recognised.
- Staff in Section 39 funded organisations should progress onto scales comparable with public service and Section 38 funded counterparts. To ensure consistency, the same principle should apply across all state funding sources.
- In some cases, in order to address evident disparities between organisations of comparable size and function, re-designation as Section 38 funded organisations may be relevant in the short term for organisations with service level agreements and annual funding of at least €250,000.
- Ultimately, however, Section 39 should be replaced with group and sector specific funding mechanisms as described in the recommendations below on the broader funding and operational environment.
- Where closer collaboration and/or mergers between similar community/voluntary sector organisations is an option and where it can be shown that it will save resources, the state should provide a funding mechanism to facilitate such collaboration or mergers. However, these should be voluntary and based on evidence that collaboration will produce both value for money and outcomes that are of public value.

The broader funding and operational environment

8. Beyond the immediate realities of dealing with a harsh funding environment, this research has highlighted that the broader operational environment, including the actual funding mechanism under examination, Section 39 of the 2004 Health Act, is in itself an inappropriate vehicle to enable sustainable funding of vital public services.
9. Section 39 is a carry-over from the 1953 Health Act and its articulation has changed little since its initial writing. However, this and indeed other research shows that it is ill suited to the realities of community/voluntary sector organisations in 2015. In particular, continued description of the services provided by many Section 39 funded organisations as ‘ancillary’ diminishes both the users of those services and the organisations that provide them.
10. At present, Section 39 currently funds almost 1900 organisations, of various shapes, sizes and interests. The mechanism shows itself to be fragmented and devoid of any unifying rationale.
11. Moreover, cuts have been experienced differentially within funding organisations. For some they have been very extreme, for others, less so. There appears to be a worrying level of inconsistency in administrative procedures and decision making processes across sectors and regions and between different health offices. For example, in one region, expenditure on pensions is allowed, in another it isn’t. Inconsistency breeds lack of confidence in the mechanism and the absence of confidence was evident amongst those contributing to this research.
12. Section 39 also demonstrates a continued heavy reliance on annualised as opposed to multi annual funding, the latter being necessary to enable organisations to efficiently plan and implement and to ensure that staff can feel secure in their employment.
13. More significantly however, Section 39 exists alongside Section 38 of the 2004 Health Act, also designed to fund non statutory bodies. On paper, the two are difficult to distinguish. In practice, they often fund organisations of comparable size and function and the reasons why some organisations are funded under Section 38 and others under Section 39 are not clear or transparent, even to some HSE officials.
14. Perhaps even more significantly, in the context of this research, staff in Section 38 organisations are treated as public servants (and counted as such) whereas staff in Section 39 funded organisations are not. As a result, those in Section 38 funded organisations enjoy the full benefits of public service employment, including imminent restoration of at least some element of pay and other conditions.

15. Questions also arise about the suitability of the HSE as a location to situate a funding stream for key non acute services, some of which can only fit within a very broadly defined understanding of health. Such funding may find itself squeezed by the high profile and ever expanding demands of acute provision.
16. Finally, though not only an issue for Section 39 funding, this research has demonstrated that organisations face an increasingly complex funding and governance environment, dealing with multiple funding sources as well as multiple and diverse accountability demands. However, simultaneously, funders seek to prioritise support for frontline service outputs while failing to recognise the necessity to resource high quality, back office supports.

Recommendations

To address these issues a number of recommendations are offered:

- Community/voluntary organisations, especially those funded under Section 39 cannot be used as a lower cost alternative of delivering public services, relying on continuing high levels of staff motivation and commitment and an increasing reliance on volunteers. To address this concern a longer term, sustainable model of funding needs to be developed. Key elements of this include:
 - Shock proofing – to ensure that levels of funding do not fluctuate at unreasonable rates
 - Multi annual funding – to enable meaningful strategic planning and employee security
 - Provision for funding for core operations as well as service delivery – so as to meet expanding governance requirements
 - National level funding for national organisations – to enable economies of scale and to eliminate unnecessary administration
 - Consideration, in instances of funding from multiple government sources, of a single funding channel – to avoid organisations having to deal with multiple, competing and sometimes contradictory reporting and governance demands
 - Ensuring full cost recovery – so that organisations are paid the full cost of the service delivered
 - Consideration of the best location for on-going funding of community/voluntary organisations involved in service delivery – possible relocation away from the HSE to the Department of Health and/or other lead departments may be a more effective way to strengthen policy linkages
 - Creating and funding an outcomes oriented evaluation framework and evaluation capacity – so as to move away from a more narrow focus on counting inputs
- Ultimately however, the shape of a new stream should result from a facilitated, deliberative process comprising Section 39 funded organisations, relevant Trade Unions and state bodies. This process should be guided more by an accountability regime based on achieving best outcomes for service users and less by more narrow, technical and financially based accountability, though clearly the latter does have a role.
- Finally, where contracting out and competitive tendering continues to be a vehicle for the provision of services by community/voluntary organisations, more detailed considerations of best practice in commissioning and contracting approaches needs to be undertaken. In this regard the principles and critiques of the UK ‘Intelligent Commissioning’ process should be explored.

Issues of state-civil society relations

The broader environment facing community/voluntary organisations and their relationship with the state also needs to be considered.

17. The increased and some would say ideologically oriented drive towards contracting out has the potential to undermine the broader, democratic functions of community/voluntary organisations in Ireland. Given their community base, Section 39 funded organisations in particular occupy a dual role, providing a vehicle for voice, citizen engagement and the nurturing of social capital, alongside their role as partners with the state in the design and delivery of essential public services.

18. However, the system of public administration, in Ireland and elsewhere, frequently finds this dual role approach difficult to deal with. Instead, the default position seems to be to resort to a bureaucratic, technocratic, output based approach rather than combining this with an appreciation of the need for a parallel democratic, outcomes oriented approach, including a stronger respect for the value of robust advocacy.
19. The essence of the neo liberal New Public Management approach fosters this default position and has been inadequately informed by other competing Public Value approaches.
20. Some of these issues were addressed in the 2000 White Paper on Voluntary Activity. However, this exercise was led by civil servants and despite producing a challenging framework; it struggled to gain wider political and administrative traction.

Recommendations:

To address these issues a number of recommendations are offered:

- Relationships between the state and community/voluntary organisations that play a dual role need to be recast and reconsidered and government departments and agencies should be facilitated to develop a greater appreciation of it. The development of bespoke training programmes for public servants and the creation of frontline placement opportunities within community/voluntary organisations are some of the ways to facilitate this.
- Engagement between the state and civil society (including the community/voluntary sector) is fundamentally a democratic process. There is a strong argument to be made for the creation of a new Dáil committee on state-civil society relations, to enable dialogue and engagement that goes beyond the types of financial/governance accountability pursued in existing committees.

5 See https://thcvs.org.uk/sites/default/files/Really-intelligent-commissioning_2_0.pdf for a comprehensive description and critique of 'Intelligent Commissioning'.

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IMPACT