

The Price of Complacency

Martin Narey

[Barnardo's](#)

*Published in The Guardian
Wednesday December 5, 2007*

Voluntary organisations risk being sidelined by the private sector unless they can show the public that their money is well spent.

Martin Narey: "Why am I required to treat my staff in Barnardo's in a way that I would not have dreamed of treating my staff in the public sector?"

The voluntary sector is thriving and vital, but we have major challenges ahead. Four areas we need to address are: funding and short-term contracts; competition; the distance we have to travel to prove our effectiveness; and the way we spend the money the public give us.

Let me start with funding. You know the issues: contracts that are all too frequently short term, funding that is withdrawn at short notice, the insanity of multiple funding streams. Sometimes I feel that because the sector has had to cope with this for so long, and because, incredibly, we mostly do cope with it, we are almost resigned to it. Where's the anger here?

In one of the Barnardo's regions, we have 454 staff working on public sector contracts. I am confident that about 290 of them will be funded beyond April, but for 112, the future is uncertain. And for 51, it is unlikely that their work will be funded in just four months' time.

Redundant staff

Across the UK, this year and every year, we shall have to start the process of making staff redundant if their work is brought to a halt. Why am I required to treat my staff in Barnardo's in a way that I would not have dreamed of treating my staff in the public sector?

At the recent Youth Justice Convention, David Hanson, the youth justice minister, was quick to reassure public servants working in youth offending teams about the continuation of their funding beyond March. Well, my staff have mortgages too, and too many of them don't know whether they can pay them in April.

It simply doesn't need to be like this. Last week, I opened a family centre in Brent, north London. Working alongside the local authority, and with the generous help of the Freeman Family Trust, we have built a state-of-the-art centre on land owned by the council and given to us at a peppercorn rent. In return, we have a contract to run the centre not for 12 months, or three years, but for 20 years. And I know that, as a result, Brent will obtain more effective - including more cost effective - support for families in crisis.

Turning to competition, the sector seems at times to be naive. I'm a fan of competition. When I was at the Home Office, I was proud to open 10 of our 11 private prisons. Alternative providers - in this instance, all from the private sector - ran good, decent, affordable prisons. But competition also cranked up performance and cost effectiveness in the public sector, as they responded to the threat from outside.

So, inconvenient as it may be, we cannot complain about competition when the beneficiaries are the public. Most of us are at least resigned to the reality of competition. But I'm not sure, as a sector, that we are prepared for competition with the private sector. We need to be.

I reject any proposition that the private sector cannot deliver services for the public with passion and effectiveness. There are many private companies making a success of public service delivery. Look at fostering - core work for organisations such as mine, but now more frequently provided by private companies which, as far as I can see, offer high levels of support, good training for foster parents, and childcare standards comparable with any voluntary sector provider.

But I still hear too many colleagues questioning the very propriety of the private sector delivering work that is largely our preserve. There is sometimes something approaching a moral superiority and a self-deluding insistence that because we work in not-for-profit organisations, we will be protected from the price-competitive vulgarity of the private sector.

In future, unless we in this sector drive down our overhead costs, we shall lose out to private sector providers who can function with breathtakingly low overheads and, even after turning a profit, will be able to undercut us.

Price isn't everything. When it comes to demonstrating effectiveness, we are a long way behind the private and public sectors. As the Audit Commission concluded this year: "There is very little evidence, at either national or local level, on the performance and value for money secured from voluntary sector providers."

I often hear it said that we excel at innovation, rather than effectiveness. Innovation is important, but, in my experience, it is often a smokescreen, an excuse not to demonstrate an ability to be effective.

It is inconceivable that we can continue to get away with this. One of my priorities at Barnardo's is to ensure that, by the beginning of next year,

90% of each of our 400 projects around the UK has measurable outcomes in place - outcomes that measure how many children we help and the effect of that help, outcomes that we shall seek to improve year on year.

We need to demonstrate our effectiveness to the local authorities and others with whom we contract, and demonstrate to donors, both individuals and corporates, why they should give to us. We get money as a result of breathtaking but sometimes indiscriminating generosity. I am proud of Barnardo's work, but few of our donors ask to see evidence of their investment making a difference. It's assumed that, because we're a charity, donations will be put to effective use. That can't always be the case in any charity, and it certainly hasn't been with Barnardo's. So I welcome moves toward independent audit of our relative effectiveness.

We need greater transparency about how we spend our money - how much goes on services, and how much is absorbed by organisational costs. In particular, we need a serious debate about advertising. It may be that charity advertising expands the amount of money that is donated to us, but I'm not sure we can prove that, and I doubt it is true. What we do know is that the amount of money the top charities spend on advertising has grown markedly in recent years. The top 20 charity spenders on advertising invested £21m in 1999 and last year spent £49m, an increase of 129%. And these sums may increase.

Real danger

At Barnardo's, we have, traditionally, spent relatively smaller sums on advertising, but I doubt that we can allow that to continue. The danger of us losing financial support to other charities who spend more than us is very real, and we shall probably have to increase our advertising spend next year. But what would the public think? This is not an attack on advertising. Charities are businesses and, like supermarkets, we need brand awareness. I know that, despite our history, the brand awareness of Barnardo's has fallen behind that of another children's charity, which spends much more than us on advertising. What am I to do? Accept that, or invest more to try to catch up?

I'm not sure that the comforting economic model in which we have prospered for so long is sustainable. Gaining large sums of money from donors, with little or no monitoring of the effectiveness with which the money is spent, is going to become a thing of the past.

The successful charities of the next decade will be those that can drive down central costs, make their services competitive on price so that the private sector struggles to undercut them, and demonstrate their effectiveness to a public who, more than ever before, are going to act as customers and demand something in return for their generosity.

Martin Narey is chief executive of Barnardo's. This article is adapted from a speech made to the Association of Chief Executives of Voluntary Organisations annual conference last week.